Supporting Statement

A. Justification:

1. This information collection is necessary to address the conditional forbearance relief granted by the Federal Communications Commission (FCC) upon the request of the United States Telecom Association (USTelecom), which represents a variety of large and small service providers and suppliers for the telecommunications industry.

On February 17, 2012, USTelecom filed a petition seeking forbearance from seventeen categories of FCC rules.[1] USTelecom argued that these rules are outdated and unnecessary legacy regulations.

On May 14, 2012, the FCC released an order which granted the forbearance relief request by USTelecom to the full extent supported by the record.[2] The FCC granted forbearance in some cases, and denied it in others, but in several instances where the FCC could not forbear from a requirement completely, it reduced burdens by granting partial or conditional forbearance. Conditional forbearance allows carriers to choose between following existing rules or meeting the conditions. We think most carriers will take advantage of conditional forbearance because the cost saving or reductions in hour burdens will outweigh any burdens associated with the conditions.

For the following categories of rules the FCC granted conditional forbearance.

a) Cost Assignment Rules: (47 C.F.R. §§ 32.23, 32.27(a)-(e), 32.5280(b)-(c), 36.1-36.2, 36.3(a)-(d), 36.101-36.102, 36.111, 36.112(a), 36.121-36.124, 36.125(a), (b), (g)-(j), 36.126, 36.141-36.142, 36.151-36.153, 36.154(a)-(c) and (e)-(g), 36.155-157, 36.161-36.162, 36.171, 36.172(a) and (b), 36.181-36.182, 36.191, 36.201-2, 36.211-36.216, 36.221-36.225, 36.301-36.302, 36.310-36.311, 36.321, 36.331, 36.341, 36.351-36.354, 36.361, 36.371-36.382, 36.391-36.392, 36.411-36.412, 36.421, 36.501-36.507; Appendix to Title 47 Part 36; 47 C.F.R. §§ 64.901-64.904, 65.600, 69.301-69.306, 69.307(a), (b), (d); 69.309-69.310, 69.401-69.409, 69.411-69.414, 47 U.S.C. § 220(a)(2) (limited to the extent that this provision contemplates separate accounting of nonregulated costs)).

(1) These rules generally require carriers to assign costs to build and maintain the network and revenues from services provided to specific categories.

(2) USTelecom requested forbearance from these rules for all price cap carriers substantially the same as that already granted by the FCC to AT&T, Qwest, and Verizon.

[1] Petition of USTelecom for Forbearance Pursuant to 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations, WC Docket No. 12-61 (filed Feb. 16, 2012) (USTelecom Petition).

[2] Petition of USTelecom for Forbearance Pursuant to 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations, WC Docket No. 12-61, Order, 28 FCC Rcd 1077 (Wireline Comp. Bur. 2013) (USTelecom Order).

(3) The FCC granted price cap carriers forbearance from the Cost Assignment Rules similar to the conditional forbearance it previously granted. To receive forbearance relief carriers must:

(a) continue to comply with the Part 32 Uniform System of Accounts rules and provide Part 32 data to the FCC upon its request;

(b) file access imputation plans similar if an independent price cap carrier plans to provide in-region long distance service without a separate affiliate;

(c) certify annually that it has complied with section 254(k) of the Act and maintain and provide any requested cost accounting information necessary to prove such compliance; and

(d) file compliance plans, subject to approval by the FCC's Wireline Competition Bureau, describing how the carriers will continue to fulfill their statutory and regulatory obligations, including meeting the conditions outlined above. Following these conditions will allow carriers to be relieved of many of the information collections contained in 3060-0370 and 3060-0355.

b) Property Record Rules: (47 C.F.R §§ 32.2000(e) and (f)) These rules require carriers to maintain certain property records. USTelecom sought forbearance for price cap carriers from these rules.

(1) The FCC granted USTelecom's request conditioned on a carrier demonstrating in a compliance plan, approved by the FCC's Wireline Competition Bureau:

(a) how it will maintain the records necessary to track substantial assets and investment in an accurate,

(b) auditable manner that enables the carriers to verify account balances in their Part 32 Uniform System of Accounts,

(c) make such property information available to the FCC upon request, and

(d) (d) ensure maintenance of such data.

(2 This provides carriers with an opportunity to demonstrate precisely how GAAP-compliant financial accounting would be available to provide such records, and will enable carriers to propose in their compliance plans what property constitutes substantial assets and investment and what does not for purposes of keeping records, verifying the accuracy of their Part 32 accounts, and complying with GAAP.

