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April 19, 2012

Via Electronic Filing

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, PA 17120

Re: Implementation of the Federal Communications Commission's Order of November 18, 2011 As Amended or Revised and Coordination With Certain Intrastate Matters, Docket No. M-2012-2291824

Dear Secretary Chiavetta:

Please find enclosed AT&T's Comments On Staff's Draft Template For Implementation Of The FCC Order's Intrastate Access Reductions, which was filed electronically today in the above-referenced matter.

Please contact me if you have any questions or concerns with this matter.

Very truly yours,

Michelle Painter

Michelle Painter

cc: Certificate of Service
FCC Task Force, via e-mail

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of AT&T's Comments on Staff's Draft Template upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (related to service by a participant) and 1.55 (related to service upon attorneys).

Dated at Fairfax, VA this 19th of April 2012.

VIA E-MAIL AND FIRST CLASS MAIL

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of the Federal Communications	:
Commission's Order of November 18, 2011	: Docket No. M-2012-2291824
As Amended Or Revised And Coordination	:
With Certain Intrastate Matters	:

AT&T's COMMENTS ON STAFF'S DRAFT TEMPLATE FOR IMPLEMENTATION OF THE FCC ORDER'S INTRASTATE ACCESS REDUCTIONS

AT&T appreciates the opportunity to provide comments on the draft template for implementation of the intrastate access reductions required by the Federal Communications Commission's November 18, 2011 Order ("*FCC Order*"). The Commission's foresight in providing a template so that the intrastate access reductions are implemented promptly and properly is commendable. For the most part, AT&T believes that the template is a step in the right direction. However, in an effort to assist the Commission and staff in ensuring the tariffs and supporting documentation are filed in a manner that is in full compliance with the FCC Order, AT&T provides the below comments and has reflected its proposed changes in the attached redlined templates.

A. Tab 1 – "Template Intro." AT&T suggests that the sentence on Line 4 be eliminated. In the template for Rate of Return carriers, this sentence reads: "The access charge reductions arrived at in this template therefore apply only to terminating access rates." However, in the template for Price Cap carriers, the sentence reads, "The access charge reductions arrived at in this template therefore apply to both originating and terminating access rates." It is unclear why the Commission has made this distinction, but it is unnecessary and confusing. Although it is true that, for all types of carriers, the focus of the reductions is on terminating access rates, it is also true that for all carriers both originating and terminating rates must be reduced for dedicated transport. AT&T submits that with AT&T's suggested changes, the details regarding the rate elements that must be reduced in the remaining tabs speak for themselves, and this sentence does not serve to assist the carriers or Commission.

AT&T also added a fourth point on this Tab 1. Specifically, AT&T added the following paragraph:

> 4. Companies must identify which structural option each company will use:
> (1) Either maintain the current intrastate rate structure, but set rates at a level that reduces revenue recovery by 50% of the difference in interstate versus intrastate pursuant to § 51.907(b)(2)(iv) and § 51.909(b)(2)(iv), or; (2) adopt the interstate rate structure and rate levels under § 51.907(b)(2)(v) and § 51.909(b)(2)(v), adding a new transitional end-office-per minute access charge to recover one half of the difference between the fiscal year 2011 revenue at interstate versus intrastate rates.

In its comments filed on April 11, 2012, Verizon stated that it intends to use the second option, which is to adopt the interstate rate structure and levels, but add a new transitional per minute access charge.[1] To AT&T's knowledge, other companies have not stated their intent regarding these two options. Each company is required to notify the state commission of their election pursuant to §§ 51.907 or 51.909(b)(2)(iv) and §§ 51.907 or 51.909(b)(2)(v). The option chosen by a particular company will determine the back-up data that must be included in that company's filings. It is therefore appropriate to include each company's election in this first Tab.

B. Tab 2 – "Summary of Rate Changes." AT&T recommends deleting rows 7 through 24 and replacing the information with rows 28 through 78 in the attached redline templates. AT&T's suggestions are intended to break out the rate elements in more detail and in

[1] Verizon's Comments in Response to March 22, 2012 Order, April 11, 2012, pp. 3-4.

a way that closely follows the language of the FCC's Order. As the template already recognizes, actual rate elements will vary based on the charges in each carrier's tariffs.

Rather than limiting access reductions to the Carrier Charge and "Traffic Sensitive Charges," the template should be revised to include all of the services and corresponding rate elements encompassed by the FCC's definition of Transitional Intrastate Access Service, as specified in § 51.903(j).

