

SUPPORTING STATEMENT
0572-0003
February 6, 2018
Accounting Requirements for RUS Electric and Telecommunications Borrowers

A. Justification

1. Explain the circumstances that make the collection of information necessary.

This package is submitted under a regular clearance as a request for extension of a currently approved collection. There was an agency adjustment resulting in a decrease of 2,700 hours (from 28,350 to 25,650 hours) due to lower numbers of electric and telecommunication borrowers. The estimated numbers of respondents decreased from 1,050 to 950.

The Rural Utilities Service (RUS) is a credit agency of the USDA which makes loans (direct and guaranteed) to finance electric and telecommunications facilities in rural areas. The RUS Electric Program is a leader in lending to upgrade, expand, maintain, and replace the vast rural American electric infrastructure. Electric loans are fully amortized over a period approximately equal to the useful life of the facilities financed by the loan, not to exceed 35 years. Borrowers typically draw down on approved loan funds over a 3 to 4 year period. There are approximately 600 active electric borrowers. The RUS Telecommunications Program makes loans to furnish and improve telecommunications services and other telecommunications purposes in rural areas. The Agency lends directly to rural telecommunications companies and guarantees loans made by other lenders, such as the Federal Finance Bank (FFB). Loans are amortized over the useful life of the facilities financed by the loan, not to exceed 35 years. Borrowers typically draw down on approved loan funds over a 3 to 4 year period. There are approximately 350 active telecommunications borrowers.

RUS provides financing through long-term loans to rural electric and telecommunications utilities. These loans are secured by a mortgage agreement pledging as collateral all the assets of the borrower including its real and personal property as well as its income and revenues. The Agency also guarantees loans to facilitate the obtaining of financing for electric and telecommunications facilities from non-RUS sources. Guaranteed loans may be obtained from any legally organized lending agency qualified to make, hold, and service the loan. All policies and procedures of the Agency are applicable to a guaranteed loan.

The Rural Utilities Service Administrator, acting on behalf of the United States and the Secretary of Agriculture, is authorized and empowered by section 2a of the Rural Electrification Act of 1936, as amended (RE Act) to “make loans in the several States and Territories of the United States for rural electrification and for the purpose of furnishing and improving electric and telephone service in rural areas, as provided in this chapter, and for the purpose of assisting electric borrowers to implement demand side management, energy conservation programs, and on-grid and off-grid renewable energy systems.”

In accordance with section 2b of the RE Act, the Administrator may “make, or cause to be made, studies, investigations, and reports regarding matters, including financial, technological, and regulatory matters, affecting the condition and programs of electric, telecommunications, and economic development in rural areas, and publish and disseminate information with respect to the matters.”

The Rural Utilities Service Administrator signs the official mortgage and loan documents as the Mortgagee on behalf of the Federal government, and thereby, attests to the feasibility and security of the loan. In order to protect and ensure the Government’s security interest in loans, and in exercise of due diligence as custodian and guardian of the Government’s interest, in accordance with section 201 of the RE act “Loans ... shall not be made unless the Administrator finds and certifies that in his judgment the security therefore is reasonably adequate and such loan will be repaid within the time agreed.

RUS borrowers, as all businesses, need accounting systems for their own internal use as well as external use. All business entities must maintain financial records of their operations to provide management with the information necessary to successfully operate the business and evaluate financial performance. Regulated entities (electric and telecommunications borrowers) have an even greater need for accurate financial information so that rates charged to ratepayers are just, yet adequate to earn a fair return. Such records are maintained as part of normal business practices. Without systems, no record would exist, for example, of what they own or what they owe. Such records systems provide borrowers with information that is required by the manager and board of directors to operate on a daily basis, to complete their tax returns, and to support requests to state regulatory commissions for rate approvals.

7 CFR Parts 1770 and 1767 set forth basic requirements for maintaining financial accounting records on an accrual basis. They do not impose additional accounting or recordkeeping requirements beyond those of any other business entity, except for those accounts that are unique to RUS. The RUS electric borrowers are subject to Agency recordkeeping and accounting requirements which are similar but not identical to those of the Federal Energy Regulatory Commission (FERC). Some electric borrowers are subject to very limited FERC jurisdiction and reporting requirements. RUS, FERC and the Department of Energy coordinate their energy data reporting requirements to reduce duplication and maintain compatibility.