(3) To the extent that carriers propose to rely on requirements in the FCPA, Sarbanes-Oxley, or other accounting requirements, carriers must identify in their plans what

specific rules and requirements they propose to replace which specific requirements in section 32.2000(e) and (f). Following these conditions will allow carriers to be relieved of the information collections contained in 3060-0370.

c) **Automated Reporting Management Information System (ARMIS) Report 43-01**: (47 C.F.R § 43.21(e)(2)) Under this requirement, carriers that meet a set revenue threshold must annually file with the FCC detailed financial and demand data.

(1) USTelecom requested forbearance for all carriers from this requirement.

(2) The FCC granted forbearance relief subject to conditions. To meet these conditions, a carrier must receive FCC approval of a compliance plan and each carrier's (in states that do not certify that they regulate pole attachments) continued annual public filing with the FCC of pole attachment cost data. The compliance plan must contain proposed procedures to ensure continued compliance with sections 47 U.S.C §§ 272(e)(3); 254(k) and a description of the carrier's imputation methodology.

(3) If a carrier obtains relief from the Cost Assignment Rules, the carrier must also:

(a) certify that it will comply with 47 U.S.C § 254(k) and will provide any requested cost accounting information necessary to prove such compliance;

(b) submit a proposal for how the carrier will maintain its accounting procedures and data; and

(c) an explanation of the transition process to move toward the procedures outlined in the compliance plan. Following these conditions will allow carriers to be relieved of the many of the information collections contained in 3060 –0512.

d) **Structural Separation Requirements for Independent ILECs**: (47 C.F.R § 64.1903) Under this requirement, independent ILECs that provide long distance service over their own facilities must do so through a separate affiliate.

(1) The separate affiliate must maintain separate accounts, may not jointly own facilities, and purchase the independent ILEC's tariffed services.

(2) Independent ILECs that resell service may do so through a separate corporate division rather than a separate affiliate.

(3) USTelecom requested forbearance for all independent ILECs.

(3) The FCC only granted forbearance relief for price cap carriers and subject to conditions.

(5) Price cap carriers seeking to take advantage of this relief must obtain Bureau approval of special access performance metrics.

(6) Price cap carries must also meet cost imputation requirements regarding the charges to access the phone network, including the submission of a plan for approval by the Bureau.

The Commission's statutory authority for the collection stems from several parts of the Communications Act of 1934, as amended (Act).

Section 10 of the Act, 47 U.S.C. § 160, requires the FCC to forbear from applying any statutory provision or regulation if it determines that:

(1) enforcement of the provision or regulation is not necessary to ensure that the telecommunications carrier's charges, practices, classifications, or regulations are just, reasonable, and not unjustly or unreasonably discriminatory;

(2) enforcement of the provision or regulation is not necessary to protect consumers; and

(3) forbearance from applying such provision or regulation is consistent with the public interest.

Section 201 of the Act, 47 U.S.C. § 201, requires the agency to ensure that rates, terms, and conditions for communications services are just and reasonable.

Section 202 of the Act, 47 U.S.C. § 202, prohibits unjust or unreasonable discrimination in "charges, practices, classifications, regulations, facilities, or services for or in connection with like communication service."

Section 218 of the Act, 47 U.S.C. § 218, requires the FCC to keep itself informed of the conduct of business of all carriers subject to Title II of the Act, and permits the FCC to obtain from carriers full and complete information necessary to enable the FCC to perform the duties and carry out the objects for which it was created. Thus, the FCC has broad authority under section 218 to obtain data from incumbent LECs.

Section 254(k) of the Act, 47 U.S.C. § 254(k), prohibits a telecommunications provider from using services that are not competitive to subsidize services that are subject to competition. The FCC has authority under section 254(k) to ensure that price cap carriers maintain and provide any requested cost accounting information necessary to prove compliance in the event of an administrative action, investigation, or audit.

Section 272(e)(3), 47 U.S.C.§ 272(e)(3), requires each BOC to charge its section 272 separate affiliates, or impute to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service. The FCC has authority under section 272(e)(3) to prohibit anticompetitive cross-subsidization.

Here, the FCC reconciles the mandates in section 201, 202, 218, 254(k), and 272(e)(3) with the forbearance requirement in section 10 by granting forbearance relief conditioned on certain requirements that will ensure forbearance is in the public interest.

This information collection does not affect individuals or households, and thus, there are no privacy impacts.

2. As described the carriers granted conditional forbearance can electronically file information the FCC will use to fulfill its statutory mandates.

a) Cost Assignment Rules:

(1) This information will ensure that price cap carriers maintain their accounting procedures and data in a manner that will allow the carriers to provide useable information on a timely basis if requested by the FCC for regulatory purposes, including ensuring just and reasonable rates and protecting consumers and the public interest.

