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April 9, 2012

VIA UPS OVERNIGHT

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
2nd Floor West
Commonwealth Keystone Building
Harrisburg, PA 17105-3265

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Re: Investigation Regarding Intrastate Access Charges and IntraLATA Toll Rates of Rural Carriers and the Pennsylvania Universal Service Fund, Docket No. I-00040105

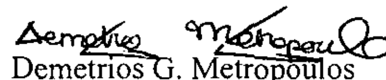
AT&T Communications of Pennsylvania, LLC, et. al. v. Armstrong Telephone Company-Pennsylvania, et.al., Docket Nos. C-2009-2098380, C-2009-2099805, C-2009-2098735

Dear Ms. Chiavetta:

Enclosed on behalf of AT&T Communications of Pennsylvania, LLC, TCG Pittsburgh, and TCG New Jersey, Inc., please find the original and nine copies of the Updated Petition for Reconsideration and Comments of AT&T in Response to Commission's Opinion and Order Entered March 20, 2012, along with the supporting Joint Affidavit of E. Christopher Nurse and Dr. Ola A. Oyefusi and Exhibits A through C. Please note that the brief, and Exhibit A to the Joint Affidavit, contain proprietary information and should be filed as confidential. I have also enclosed a public version of the petition and affidavit, without Exhibit A. Copies have been served in accordance with the attached Certificate of Service.

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

Very truly yours,



Demetrios G. Metropoulos

cc: Hon. Kandace F. Melillo
Cheryl Walker Davis
Robert F. Powelson, Chairman
John F. Coleman, Jr., Vice Chairman
Wayne E. Gardner, Commissioner
James H. Cawley, Commissioner
Pamela A. Witmer, Commissioner
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Enclosures

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation Regarding Intrastate Access Charges and IntraLATA Toll Rates of Rural Carriers and the Pennsylvania Universal Service Fund	:	Docket No. I-00040105
AT&T Communications of Pennsylvania, LLC, *et al.*, *Complainant*	:	
v.	:	Docket Nos. C-2009-2098380, *et al.*
Armstrong Telephone Company - Pennsylvania, *et al.*, Respondents	:	

UPDATED PETITION FOR RECONSIDERATION AND COMMENTS OF AT&T IN RESPONSE TO COMMISSION'S OPINION AND ORDER ENTERED MARCH 20, 2012

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APRIL 9, 2012
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation Regarding Intrastate Access Charges and IntraLATA Toll Rates of Rural Carriers and the Pennsylvania Universal Service Fund	))))	Docket No. I-00040105

UPDATED PETITION FOR RECONSIDERATION AND COMMENTS OF AT&T IN RESPONSE TO COMMISSION'S OPINION AND ORDER ENTERED MARCH 20, 2012

To its credit, the Commission recognized the need for access charge reform, and the substantial benefits that reform will bring home to Pennsylvania consumers, even before the FCC issued its November 18, 2011 order reforming the national intercarrier compensation system. Instead of waiting to see if the FCC would step in and regulate intrastate rates, the Commission rightly recognized the need to take action on its own, correctly rejecting suggestions by the opponents of reform that the FCC might penalize states that did the right thing and adopted reforms before the FCC acted.

Obviously, the days of waiting for the FCC have ended. The FCC has spoken, and it did not punish states for doing the right thing. Just the opposite: the FCC took pains to protect the "early adopter" states that had already begun the necessary and beneficial process of access reform. More importantly for present purposes, the FCC has made it even easier for this Commission to implement the reforms it had determined it was going to undertake going forward.[1]

[1] As PTA's witness Mr. Zingaretti put it at the hearing in this case, now that the FCC has acted, the Commission's July 2011 order can be "harmonized" with the federal reforms. Hearing Tr. at 591.

Again to its credit, the Commission has asked the parties to comment on what steps it should take now in light of the FCC's *CAF Order*.[2] AT&T addresses the Commission's specific questions below. The short answer, though, is that the FCC's order gives the Commission both (i) the opportunity to improve upon the reforms the Commission adopted in its *July 2011 Order* and (ii) a considerable helping hand towards completing those reforms for the benefit of Pennsylvania consumers.