The vast majority of RUS’s telecommunications borrowers are under the jurisdiction of a state regulatory body that prescribes a system of accounts to be maintained by telecommunications entities. Many state regulatory bodies reference the Uniform System of Accounts (USOA, 47 CFR Part 32) prescribed by the Federal Communications Commission (FCC). Additionally, those telecommunications borrowers that are not subject to state requirements are required through 7 CFR 1770 to follow Part 32 accounting. RUS has determined that these accounts will have to be retained by borrowers for loan security purposes. A number of states have indicated that they will continue to require these accounts.

The Agency amended its regulation on accounting policies and procedures for RUS Electric Program borrowers as set forth in 7 CFR Part 1767, Accounting Requirements for RUS Electric Program Borrowers. The final rule, published in the *Federal Register* on May 27, 2008 at (73

FR 30277), reconciles Part 1767 with the Uniform System of Accounts as set forth by the Federal Energy Regulatory Commission (FERC); adopts FERC accounting guidance for Regional Transmission Organizations, Asset Retirement Obligations with modifications, Other Comprehensive Income, and Derivatives and Hedging Instruments; amends accounting interpretations for Special Equipment Accounting, Storm Damage, Rural Economic Development Loan and Grant Program and Consolidated Financial Statements; sets forth an accounting interpretation to establish uniform reporting procedures for Accounting for Cushion of Credit Accounts, and codifies guidance on records retention that had been published in Bulletin 180-2.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the Agency has made of the information received from the current collection.

This collection is primarily a recordkeeping requirement. 7 CFR Parts 1767 and 1770 do not impose information collection requirements for reporting to a Federal agency. Rather, they establish basic accounting requirements for the recording of financial information that must be available to the management, investors, and lenders of any business enterprise. There are many important financial considerations for the retention and preservation of accounting records. One of the most important considerations to RUS is that documentation be available so that the borrower's records may be audited for proper disbursements of funds. 7 CFR Parts 1767 and 1770 prescribe accounting requirements that are unique to RUS borrowers. The Agency is requiring borrowers to establish an index of records, which any prudent business should be maintaining. The hours of burden to maintain this index are directly related to those portions of the accounting system that are unique to the Agency.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection.

RUS does not regulate the method in which the index of records is created or the accounting records are maintained. Borrowers may utilize any information technology that meets their records management needs, but should keep in mind life expectancy of storage media and the reliability of, and ready access to, such media.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

Each borrower's records are specific to its business operations, therefore, no duplication or availability of similar information exists.

5. If the collection of information impacts on small businesses or other small entities (item 5 of OMB Form 83-1), describe any methods used to minimize burden.

One hundred percent of the 350 respondents for telecommunications borrowers are small businesses. All but 10 percent of 600 electric borrowers (i.e. 60 electric borrowers) meet the criteria for a small business. RUS has made every effort to ensure that the burden on these small entities is the minimum necessary to effectively administer the agency programs.

RUS continually reviews its recordkeeping and accounting procedures to determine what reductions are possible in order to minimize burden on all of the Agency's program participants and believes that it has minimized burden on both small and large entities alike. Also, where possible, the Agency has adopted the procedures of State regulatory bodies, the Federal Communications Commission and the Federal Energy Regulatory Commission.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The recordkeeping and accounting requirements are the minimum necessary to provide an adequate accounting trail and to meet the Agency's "due diligence" responsibilities in maintaining loan security. If basic financial records were not maintained, the borrower, its investors, and the Agency would be unable to evaluate a borrower's financial performance, to determine whether current loans are at risk, and to determine the credit worthiness of future loans.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner other than those specified in 5 CFR 1320.5(d)(2).

a. Requiring respondents to report information more than quarterly. There is no requirement to report more than quarterly.

b. Requiring written responses in less than 30 days. There is no requirement to respond in less than 30 days.

c. Requiring more than an original and two copies. There is no requirement for more than an original and two copies.

d. Requiring respondents to retain records for more than 3 years.

- The time-frame for record retention is governed by generally accepted electric and telecommunications industry standards and consistent with prudent utility practice.

