

Section 69.123, Density Pricing Zone Plans, Expanded Interconnection with Local Telephone Company Facilities**SUPPORTING STATEMENT****A. Justification:**

1. Pursuant to Section 203 of the Communications Act, local exchange carriers (LECs) are required to tariff communications service offerings with the Commission. Sections 201 and 202 of the Act require that all tariffed charges, practices, classifications, and regulations be just and reasonable and not unjustly or unreasonably discriminatory.

The Commission concluded that it will allow LECs additional special access pricing flexibility for services subject to competition in any study area in which expanded interconnection offerings are operational. If they choose, LECs may file density pricing plans establishing systems of pricing zones. Rates for special access services subject to competition will be averaged within zones, but will be allowed to diverge between zones over time subject to a price cap mechanism. Material supporting each LEC's density pricing plan is necessary to ensure that these plans generally reflect cost differences and foster fair competition. Absent the review of such information by the Commission, the LECs would have strong incentives to attempt to use this additional pricing flexibility in an anticompetitive manner.

In the *Switched Transport Expanded Interconnection Order* (FCC 92-440), the Commission created a density zone pricing plan that allows some degree of deaveraging for switched transport services. The Commission concluded that relaxing the pricing rules in this manner would enable price cap LECs to respond to increased competition in the interstate switched transport market. For purposes of deaveraging services in the trunking basket, the Commission, in the *Fifth Report and Order* (FCC 99-206), eliminated the limitations inherent in its current density zone pricing plan and allows price cap LECs to define the scope and number of zones within a study area, provided that each zone, except the highest-cost zone, accounts for at least 15 percent of the incumbent LEC's trunking basket revenues in the study area. In addition, the Commission eliminated the requirement that LECs file zone pricing plans prior to filing their tariffs. In the *MAG Plan Order* (FCC 04-31), the Commission amended § 69.123 of the Commission's rules to permit rate-of-return carriers immediately to deaverage geographically their rates for transport and special access services.

The Commission is submitting this collection to extend the current approval for three years. There is no change in respondents and burden hours. There is an increase in the annual cost burden of \$680 which is due to an increase in the filing fee that respondents are required to pay.

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: sections 1, 4(i), 4(j), 201-205, 303(r), and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151,

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154(i), 154(j), 201- 205, 303(r), 403, 47 C.F.R. Parts 1, 61, 69 and section 553 of Title 5, United States Code, 5 U.S.C. § 553.

2. The density pricing plan information is used by FCC staff to ensure that the tariff rates to be paid for special access services are just, reasonable, and nondiscriminatory, as Sections 201 and 202 of the Communications Act require. The density pricing plans are to be filed whenever a LEC voluntarily elects to implement additional special access pricing flexibility. The filing of density pricing plans is necessary to allow review of the number of zones and how offices were assigned to the different zones.
3. Generally, there is no improved information technology identified by the Commission to reduce the burden of these collections. However, the Commission does not prohibit the use of improved technology where appropriate.
4. We know of no duplications of this information. There is no similar information available in this area.
5. This collection does not require any small entities to submit information. Only Tier 1 LECs (companies with over \$138 million in regulated revenues) are subject to the requirements in the Order.
6. The filing of density pricing plans is required only when a LEC elects to establish rate zones for the purpose of special access pricing flexibility. The LECs do not need to file the pricing plans again, although they would have to support any changes to the plan.
7. We are not aware of any circumstances that require the collection to be conducted in any manner inconsistent with the guidelines in 5 C.F.R. § 1320.5.
8. The Commission placed a notice in the *Federal Register* as required by 5 C.F.R. § 1320.8 on February 24, 2014, *See* 79 FR 10144, seeking comments from the public on the information collection requirements contained in this supporting statements. No comments were received from the public.
9. The Commission does not anticipate providing any payment or gift to respondents.
10. No information of a confidential nature is being sought; however, respondents may request materials or information submitted to the Commission be withheld from public inspection under section 0.459 of the Commission's rules. *See* 47 C.F.R. § 0.459.
11. There are no questions of a sensitive nature with respect to the information collected.

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12. The Commission estimates that this requirement will take 17 respondents approximately 48 hours per year.

17 respondents x 1 response/year x 48 hours = **816 hours.**

- (1) Number of respondents: Approximately 17.
- (2) Frequency of response: On occasion reporting requirement.
- (3) Total annual responses: Approximately 17.
- (4) Annual hourly burden per respondent: **48 hours.**
- (5) Total annual burden hours: **17 respondents x 48 hours per response = 816 hours.**
- (6) Total estimate of “in house” cost to respondents: **\$46,512**
- (7) Explanation of calculation:

The Commission estimates that each respondent uses staff equivalent to a GS-14/Step 5 (\$57/hour) Federal employee to file the data.

17 filings x 48 hours per filing x \$57/hour = \$46,512

13. The following represents the Commission’s estimates of the annual cost burden to respondents resulting from the information collection:
- a. This information collection requirement imposes no start-up costs on respondents.
 - b. Estimated operation and maintenance and purchase of services component:

Respondents are subject to a filing fee of \$845. We anticipate that approximately 17 respondents will be subject to the filing fee. Thus:

17 respondents filing an average of one filing a year = 17 x \$845 = **\$14,365**

14. The annualized cost to the Federal Government is at a minimum the proportion of the annual budget of the Pricing Policy Division that is dedicated to the analysis of tariffs. We are providing a minimum governmental cost estimate of \$810,782.
15. The Commission is reporting one program change: the filing fee has increased from \$815 to \$845, which resulted in a \$510 increase in the total annual cost burden from \$13,855 to \$14,365

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The total estimate of in-house costs has increased by \$1,632 to reflect updated federal salaries.

16. The Commission does not anticipate that it will publish any of the information.
17. The Commission does not seek approval to not display the expiration date for OMB approval of the information collection.
18. As noted in Question 15, the total annual cost has increased by \$510—from \$13,855 to \$14,365 as a result of the increase in the filing fee from \$815 to \$845. There are no other exceptions to the certification statement.

B. Collection of Information Employing Statistical Methods:

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