First, although AT&T appreciates the Commission's decision in its *July 2011 Order* to confront the need for access reform and adopt some reductions to access rates, the simple fact remains that the Commission did not go far enough or fast enough to help Pennsylvania consumers, particularly in light of the long delays already endured before the Commission reopened this proceeding in 2008. In its own August 2, 2011 Petition for Reconsideration, AT&T showed that the Commission should take the more meaningful – yet still modest – step of reducing the RLECs' intrastate switched access rates to parity with their corresponding interstate rates. The Commission itself recognized the benefits of parity, and announced parity as its goal, in its landmark *1999 Global Order*.[3] AT&T also emphasized that the Commission's timeline for reductions was unnecessarily delayed.

The FCC's *CAF Order* has confirmed that such parity is not the final stage of reform, but simply the first meaningful step towards a complete solution to the problems caused by the outdated carrier access charge regime. Under the FCC's directive all terminating access charges will be reduced to parity by July 1, 2013, with the first step towards parity to be carried out by July 1, 2012, less than three months from now.[4] Moreover, the FCC has made it clear that parity

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[2] *In re Connect America Fund: A National Broadband Plan For Our Future*, 54 Communications Reg. (P&F) 637, 2011 WL 5844975 (FCC rel. Nov. 18, 2011) ("*CAF Order*").

[3] *Re Nextlink Pennsylvania, Inc.*, Docket No. P-00991648; P-00991649, 93 PaPUC 172 (Sept. 30, 1999)("*Global Order*") at p. 48.

[4] *CAF Order*, ¶ 801.

is only the first step, and that fundamental "regime change" is on the way. *All* access charges, originating and terminating, will be eliminated and replaced with a "bill and keep" system.[5]

The FCC's *CAF Order* also puts to rest once and for all the academic disputes about requiring other carriers to "contribute" to the RLECs' local networks. It was never really feasible to maintain such a contribution scheme: the Commission has no authority to impose "contributions" on wireless or broadband providers; foisting those "contributions" on wireline interexchange carriers simply accelerated the consumer exodus from wireline networks and dried up the "contribution" stream; and in any event all network costs eventually flow through to consumers no matter which carrier nominally pays for or "contributes" to them.[6] It makes even less sense to try propping up such a scheme *now*, when the FCC has expressly repudiated that scheme and begun the process of dismantling it.

Second, at the same time that the FCC has made the need for access parity even more clear, it has also made the process of implementing parity even more easy. The FCC has taken responsibility for reforming intrastate charges for terminating access, and it has also taken care of addressing the reductions to those terminating access charges through a new recovery mechanism that includes (i) a new federal charge called the "Access Recovery Charge" or "ARC" and (ii) a new federal cost-support fund called the "Connect America Fund" or "CAF."[7] The FCC's express purposes were to "free states from potentially significant financial burdens" and to protect consumers in "early adopter" states from large federally-driven rate increases.[8] Given the FCC's action to reform terminating access charges, this Commission can accordingly focus on completing the reform of originating access, which the Commission already included as part of the reforms in the *July 2011 Order*. In fact, the FCC has expressly permitted the states to

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[5] *Id.* ¶ 741.
[6] AT&T August 2, 2011 Petition for Reconsideration at pp. 10-21.
[7] *CAF Order* ¶¶ 849-853.
[8] *Id.* ¶ 795.

begin the process of reforming originating access charges now while the FCC tackles the terminating side.[9] And because the FCC has taken terminating access reductions and the associated recovery off this Commission's plate, the Commission can order *more* originating access reductions now, with *less* of an impact on retail rates (while maintaining the Commission's decision not to increase the Pennsylvania Universal Service Fund). The Commission's second chance here is, in short, a golden opportunity to help Pennsylvania consumers, one that the Commission should not waste.

As a result, the Commission should grant AT&T's Petition for Reconsideration and revise its July 2011 Order to (i) eliminate the $2.50 Carrier Charge benchmark, (ii) implement the revenue neutral rate rebalancing directed in the July 2011 Order to require the RLECs to reduce rates for intrastate originating access to parity with interstate rates in two steps, on July 1, 2012 and on July 1, 2013,[10] and (iii) require the RLECs to thereafter maintain parity between intrastate and interstate originating access rates, subject to and consistent with any additional requirements that may be imposed by the FCC.[11]

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[9] *Id.* ¶ 816 n.1542 ("To the extent that states have established rate reduction transitions for rate elements not reduced in this Order, nothing in this Order impacts such transitions.").

