



UNITED STATES GOVERNMENT  
memorandum

WIRELINE COMPETITION BUREAU

DATE: September 6, 2013

TO: Robert Albon, Ph.D.  
Principal Economist, Australian Competition and Consumer Commission

Peter Gibbard, Ph.D.  
Principal Economic Advisor, Australian Competition and Consumer Commission

FROM: Julie A. Veach  
Chief, Wireline Competition Bureau

SUBJECT: Supplement to peer review charge statement regarding peer review of the Federal Communications Commission staff report, *Prescribing the Authorized Rate of Return: Analysis of Methods for Establishing Just and Reasonable Rates for Local Exchange Carriers*

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In an August 19, 2013 memorandum (“Charge Statement”), the Wireline Competition Bureau (“Bureau”) of the Federal Communications Commission (“Commission”) requested that you perform a peer review of the Commission’s staff report, *Prescribing the Authorized Rate of Return: Analysis of Methods for Establishing Just and Reasonable Rates for Local Exchange Carriers* (“Staff Report”).<sup>1</sup> On September 6, 2013 the Commission received your written peer review report on the *Staff Report*.<sup>2</sup> This memorandum serves as a supplement to the Charge Statement, which is included as an attachment to this memorandum, and is governed by the Office of Management and Budget’s *Final Information Quality Bulletin for Peer Review*.<sup>3</sup>

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<sup>1</sup> See Memorandum from Julie A. Veach, Chief, Wireline Competition Bureau, FCC, to Robert Albon, Ph.D., Principal Economist, Australian Competition and Consumer Commission (ACCC), and Peter Gibbard, Ph.D., Principal Economic Advisor, ACCC (dated Aug. 19, 2013) (Charge Statement); see *Prescribing the Authorized Rate of Return: Analysis of Methods for Establishing Just and Reasonable Rates for Local Exchange Carriers*, WC Docket No. 10-90, Staff Report, DA 13-1111 (Wireline Comp. Bur. rel. May 16, 2013) (*Staff Report*).

<sup>2</sup> Robert Albon & Peter Gibbard, *Peer Review of the Federal Communications Commission Staff Report ‘Prescribing the Authorized Rate of Return: Analysis of Methods for Establishing Just and Reasonable Rates for Local Exchange Carriers (May 16, 2013)’* (Sept. 6, 2013).

<sup>3</sup> See FINAL INFORMATION QUALITY BULLETIN FOR PEER REVIEW, OFFICE OF MANAGEMENT AND BUDGET, EXECUTIVE OFFICE OF THE PRESIDENT, 70 Fed. Reg. 2664 (2005) (*OMB Bulletin*), available at [www.ssa.gov/515/PeerReviewsFedRegNoticeForFinalBulletin.pdf](http://www.ssa.gov/515/PeerReviewsFedRegNoticeForFinalBulletin.pdf) (last visited Sept. 4, 2013).

As noted in the Charge Statement, “the objective of this peer review is to establish whether the *Staff Report* provides a solid foundation for estimating the [Weighted Average Cost of Capital (WACC)] and a ‘zone of reasonableness’ in which the authorized rate of return described above could be reasonably expected to lie.”<sup>4</sup> Consistent with this objective, the Bureau would like to direct your attention to specific comments the Commission received on the *Staff Report* filed by AT&T, Inc.<sup>5</sup> and USTelecom—The Broadband Association,<sup>6</sup> attached to this memorandum, regarding the appropriate method to calculate the cost of debt but leave to your discretion regarding whether you believe your peer review report should be revised in light of the issues raised in these comments.

In order to give you sufficient time to complete your review in light of the comments noted above, I am delaying the requested date for submission of the final written report should you elect to revise your written report submitted on September 6, 2013.<sup>7</sup> I request that you provide a final written report of your review that describes the nature and scope of your review and your findings and conclusions with regard to this influential scientific information by September 16, 2013.

### **Attachments**

Memorandum from Julie A. Veach, Chief, Wireline Competition Bureau, FCC, to Robert Albon, Ph.D., Principal Economist, Australian Competition and Consumer Commission (ACCC), and Peter Gibbard, Ph.D., Principal Economic Advisor, ACCC (dated Aug. 19, 2013)

Reply Comments of AT&T, WC Docket No. 10-90 (dated Aug. 26, 2013)

Letter from Robert Mayer, Vice President, Industry and State Affairs, USTelecom—The Broadband Association, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 (dated June 20, 2013)

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<sup>4</sup> Charge Statement at 2.

<sup>5</sup> See Reply Comments of AT&T, WC Docket No. 10-90, at 5 (filed Aug. 26, 2013).

<sup>6</sup> See Letter from Robert Mayer, Vice President, Industry and State Affairs, USTelecom—The Broadband Association, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90, at 7 (dated June 20, 2013).

<sup>7</sup> See Charge Statement at 4.