(2) This information will give the FCC the ability to reconstruct data necessary to determine whether improper cost accounting has occurred, should it need to request the accounting data maintained by carriers.

(3) The information also provides requirements that ensure compliance with sections 254(k) and 272(e)(3) of the Act in the absence of the Cost Assignment Rules.

b) Property Record Rules:

(1) This information will ensure that price cap carriers, in the absence of the property record rules, maintain the records necessary to track substantial assets and investment in an accurate, auditable manner that enables the carriers to verify account balances in their Part 32 Uniform System of Accounts and make such property information available to the FCC upon request for regulatory purposes, including ensuring just and reasonable rates and protecting consumers and the public interest.

(2) This information helps ensure that the FCC can determine whether price cap carriers are correctly keeping their accounting books, should the FCC need to do so.

c) Automated Reporting Management Information System (ARMIS) Report 43-01:

(1) This information will allow the FCC and other interested parties to ensure that ILECs are continuing to comply with the cost accounting requirements and that pole attachment rate information will be available to the public.

(2) In addition, the information will show how accounting information the FCC may require will be made available.

d) Structural Separation Requirements for Independent ILECs: This information will allow the FCC and other interested parties to have tools to monitor the independent ILEC's performance and provide transparency regarding whether price cap carriers engage in anticompetitive behavior.

3. The FCC permits and encourages carriers to file the information electronically.

4. The information does not duplicate current information collections.

5. In general the smaller the carrier the less burden associated with this information collection. Therefore no special relief for small carriers was needed.

6. Without this information, the FCC would not be able to fulfill its section 10 forbearance requirements, 47 U.S.C. § 160.

7. No other special circumstances will apply to these information collection requirements.

8. Pursuant to 5 CFR Section 1320.8(d), the FCC published notice of this collection in the Federal Register on November 6, 2013 (78 FR 66708). No comments were received.

9. The commission does not anticipate providing any payments or gifts to respondents.

10. If respondents submit information which respondents believe is confidential, respondents may request confidential treatment of such information pursuant to section 0.459 of the Commission's rules, 47 C.F.R. § 0.459.

11. The information collection does not address any matters of a sensitive nature, nor are there any privacy impacts.

12. Described below are the estimated burden hours associated with each collection of information.

a) Cost Assignment Rules:

We estimate that eight price cap carriers can take advantage of the conditional forbearance. An additional three carriers (AT&T, Verizon, and legacy Qwest) have obtained forbearance previously. We anticipate all eight price cap carriers that have not already obtained forbearance will opt to do so.

To meet the four conditions required for forbearance from the Cost Assignment Rules, we estimate that several professionals at the carrier's company, including accountants, information technology specialists, attorneys, and a compliance officer, will participate in the product and/or review of the filing. We estimate a weighted average for the compensation of these professionals will be at a level comparable to a GS 14 step 8
($50/hour).

We estimate that it will take 79 hours to produce the filing per respondent.

The burden per respondent is approximately $3,950 ($50 x 79 hours = $3,950).

The total industry dollar cost is $31,600 (8 x $3,950 = $31,600).

The total industry burden hours is 632 (8 x 79 = 632)

Of this total hourly burden, we believe that the reporting and recordkeeping requirements are approximately:

(a) 90% of the time is required for reporting; 632 hours x 0.9 = 569 hours

(b) 10% of the time is required for recordkeeping: 632 hours x 0.10 = 63 hours

We expect these burden hours to decrease once price cap carriers implement their compliance plans.

Respondents	Hours per respondent	Hours to industry	Hourly salary	$ cost per respondent	$ cost to industry
8	79	632	$50	$3,950	$31,600

b) Property Record Rules:

We estimate 11 price cap carriers can take advantage of the conditional forbearance. We anticipate all price cap carriers will opt to take the conditional forbearance.

To meet the conditions required for forbearance from the Property Records Rules, several professionals at the carrier's company, including accountants, information technology specialists, attorneys, engineers, and a compliance officer, will participate in the product and/or review of the filing.

We estimate a weighted average for the compensation of these professionals will be at a level comparable to a GS 14 step 8 ($50/hour).

We estimate that it will take 40 hours to produce the filing per respondent:

The burden per respondent is approximately $2,000 ($50/hour x 40 hours = $2,000).

The total industry dollar cost is $22,000 (11 filings x $2,000 per filing = $22,000).

The total industry burden hours is 440 (11 x 40 = 440). We expect these burden hours to decrease once price cap carriers implement their compliance plans.