[10] Although as will be described further below the FCC's *CAF Order* provides an even easier path to reform for originating access, and although the record clearly supports proceeding with reductions in originating access for all of the RLECs that are parties to this proceeding, should the Commission be concerned about the impact of such reductions on the smallest carriers AT&T believes that the record would accommodate an order excusing those small carriers from further reform at this time. Such an order would instead concentrate on completing reform for the largest RLECs – CenturyLink, Frontier/Commonwealth, Consolidated, Windstream, and Windstream's affiliates D&E, Conestoga and Buffalo Valley. Significantly, on March 1, 2012 the holding company parents of Frontier/Commonwealth, Consolidated, and Windstream affiliates D&E, Conestoga and Buffalo Valley petitioned the FCC to convert these companies from average schedule to become price-cap carriers. Joint Petition of Price Cap Holding Companies for Conversion of Average Schedule Affiliates to Price Cap Regulation and for Limited Waiver Relief, WC Docket 12-63 (filed March 1, 2012). One of the rationales offered by the companies for these conversions is that they would allow these companies "to complete the transition to bill-and-keep two years sooner than would otherwise be the case, resulting in lower charges for termination of calls to their end users." *Id.* at 11.

[11] The recommendation to coordinate the timeline for reducing originating access rates to parity with the timeline for terminating access reductions established in the *CAF Order* recognizes the unique situation in Pennsylvania, where the parties have already fully litigated the issue, where the Commission has a fully developed record supporting the need for originating access reform and demonstrating that reform easily can be accomplished at the same time, and where the Commission in fact has included originating access charges in the scope of the reforms directed in its *July 2011 Order*. Under these circumstances administrative efficiency supports reforming both originating and terminating access at the same time, and on the same schedule.

RESPONSE TO SPECIFIC QUESTIONS RAISED BY COMMISSION

1. **Whether the substance and the time frame of the FCC's intercarrier compensation reforms should totally or partially replace the Commission's intrastate carrier access charge reform directives contained in our *July 2011 Order*.**

Response: The substance and the time frames established by the FCC in the *CAF Order* totally replace the Commission's directives in the *July 2011 Order* with respect to terminating access, and provide the basis for modifying the Commission's directives concerning originating access charges to easily accomplish a more meaningful reform of those charges on a concurrent timeline.

Terminating Access. With respect to terminating access, the substance and time frame of the FCC's intercarrier compensation reforms totally replace the directives in this Commission's *July 2011 Order*. The FCC's order categorically states the ultimate goal – bill and keep – and it precisely lays out the steps for getting there.[12] The order contains no exceptions. In particular, the FCC expressly considered and rejected the possibility of letting states "set the transition and recovery mechanism," holding that the "states will not set the transition."[13] The FCC instead "conclude[d] that a uniform, national framework for the transition of intercarrier compensation to bill-and-keep . . . best advances our policy goals of accelerating the migration to all IP networks, facilitating IP-to-IP interconnection, and promoting deployment of new broadband networks by providing certainty."[14]

As the FCC explained, "a state-by-state process would likely result in significant variability and unpredictability of outcomes" and the associated "multitude" of state proceedings would be "extremely costly."[15] Further, the FCC expressly cited the fact "that, in some cases, state reform efforts have taken well over a decade, sometimes with little result" as a reason for the FCC to set a uniform, no-exceptions program.[16] The role left to the states concerning

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[12] *CAF Order*, ¶¶ 798-805.
[13] *Id.* ¶¶ 788, 790.
[14] *Id.* ¶ 790.
[15] *Id.* ¶ 794.
[16] *Id.* ¶ 794 n.1477.

terminating access charges is to "oversee changes to intrastate access tariffs to ensure that modifications to intrastate tariffs are consistent with the framework and rules we adopt today."[17] In this regard, the FCC encouraged state commissions "to ensure carriers are not taking actions that could enable a windfall and/or double recovery" and to guard against other "unanticipated types of gamesmanship."[18]

Originating Access. On the originating side, the FCC's order expressly preserves the Commission's authority to reduce access rates. The FCC stated that "[t]o the extent that states have established rate reduction transitions for rate elements not reduced in this Order, nothing in this Order impacts such transitions."[19] Indeed, the FCC made clear that its order does not "prevent states from reducing rates on a faster transition provided that states provide any additional recovery support that may be needed."[20] Thus, the FCC's *CAF Order* does not preclude, and in fact invites, the Commission to implement the reforms to intrastate originating access charges that already were encompassed in its *July 2011 Order*.

