

**Section 64.901, Allocation of Cost; Section 64.903, Cost Allocation Manuals;  
and RAO Letters 19 and 26**

This submission is being made pursuant to 44 U.S.C. 3507 of the Paperwork Reduction Act of 1995 to extend existing collection 3060-0470.

**SUPPORTING STATEMENT****A. Justification:**

1. Section 201(b) of the Communications Act of 1934, as amended, requires that common carriers establish just and reasonable charges, practices and regulations for the services they provide. The Commission is responsible for regulating the telecommunications industry and ensuring that common carriers abide by its mandate. Since the carriers are allowed to provide nonregulated services, the Commission must establish mechanisms to prevent carriers from imposing on ratepayers the cost and risks of nonregulated ventures. Over the years, several methods have been adopted by the Commission to reach this goal. One method was structural separations. Under this method, carriers were required to establish separate corporate entities for their common carrier and data processing services. Although structural separation provided maximum separation of costs, the method proved to be costly and was not in the public interest.

The Commission is seeking continued OMB approval for the following information collection requirements:

47 C.F.R. Section 64.901 requires carriers to separate their regulated costs from nonregulated costs using the attributable cost method of cost allocation. Carriers must follow the principles described in Section 64.901. Carriers subject to Section 64.901 are also subject to the provisions of 47 C.F.R. Sections 32.23 and 32.27. See 47 C.F.R. §§ 64.901 and 64.902.

47 C.F.R. Section 64.903(a) requires each local exchange carrier with annual operating revenues that equal or exceed the indexed revenue threshold, as defined in 47 C.F.R. § 32.9000, to file with the Commission a manual containing information regarding its allocation of costs between regulated and non-regulated activities.

47 C.F.R. Section 64.903(b) requires that carriers update their cost allocation manuals (CAMs) at least annually; except that changes to the cost apportionment table and the description of time reporting procedures must be filed at the time of implementation. Proposed changes in the description of time reporting procedures, the statement concerning affiliate transactions, and the cost apportionment table must be accompanied by a statement quantifying the impact of each change on regulated operations. Changes in the description of time reporting procedures and the statement concerning affiliate transactions must be quantified in \$100,000 increments at the account level. Changes in the cost apportionment table must be quantified in \$100,000 increments at the cost pool level.

Moreover, filing of CAMs and occasional updates are subject to the uniform format and standard procedures specified in Responsible Accounting Officer (RAO) Letter 19. RAO Letter 26 provides guidance to carriers in revising their CAMs to reflect changes to the affiliate transactions rules pursuant to the *Accounting Safeguards Order* (FCC 96-490).

In a Memorandum Opinion and Order in WC Docket No. 07-21 (FCC 08-120) the Commission forbore from many of its cost allocation rules as they apply to the former Bell Operating Companies (BOCs).

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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 is contained in sections 1, 4, 201-205, 215, and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154, 201-205, 215, and 218-220, and Parts 32 and 64 of the Commission's rules, 47 C.F.R. Parts 32 and 64.

2. The CAM is reviewed by the Commission to ensure that all costs are properly classified between regulated and nonregulated activity. Uniformity in the CAMs helps improve the joint cost allocation process. In addition, this uniformity gives the Commission greater reliability in financial data submitted by the carriers through ARMIS.

3. Carriers are not prohibited from using improved information technology to comply with reporting requirements.

4. No similar information is available elsewhere.

5. The Commission specifically exempted small carriers from the reporting requirements. Only LECs with annual operating revenues equal to or above the indexed revenue threshold as defined in 47 C.F.R. Section 32.9000, except mid-sized incumbent local exchange carriers, are subject to the reporting requirement. The Commission may impose the requirement on other communications common carriers as necessary. *See* 47 C.F.R. § 64.903(c).

6. Pursuant to Section 64.903 carriers must update their manuals at least annually. If the collection is not conducted or is conducted less frequently, the Commission will not be able to effectively carry out its responsibilities under the Communications Act. It would thwart the Commission's ability to detect cross-subsidization.

7. Each carrier must submit six copies of their CAM filings, accompanied by a Transmittal Letter. Four copies must be filed with the Office of the Secretary. One copy must be delivered directly to Chief, Pricing Policy Division of the Wireline Competition Bureau, and the last copy must be delivered to the Commission's copy contractor.

8. Pursuant to 5 C.F.R. § 1320.8(d), the Commission published a 60-day notice in the Federal Register to solicit public comment on these reporting requirements on March 31, 2014. *See* 79 FR 18025. No comments were received.

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

10. The information is not of a confidential nature. Respondents who believe certain information to be of a proprietary nature may solicit confidential treatment in accordance with the procedures described in 47 C.F.R. § 0.459.

11. The information is not of a sensitive nature nor are there any privacy issues.

12. The following represents the estimated hour burden of the information collection:

**Reporting Requirement**

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- (1) Number of respondents: Approximately 1.
- (2) Frequency of response: Annual and on occasion reporting requirement.
- (3) Total number of responses annually: Approximately 2.
- (4) Estimated time per response: 200 hours.

$1 \times 200 \text{ hours per response} \times 2 \text{ responses per year per respondent} = 400 \text{ hours.}$

- (5) Total annual burden: **400 hours.**

The Commission estimates that approximately 1 respondent will require 200 hours of reporting time per filing.

$1 \text{ respondent annually} \times 2 \text{ responses annually} \times 200 \text{ hours per response} = 400 \text{ hours.}$

- (6) Total estimate of “in-house” cost to respondents: \$25,140.

- (7) Explanation of the calculation:

The Commission estimates that one respondent will be subject to this reporting requirement.

We assume that the respondent will use a mid-to-senior level in-house employee comparable in pay to that of a mid-to-senior level Federal employee (GS-13/5) \$48.35 per hour, plus 30% overhead, which we estimate to be about \$62.85 per hour per collection. Thus,  $400 \text{ hours per year} \times \$62.85 = \$25,140.$

13. The following represents the Commission’s estimate of the annual cost burden to respondents resulting from the information collection:

- (1) Total capital and start-up cost component (annualized over its useful life): \$0.
- (2) Total operations and maintenance and purchase of services component: \$0
- (3) Total annualized cost requested: \$0

14. The annualized cost to the Federal government is estimated to be \$6,286 which is based on the following:

Processing Costs:

- 100 hrs to review revised manuals, annual and occasional updates:	=	100 hours
- Avg. grade of employee, GS-13/5, including 9.3% benefits	=	<u>\$48.35</u>
Subtotal	=	\$4,835.00
- Overhead cost (\$4,835.00 x 30%)	=	<u>\$1,451.00</u>
<b>Estimated Total Cost to the Federal Government</b>	=	<b>\$6,286.00</b>

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15. There is no change in the burden hours at this time. The annual burden for this collection continues to be estimated at 400 hours.

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

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

18. There are no exceptions to Item 19 in the Certification Statement.

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

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