- Records supporting construction financed by Rural Development shall be retained until audited and approved by the Agency.
- Records related to plant in service must be retained until the facilities are permanently removed from utility service, all removal and restoration activities are completed, and all costs are retired from the accounting records unless adjustments resulting from reclassification and original costs studies have been approved by the Agency or other regulatory body having jurisdiction.
- Life and mortality study data for depreciation purposes must be retained for 25 years or for 10 years after plant is retired whichever is longer.

e. That is not designed to produce valid and reliable results that can be generalized to the universe of study. This collection is not a survey.

f. Requiring use of statistical sampling which has not been reviewed and approved by OMB. This collection does not involve statistical sampling.

g. Requiring a pledge of confidentiality. No pledge of confidentiality is required.

h. Requiring submission of proprietary trade secrets. There is no such requirement.

8. If applicable, identify the date and page number of publication in the Federal Register of the agency's notice soliciting comments on the information collection. Summarize public comments received and describe actions taken by the agency in response to these comments. Describe efforts to consult with persons outside the Agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

As required by 5 CFR 1320.8(d), a Notice requesting public comments was published in the Federal Register on Thursday, August 31, 2017, at 82 FR 41395. One comment was received, which was of a general nature and did not reference the information collection.

RUS maintains close contact with borrowers through general field representatives (GFRs), field accountants and headquarters staff. GFRs have direct personal contact with borrowers in connection with their responsibilities in fulfillment of Agency requirements, including filling out the various forms. Borrowers may consult with Agency GFRs, field accountants, and headquarters' staff regarding comments or suggestions on procedures, forms, regulations, etc.

RUS contacted the following individuals outside the Agency to obtain their views on the paperwork burden imposed by this regulation:

Kelly Gibbs
Vice President of Finance
Maquoketa Valley Electric Cooperative
109 N Huber Street
Anamosa, IA 52205
319-462-3542

Ken Warren
VP – Controller
Oglethorpe Power Corp
2100 East Exchange Place
Tucker, GA 30084
770-270-7347

Nick Castlen
Manager Finance
Big Rivers Electric Corp
201 Third Street
Henderson, KY 42420
270-844-6141

Michael Maroney
Director of Accounting Services
Seminole Electric Cooperative
16313 Dale Mabry Hwy
Tampa, FL 33618
813-739-1414

Ken Warren
VP-Controller
Oglethorpe Power Corporation
2100 East Exchange Place
Tucker, GA 30084
770-270-7347

Nick Castlen
Manager of Finance
Big Rivers electric Corp
201 Third Street
Henderson, KY 42420

Our discussion addressed the record keeping requirements placed on their utilities by the Agency. All contacts were all of the same opinion that the requirements the Agency places on them is what is required by good business practices and they would be completing most, if not all, of the same burden whether or not they were RUS borrowers. The individuals contacted stated that the information was readily available and that the estimated times for response is accurate.

Additionally, RUS works closely with lending institutions such as the National Rural Utilities Cooperative Finance Corporation and CoBank, a nationwide network of lending institutions and part of the Farm Credit System, which provide supplemental loan funds to borrowers. The Agency also works closely with national and statewide associations representing electric and telecommunications borrowers such as: National Rural Electric Cooperative Association; National Rural Telecom Association; National Telephone Cooperative Association; United States Telephone Association; Western Rural Area Telephone Association; Organization for the Preservation and Advancement of Small Telephone Companies; National Association of Development Organizations; Rural Community Assistance Program; and, American Public Power Association. Rural Development also works with various Federal agencies including the Federal Communications Commission, U. S. Environmental Protection Agency, Department of Justice, as well as State utility regulatory agencies.

9. Explain any decision to provide any payment to respondents, other than remuneration of contracts or grants.

Payments or gifts are not provided to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or Agency policy.

No assurance of confidentiality is provided to respondents.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.

This information collection does not contain questions of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information.

This information collection consists of 1,900 hours of *reporting* burden, 23,750 hours of *recordkeeping* burden. There was an agency adjustment based upon a decrease in respondents

from 1,050 to 950, specifically 50 fewer borrowers for the RUS Electric Program (from 650 to 600 respondents) and 50 fewer Telecom Program borrowers (from 400 to 350 respondents). The estimated burden decreased from 2,100 hours of *reporting* burden to 1,900 and from 26,250 of *recordkeeping* burden to 23,750. The estimated cost to the public for this collection of information is \$623,552 calculated as follows:

7 CFR Part 1767, Accounting Requirements for RUS Electric Borrowers

Based on the Agency’s knowledge of the electric industry standard business practices and its borrowers operating procedures, it is estimated that a bookkeeper/clerk spends about 24 hours a year (approx. 2 hrs. per month) maintaining the specific accounts that the Agency requires. The remaining accounts are kept as part of the normal business practices. Cost of wages is calculated based on information from the Department of Labor, Bureau of Labor Statistics.¹