Moreover, the need to reduce originating access charges is even more clear in the wake of the FCC's *CAF Order*. Although the FCC has not itself adopted specific reductions to originating access charges at this time, it did "find that originating charges should ultimately be subject to the bill-and-keep framework" and that the legal framework of the FCC's order "is inconsistent with permanent retention of originating access charges."[21] This Commission has also found that originating access charges should be reduced, and it makes no sense to delay

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[17] *Id.* ¶ 803.
[18] *Id.* ¶ 813. Through its April 3, 2012 Secretarial Letter, this Commission in fact has already scheduled a collaborative proceeding to consider proper implementation of the FCC's Order, and will be requiring Pennsylvania LECs to submit data demonstrating compliance with the FCC's requirements.
[19] *Id.* ¶ 816 n.1542.
[20] *Id.*
[21] *Id.* ¶ 817.

reforms that the FCC has expressly authorized, particularly when the existing originating access regime is on the way out anyways.

Most importantly, the FCC's order makes it easier to implement reductions to intrastate originating access. This Commission need not worry about offsetting the FCC's reductions to terminating access rates in a revenue neutral fashion, because the FCC has already established a recovery mechanism for the reductions required in the *CAF Order*. The Commission can thus direct the planned "state-level" rebalancing in its *July 2011 Order* to take care of originating access reductions.

As an example, consider CenturyLink. Today, CenturyLink's intrastate switched access rates are much higher than the corresponding interstate rates, with the difference driven entirely by CenturyLink's $7.19 monthly Carrier Charge.[22] The *July 2011 Order* directed CenturyLink to reduce that charge to $2.50 (a reduction of $4.69) and permitted CenturyLink to rebalance that reduction with a $4.69 monthly increase in local retail rates, which currently stand at $18 per month.[23] The access reductions and local rate rebalancing were to occur over a four-year, three-stage transition, as follows:

[22] Joint Affidavit of E. Christopher Nurse & Dr. Ola A. Oyefusi ("Nurse/Oyefusi Joint Aff.") ¶ 7.
[23] *Id.*

	CARRIER CHARGE	RETAIL RATE
Before Reform	$ 7.19	$ 18.00
March 30, 2012 (40%, or $1.88, reduction)	$ 5.31	$ 19.88
October 2013 (35%, or $1.64, reduction)	$ 3.67	$ 21.52
April 2015 (25%, or $1.17, reduction)	$ 2.50	$ 22.69

But a large portion of CenturyLink's Carrier Charge relates to terminating access, which now will be reduced in accordance with the FCC's *CAF Order*, with the revenue from those reductions addressed through the federal recovery mechanisms rather than local rate increases. In fact, based on AT&T's experience, the majority of the RLECs' Carrier Charges apply to terminating access.[24] Assume, for ease of illustration, that $5 of the CenturyLink charge relates to the terminating side and $2.19 relates to the originating side. The FCC's order will eliminate the $5 terminating portion to zero in two annual steps,[25] and it will also take care of rebalancing that reduction through the ARC and, to the degree necessary, the CAF.[26] As a result, this Commission can reduce CenturyLink's originating access rates to interstate parity for only $2.19

[24] Nurse/Oyefusi Aff. ¶ 9.
[25] CenturyLink has no interstate Carrier Charge, so the FCC-mandated parity in these circumstances should result in the complete elimination of any intrastate terminating Carrier Charge rate upon the completion of the second step.
[26] It is important to note that the FCC's *CAF Order* imposes a number of limitations on the amount of an ARC that an ILEC can assess on its customers. In particular, as will be discussed further in response to Question 3 below, a carrier generally is limited to charging residential customers an ARC of $0.50 in the first year of the transition, and is limited to annual increases of the same amount thereafter for a maximum period of 5 years for price cap carriers and six years for rate-of-return carriers. *CAF Order* ¶ 908. Thus, if CenturyLink must eliminate $5 from its intrastate Carrier Charge over two years to implement the terminating access charge reforms required by the *CAF Order*, it will only be allowed to implement a maximum of $1 in ARC recovery (50 cents each year in 2012 and 2013) on its residential and single-line business customers over that same period to recover that reduction. This suggests that a substantial portion of those reductions necessarily will not be recovered directly from CenturyLink's Pennsylvania residential customers, but rather will be recovered through allocation of CenturyLink's Eligible Recovery to other jurisdictions and potentially the CAF. In any event, the fact that such a large portion of CenturyLink's recovery will not come from direct charges to its Pennsylvania consumers makes it easier for the Commission to rebalance reductions in originating access rates.