As a reference, AT&T proposes adding the following definition to the template:

> *§ 51.903(j) Transitional Intrastate Access Service. A Transitional Intrastate Access Service means terminating End Office Access Service that was subject to intrastate access rates as of December 31, 2011; terminating Tandem-Switched Transport Access Service that was subject to intrastate access rates as of December 31, 2011; and originating and terminating Dedicated Transport Access Service that was subject to intrastate access rates as of December 31, 2011.

Applying the FCC's definition of Transitional Intrastate Access Service, the revised templates list three distinct categories under which the various rate elements must be classified: (1) terminating End Office Access Service; (2) terminating Tandem-Switched Transport Access Service; and (3) originating and terminating Dedicated Transport Access Service. The Carrier Charge is categorized as an End Office Access Service. Since these Transitional Intrastate Access Service components and rate elements define the scope of access rate reductions to be addressed under the FCC's Order, AT&T recommends that the same modifications be made to Tabs 3, 4, 6 and 7. As also is shown on the revised templates, AT&T proposes eliminating Column E (Rate Impact) as that calculation is not required by the FCC's Order and is not necessary to calculate the mandated intrastate access reductions.

Beginning at Line 74 on the revised templates, AT&T includes the new terminating per-end-office-minute transitional access charge that carriers may choose to apply. As discussed previously, Verizon has already indicated that it intends to impose this charge. This charge only applies when a carrier chooses to adopt its interstate structure and rates pursuant to § 51.907(b)(2)(v) or § 51.909(b)(2)(v) for the FCC Order's Step 1 intrastate access reductions. Carriers are permitted to implement this charge for service provided from July 1, 2012 through June 30, 2013. The addition of this rate is a "rate change" and it is therefore appropriate to include it under this Tab.

C. Tab 3 – "Revenue at Interstate Rates." AT&T proposes the same modifications that were recommended in Tab 2 regarding Transitional Intrastate Access Service components and rate elements. In addition, Line 5 of this Tab contains the same sentence that was found in Tab 1 regarding application to originating and terminating access traffic.[2] In order to avoid confusion, AT&T recommends that this sentence be deleted in the templates for both Price Cap and Rate-of-Return carriers.

D. Tab 4 – "Revenue at Intrastate Rates." On Line 5, the sentence directs carriers to calculate total revenue at the LEC's ***interstate*** rates. This should be changed to ***intrastate*** rates since the purpose of this Tab is to calculate the revenue at intrastate rates. AT&T also proposes the same modifications that were made to Tab 3.

In addition, beginning on Line 78 in the redlined templates, AT&T added a section to show the calculations that are specific to the Carrier Charge ("CC") reduction. The purpose of these changes is to bifurcate the CC into its proper originating and terminating access components. Bifurcation is critical to ensuring that the LECs reduce the portion of the CC assessed to terminating traffic. It is appropriate for the CC calculations to occur in this Tab because the revenue calculations are an important component of the overall reductions required.

[2] Only the Price Cap template mentions both originating and terminating traffic; the Rate-of-Return template references terminating traffic only.

AT&T suggests that the Commission require the carriers to break out the CC calculations as provided in the attached redlined template, as it provides all of the necessary back-up calculations to arrive at the terminating access reductions. In order to calculate the proper CC reduction, first multiply the December 29, 2011 Carrier Charge rate (per line/per month) times the number of FY2011 access lines to arrive at total annual Carrier Charge revenue (see Lines 78-82). Next, using total FY2011 end office Minutes of Use ("MOUs"), determine an effective FY2011 rate per CC MOU. This is accomplished by separating FY2011 end office MOUs (cell E89) into originating and terminating MOUs (cell C90 and D90, respectively). Then use the ratio of originating and terminating MOUs to determine originating (cell C91) and terminating (cell D91) CC revenue for FY2011, and then the effective per-minute CC Originating (cell C92) and Terminating Rates (cell D92) for FY2011. Each LEC is required to reduce its intrastate access revenues by one-half of the terminating CC revenue (but, per the FCC Order, each LEC has discretion on how to implement that reduction.)

Showing the calculation of the originating CC is important for two reasons: first, it ensures that the proper allocation is being made between originating and terminating to identify the revenue reduction obligation associated with the terminating CC; and second, it ensures that the cap imposed by the FCC on intrastate originating access rates is maintained.

The following table provides a sample illustration of the Carrier Charge calculation using CenturyLink's current $7.19 CC rate with illustrative (not actual) FY2011 originating and terminating access MOU demand volumes.