Number of Recordkeepers	Annual Hours Per Recordkeeper	Total Recordkeeping Hours
600	24	14,400

Cost to the Public:

1 Bookkeeper/Clerk X 24 hours per year @ 600 respondents = 14,400 total hours X \$24.31 an hour = \$350,064

7 CFR 1767.68 Index of Records and Recordkeeping

As any prudent business should keep an index of its records, we estimate that a bookkeeper/clerk will spend about 2 hours to develop an index for the specific accounts that Rural Development requires and an additional 1 hour per year to maintain the index. The index for the remaining accounts is kept as part of normal business practices.

Number of Respondents	Annual Hours Per Respondent	Total Hours
600	2	1,200

¹ The wage category is selected from Department of Labor, Bureau of Labor Statistics, May 2016 National Occupational Employment and Wage Estimates located at https://www.bls.gov/oes/current/oes_nat.htm#43-0000. The Bookkeeper/Accounting Clerk (Occupational Code: 43-3031) hourly wage is \$18.46, or \$24.31 per hour including cost of benefits. Cost of benefits is calculated at 31.7% of hourly wage based on data provided by the Bureau of Labor Statistics Employer Costs for Employee Compensation – June 2017, at <https://www.bls.gov/news.release/pdf/ecec.pdf>.

Number of Recordkeepers	Annual Hours Per Recordkeeper	Total Recordkeeping Hours
600	1	600

Cost to the Public:

1 Bookkeeper/Clerk X 2 hours @ 600 respondents = 1,200 total hours X \$24.31 an hour = \$29,172

1 Bookkeeper/Clerk X 1 hour per year @ 600 respondents = 600 total hours X \$24.31 an hour = \$14,586

7 CFR Part 1770, Accounting Requirements for Rural Development Telephone Borrowers

Based on the Agency's knowledge of the telecommunications industry standard business practices and its borrower operating procedures, we estimate that a bookkeeper/clerk spends about 24 hours a year (approx. 2 hrs. per month) maintaining the specific accounts that Rural Development requires. The remaining accounts are kept as part of the normal business practices.

Number of Recordkeepers	Annual Hours Per Recordkeeper	Total Recordkeeping Hours
350	24	8,400

Cost to the Public:

1 Bookkeeper/Clerk X 24 hours per year @ 350 respondents = 8,400 total hours X \$24.31 an hour = \$204,204

7 CFR 1770.3 Index of Records and Recordkeeping

As any prudent business should keep an index of its records, we estimate that a bookkeeper/clerk will spend about 2 hours to develop an index for the specific accounts that Rural Development requires and an additional 5 minutes per year to maintain the index. The index for the remaining accounts is kept as part of normal business practices.

Number of Respondents	Annual Hours Per Respondent	Total Hours

350	2	700
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Number of Recordkeepers	Annual Hours Per Recordkeeper	Total Recordkeeping Hours
350	1	350

Cost to the Public:

1 Bookkeeper/Clerk X 2 hours @ 350 respondents = 700 total hours X \$24.31 an hour = \$17,017

1 Bookkeeper/Clerk X 1 hours per year @ 350 respondents = 350 total hours X \$17.70 an hour = \$8,509

13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information.

(a) Total capital and start-up cost component (annualized over its expected useful life); and

There are no capital and start-up costs associated with this collection.

(b) Total operation and maintenance and purchase of services component.

There are no maintenance and purchase of services components involved with this collection.

14. Provide estimates of annualized cost to the Federal Government.

There are no annual costs to the Federal government. Costs associated with this collection are associated with Information Collection Package 0572-0095, RUS Policy on Audits of Electric and Telephone Borrowers.

15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1.

This renewal package requests an extension of a currently approved collection. There is a program adjustment to account for a decrease in the estimated number of respondents (from 1,050 respondents to 950 respondents). Due to a decrease (-100 respondents) in the numbers of RUS financed borrowers in the Electric and Telecommunications programs, there is an agency adjustment resulting in a decrease of -2700 burden hours. There was no change in the regulations or in program operations.

16. For collection of information whose results will be published, outline plans for tabulation and publication.

There are no plans for publication.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

None requested.

18. Explain each exception to the certification statement identified in item 19 of OMB 83-1.

None requested.

19. Collections of Information Employing Statistical Methods

This information collection does not employ statistical methods.