per month – less than half the rebalancing it had planned. In other words, the Commission could complete the reform of originating access for an amount that is about the same size of the reduction and rebalancing the Commission already planned for this year in its *July 2011 Order*. Even considering the federal ARC, CenturyLink's end users would pay *less* in rebalancing while getting much *more* in access relief, and getting that relief faster. The same is true for the other large RLECs, as shown below and in Exhibit A to the Joint Affidavit of E. Christopher Nurse and Dr. Ola A. Oyefusi, submitted herewith:

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2. **Will there be cross-effects on various regulated telecommunications carriers with intrastate operations in Pennsylvania and their end-user consumers if the Commission proceeds with the implementation of its *July 2011 Order* while the FCC's directives in the *CAF Order* also are coming into effect?**

   a. **Can or will the implementation of the *July 2011 Order* have cross-effects with the FCC's mechanisms of Eligible Recovery and potentially available federal CAF support and over what time frame?**

   Response: The *July 2011 Order* can easily be modified to be compatible with and complementary to the reforms adopted in the FCC's *CAF Order.*

With respect to originating access, the FCC has *not* prevented the Commission from implementing the access reductions directed by its *July 2011 Order*. As described above, the main "cross-effect" is that the FCC, by taking responsibility for intrastate terminating access reductions and the associated recovery mechanisms, has made it much easier for this Commission to implement reductions to intrastate originating access charges. Accordingly, this Commission can (and should) reduce the RLECs' intrastate originating access rates to parity with the corresponding interstate rates, as AT&T requested in its August 2, 2011 Petition for Reconsideration. The interaction between the FCC's "Residential Rate Ceiling" and the $23 local rate benchmark established by the Commission in the *July 2011 Order* is discussed in response to Question 3 below, and is shown to be immaterial.

As for terminating access, the implementation of the *July 2011 Order* has been preempted by the FCC's uniform nationwide plan for access reductions and by the FCC's mechanisms for recovery of those reductions. The Commission cannot proceed with the implementation of its *July 2011 Order* with respect to terminating access in a manner inconsistent with the FCC's directives in the *CAF Order*.

b. **Can or will the implementation of the July 18, 2011 Order in conjunction with the FCC Order directives have potential cross-effects for end-user consumers of intrastate regulated retail telecommunications services and over what time frame?**

Response: The only "cross effect" of the FCC's *CAF Order* and the *July 2011 Order* on Pennsylvania consumers is a positive one, as the FCC's Order makes it easier to complete reform in Pennsylvania.

As previously discussed, the only aspect of the Commission's July 18, 2011 Order that can be implemented "in conjunction with the FCC Order directives" is the Commission's planned reductions for originating access. The potential "cross-effects for end-user consumers" are the additional benefits they would receive from originating access reductions, which will now be much easier to implement and rebalance than planned because of the FCC's reforms and recovery mechanisms for terminating access. The possible (but immaterial) interaction of the FCC's "Residential Rate Ceiling" and the Commission's $23 local rate benchmark is discussed in response to Question 3 below.

3. **Will the FCC's adoption of a Residential Rate Ceiling for purposes of the federal Eligible Recovery mechanism and associated CAF support distributions have any cross-effects on the Commission's findings regarding the adopted $23 per month benchmark rate in the *July 2011 Order*?**

Response: No, there is no material issue reconciling the Residential Rate Ceiling with the benchmark rate adopted in the July 2011 Order.