Illustrative Sample for Terminating Carrier Charge (CC) Calculation

	e	f	g=e x f
	12/29/2011 Current charge (per line per mth)	Fiscal Year (FY) 2011 Total Access lines^	FY 2011 Annual Intrastate Carrier Charge Revenue
FY 2011 Carrier Charge Revenue	$7.19	1,000,000	$7,190,000

	Originating End Office (EO) Access MOUs	Terminating End Office (EO) Access MOUs	Total
Total FY 2011 End Office Access MOUs	300,000,000	700,000,000	1,000,000,000
Percentage Originating & Terminating EO Access MOUs	30%	70%	100%
Corresponding Originating & Terminating Carrier Charge Revenues	$2,157,000	$5,033,000	$7,190,000
12/29/11 Per-Minute Carrier Charge Rate	$0.0072	$0.0072	$0.0072

July 1, 2012 Carrier Charge Reductions

	Originating	Terminating
Per -Minute Carrier Charge Rates	$0.0072	$0.0036
Annual Carrier Charge Revenue Reduction	$0	$2,516,500

^FY2011 total access lines equals the sum of the 12 monthly line counts for the months October, 2010 through September, 2011. Companies should provide the 12 monthly line counts used to derive the FY2011 total.

The original template states that the CC, which is currently a per line per month charge, will be converted to a per minute charge, and then back to a per line charge. Verizon, however, has already stated that it intends to maintain the CC as a per minute charge.[3] AT&T agrees with Verizon's approach and encourages the Commission to maintain the CC as a per minute charge going forward. As an initial matter, the FCC Order precludes price cap carriers from increasing any originating rate, and encourages rate of return carriers to follow suit. If the CC were converted back to a per line rate, as volumes fall, the effective per minute CC rate would

[3] Verizon's Comments in Response to March 22, 2012 Order, April 11, 2012, p. 4.

increase. This is directly contrary to the spirit (and for price cap carriers, the mandate) of the FCC Order.

In any event, maintaining the CC as a per minute rate will make it far easier to administer. The terminating CC (as well as the originating CC if the Commission adopts AT&T's recommendations in a separate proceeding) will be eliminated in a little over a year, so there is no reason to require the carriers to continue converting from a per minute rate to a per line rate. Additionally, it allows the carriers to all bill in the same manner and therefore companies receiving the bills can know directly, based on their own access MOUs, what to expect with respect to the CC portion of the access bills.

E. Tab 5 – "July 1, 2012 Reduction." AT&T again proposes changes to this section that follow the exact language of the FCC's Order. First, in the redlined templates AT&T changed the title of Section A from "Traffic Sensitive Revenue Reduction" to the term used in the FCC's Order, "Transitional Intrastate Access Service." Second, for the reasons discussed above, the revised template deletes the Carrier Charge calculations and moves them to Tab 4 – Revenue at Intrastate Rates. The calculations needed to establish the proper CC rate reductions are determined from revenue calculations, and therefore they are more appropriate in Tab 4. Third, AT&T added "FY" in Lines 7 and 8 to clarify that the 2011 data being used is Fiscal Year data. In addition, the term "Traffic Sensitive" is deleted in these lines, as well as in Line 11, to be consistent with the FCC's Order. Finally, AT&T proposes adding Line 13, which provides the Allowed Total Transitional Access Service Revenues at FY 2011 Demand, similar to what Staff proposed in Line 36.

F. Tab 6 – "Proposed July 2012 Revenues." The redlined templates reflect the same changes as in Tab 2, separating out the rate elements based on the language of the FCC

Order. In addition, the redlines include changes to Lines 68-71 that are the same as the changes made in Line 13 to Tab 5. These clarifications are being made to ensure that the language of the FCC Order is followed as closely as possible.

G. Tab 7 – "Alternative for Price Cap" or "Alternative for Rate-of-Return"

AT&T proposes modifying the title of this Tab to clarify that it applies to those carriers choosing to adopt or use the interstate rate structure and rates as part of Step 1 in the FCC's Order, on Line 4. The redlined templates also brought forward the rate element changes made in Tab 2. Finally, AT&T proposes to modify Lines 76-77 in the same manner as Line 13 in Tab 5, to clarify that the final revenue amount is based on FY 2011 demand.

AT&T applauds the Commission for taking a proactive role in ensuring that the FCC Order's intrastate access rate reductions are implemented promptly and properly. AT&T requests that the Commission adopt its suggested modifications to the template, as reflected in the attached redlined versions.

Respectfully submitted,

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