Respondents	Hours per respondent	Hours to industry	Hourly salary	$ cost per respondent	$ cost to industry

11	40	440	$50	$2,000	$22,000

Of this total hourly burden, we believe that the reporting and recordkeeping requirements are approximately:

(a) 90% of the time is required for reporting; 440 hours x 0.9 = 396 hours

(b) 10% of the time is required for recordkeeping: 440 hours x 0.10 = 44 hours

c) Automated Reporting Management Information System (ARMIS) Report 43-01: We estimate eight price cap carriers can take advantage of the conditional forbearance. An additional three carriers (AT&T, Verizon, and legacy Qwest) have obtained forbearance previously. We anticipate all eight price cap carriers that have not already obtained forbearance will opt to do so.

To meet the conditions several professionals at the carrier's company including accountants, attorneys, information technology specialists, and a compliance officer will participate in the production and/or review of the filing.

We estimate a weighted average for the compensation of these professionals will be at a level comparable to a GS 14 step 8 ($50/hour).

We estimate it will take 73 hours to produce the filing per respondent.

The burden per respondent is approximately $3,650 ($50.00 x 73 hours = $3,650).

The total industry dollar costs is $29,200 (8 x $3,650 = $29,200).

The total industry burden hours is 584 (8 x 73 = 584).

Respondents	Hours per respondent	Hours to industry	Hourly salary	$ cost per respondent	$ cost to industry
8	73	584	$50.00	$3,650	$29,200

Of this total hourly burden, we believe that the reporting and recordkeeping requirements are approximately:

(a) 90% of the time is required for reporting; 584 hours x 0.9 = 526 hours

(b) 10% of the time is required for recordkeeping: 584 hours x 0.10 = 58 hours

d) Structural Separation Requirements for Independent ILECs: We estimate 11 price cap carriers can take advantage of the conditional forbearance. We anticipate all price cap carriers will opt to take the conditional forbearance.

To meet the conditions several professionals at the carrier's company including accountants, attorneys, information technology specialists, and a compliance officer will participate in the production and/or review of the filing.
We estimate a weighted average for the compensation of these professionals will be at a level comparable to a GS 14 step 8 ($50/hour).

We estimate it will take 40 hours to produce the filing per respondent.

The burden per respondent is approximately $2,000 ($50.00 x 40 hours = $2,000). The total industry dollar costs is $22,000 (11 x $2,000 = $22,000).

The total industry burden hours is 440 (11 x 40 = 440).

Respondents	Hours per respondent	Hours to industry	Hourly salary	$ cost per respondent	$ cost to industry
11	40	440	$50.00	$2,000	$22,000

Of this total hourly burden, we believe that the reporting and recordkeeping requirements are approximately:

(a) 90% of the time is required for reporting; 440 hours x 0.9 = 396 hours

(b) 10% of the time is required for recordkeeping: 440 hours x 0.10 = 44 hours

Total burden hours combined:

	Respondents*	Hours per respondent	Hours to industry	$ cost per respondent	$ cost to industry
a) Cost Assignment	8	79	632	$3,950	$31,600
b) Property Records	11	40	440	$2,000	$22,000
c) ARMIS	8	73	584	$3,650	$29,200
d) Structural Separations	11	40	440	$2,000	$22,000
Totals (*in bold*)	**11**	**232**	**2,096**	**$11,600**	**$104,800**

* The total number of price cap carriers covered by this conditional forbearance is 11. It is possible some price cap carriers may only seek conditional forbearance from one or more, but not all, of these categories of rules. We anticipate all 11 price cap carriers will opt to obtain conditional relief from all categories of applicable rules.

Total Number of Respondents: 11

Total Number of Responses: 11

Total Hourly Burden: 2,096 hours

Reporting Requirements: 1,886 hours

Recordkeeping Requirements: 210 hours

Total Annual Cost: $104,800

13. We do not anticipate that carriers will expend any capital costs or contract outside workers to produce the information collection.

14. There will no cost to the Federal Government.

15. This is a new collection resulting in a 2,096 program change increase. Carriers taking advantage of this information collection will be able to reduce burden hours associated with other information collections.

16. The Commission is not planning on publishing the results. Information filed by the respondents will be publicly available.

17. The information collection requirements do not include any forms; therefore, Commission is not seeking approval to not display an OMB expiration date.

18. The Commission notes the following changes to the burdens for this collection from those that appeared in the 60 day *Federal Register* Notice:

(a) the recordkeeping requirement was inadvertently omitted; and

(b) the burden estimates has been revised to 40 to 79 hours per respondent.

There are no other exceptions to the Certification Statement.

B. Collections of Information Employing Statistical Methods:

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