Under the FCC's order, affected carriers may recover access reductions by (i) assessing the federal ARC on end users and (ii) receiving support from the federal CAF.[27] To preserve the affordability of consumer telephone rates and recognize the efforts of states that already have undertaken access reform (and the rate rebalancing associated with it), the FCC adopted a Residential Rate Ceiling of $30 per month.[28] This Ceiling is not a hard cap on local rates; the FCC's order does not prevent carriers from exceeding the Ceiling, but simply provides that if a carrier does exceed the Ceiling in a particular state, it may not assess some or all of the ARC on consumers in that state.[29] Rather, the carrier must rely on (i) ARCs assessed on multi-line business customers in that state (which are subject to a separate cap based on a combination of ARC and federal subscriber line charges),[30] (ii) ARCs assessed on end users in other states,[31] and (iii) CAF support to recover the FCC-ordered access reductions. The FCC's intent was to recognize and avoid penalizing consumers in early adopter states that had already begun access reforms and rebalanced local rates to more realistic levels.[32]

The federal Ceiling also does not address residential rates in isolation. The federal Subscriber Line Charge and state E-911 and TRS charges also count on top of the charge for

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[27] *CAF Order*, ¶¶ 849-853.
[28] *Id.* ¶¶ 852, 913.
[29] *Id.* ¶ 913.
[30] *Id.* ¶ 909.
[31] The FCC's order allows multi-state carriers "to determine at the holding company level how Eligible Recovery will be allocated among their incumbent LECs' ARCs." *Id.* ¶ 910. The FCC explained that "this flexibility" will allow carriers "to spread the recovery . . . among a broader set of customers" and "more fully recover" their Eligible Recovery in states with lower rates, thus "limiting the potential impact on the CAF." *Id.*
[32] *Id.* ¶ 915.

residential flat rate (1FR or R1) service towards the $30 Ceiling.[33] Effectively, then, the FCC's $30 Residential Rate Ceiling translates to a benchmark of about $22 on the "pure" monthly rate for basic residential service – an amount very close to the $23 benchmark this Commission established in its *July 2011 Order*.[34]

As a result, any cross-effects between the FCC's $22 federal "Ceiling" and this Commission's $23 benchmark will be immaterial. In theory, *if* a carrier raises rates all the way up to the Commission's $23 benchmark, it would slightly exceed the $30 Residential Rate Ceiling once you add the federal SLC and state TRS and E911 charges that the FCC includes in comparing actual rates to the Ceiling. But nothing in this Commission's *July 2011 Order* requires any carrier to raise its rates all the way up to the $23 benchmark; the Commission has simply given carriers the *opportunity* to rebalance access reductions in that manner. In some cases, the carrier might simply make a business decision to rebalance some of the Commission-ordered access reductions in other ways (*e.g.* cost savings) instead of local rate increases.[35] In other cases, the carrier can rebalance the entire access reduction through increases in local rates and still not go all the way to $23. In fact, the record showed that thirteen RLECs would have local rates under $22 after fully rebalancing both originating and terminating access rates.[36] Seven other carriers would have local rates below $23 after fully rebalancing both originating and terminating intrastate rates.[37] Given that the FCC has provided a mechanism for addressing recovery of rate reductions for terminating access, this Commission will only be addressing

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[33] *Id.* ¶ 914. It also includes certain items that do not appear to be implicated in the average RLEC customer's bill in Pennsylvania, such as mandatory extended area service charges, state subscriber line charges, and per-line state high cost and/or access replacement universal service contributions.

[34] Nurse/Oyefusi Joint Aff. ¶ 16 & Ex. B. To determine how much of the $30 Residential Rate Ceiling applies to "pure" local service, one deducts the primary-line residential SLC (up to $6.50 for most carriers, although CenturyLink's is slightly lower), the Telephone Relay Service or "TRS" surcharge ($0.08), and the E911 surcharge (which is $1.25 in some counties, $1.50 in others). *Id.* ¶¶ 13-16. The remaining amount, attributable to pure local service, is either $21.92 or $22.17, depending on the county. *Id.* ¶ 16 & Ex. B.

[35] Nurse/Oyefusi Joint Aff. ¶ 20.

[36] AT&T June 2010 Reply Brief, p. 24.

[37] *Id.*

access reductions and rate rebalancing for originating access (which is considerably less than half the access pie).

Consider, for instance, the CenturyLink illustration above. Today, CenturyLink's monthly retail rate for basic residential local service is $18. As previously shown, CenturyLink can reduce its originating access rates to interstate parity by eliminating the portion of its Carrier Charge that relates to originating access (estimated to be $2.19). Even if CenturyLink decided to rebalance that entire $2.19 reduction by increasing its local retail rate, that local rate would still be only $20.19 ($18 current rate plus $2.19). Factoring in the SLC, TRS and E911 charges, CenturyLink's adjusted residential rate of $28.19 would still be comfortably below the FCC's $30 Residential Rate Ceiling, giving CenturyLink ample headroom.[38] The same result holds true for the other three large RLECs, as shown below and in Exhibit A to the Joint Affidavit submitted herewith:

[38] Nurse/Oyefusi Joint Aff. ¶ 19.

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4. **How will the Pennsylvania ILECs that have alternative regulation and network modernization plans (NMPs) in place under Chapter 30 of the Public Utility Code, 66 Pa. C.S. §§ 3011 *et seq.*, be affected by the implementation of the FCC's intercarrier compensation reforms?**

Will they be able to seek intrastate rate relief of any type beyond the levels provided under the FCC's Eligible Recovery mechanism and associated federal CAF support?

Response: ***The FCC's reforms do not affect the Pennsylvania ILECs' alternative regulation and network modernization plans. Moreover, those ILECs may not obtain "intrastate relief of any type" for the federally-ordered access reductions.***

At the outset, AT&T observes that the Commission's question is largely academic. Most of the PTA companies have completed the implementation of their network modernization plans. The few companies that are still in the process of doing so are nearing completion.

At any rate, all ILECs in Pennsylvania and the rest of the nation will be affected by the FCC's reforms in exactly the way the FCC said they would be affected: (i) they will phase out terminating access rates according to the schedule set by the FCC; (ii) they will be allowed to obtain recovery through the federal ARC and through federal CAF support to the extent and in the manner provided by the FCC; and (iii) price-cap carriers will be subject to caps on originating access and certain other rates. Pennsylvania ILECs that have alternative regulation and network modernization plans are no different; they will be subject to the same federally-required access reductions and caps, and they will be eligible to participate in the same federal recovery mechanisms if they choose.

Plainly, the Commission cannot exempt any carrier from the FCC's uniform nationwide plan. Just as plainly, the Commission cannot give carriers some mechanism for recovering federally-mandated access reductions outside of the mechanisms specified by the FCC. Giving special treatment to any carrier would nullify the FCC's nationwide plan and it would destroy the uniformity the FCC expressly sought. Moreover, a state recovery mechanism designed to

recover the FCC-directed reductions would nullify the FCC's limits on the amount of recovery carriers may obtain, and nullify the conditions and requirements the FCC placed on recovery by arguably allowing carriers to bypass the federal recovery system and obtain recovery without having to meet the conditions associated with that recovery.[39]

Not surprisingly, then, the FCC's order expressly directs the states to protect consumers *against* windfalls or double recovery by carriers.[40] Thus, the Commission cannot permit any ILEC – whether or not they are subject to alternative regulation or a network modernization plan – to "seek intrastate rate relief of any type beyond the levels provided under the FCC's Eligible Recovery mechanism and associated federal CAF support."

a. The continuous applicability of the Commission's directives that the mandated intrastate switched carrier access charge reform and the associated "revenue neutral rate rebalancing called for in this Opinion and Order does not implicate the RLECs' various Chapter 30 exogenous event provisions." *July 2011 Order*, at 141.

Response: The FCC's *CAF Order* is not an exogenous event.

The FCC's order does not affect the Commission's conclusion. The FCC has already established a recovery mechanism to address the terminating access reductions it has ordered. That recovery mechanism recognizes the historical downward trend in access revenues. As the FCC recognized, even if the FCC had done nothing, "price cap and rate-of-return carriers alike" would "face an increasingly unpredictable [access] revenue stream," and the downward trend of

[39] The FCC's order does note that some new state support might be necessary in the event the state commission caps intrastate access charges for rate of return carriers (*CAF Order*, ¶ 813 and n. 1529) or if the state commission directs access rate reductions on a faster transition than the Order establishes (*CAF Order*, ¶ 816 and n. 1542). Neither provision contemplates state funding for the FCC-directed reductions. In any event, as noted previously, the Commission could easily reform intrastate originating charges in Pennsylvania through the rate rebalancing directed in its *July 2011 Order*, in the time frame requested by this Updated Petition.
[40] *CAF Order*, ¶ 813.

the recent years "will only get worse as demand for traditional telephone service continues to decline."[41] Accordingly, the FCC explicitly rejected a 100% revenue-neutral approach to recovery, concluding that the reforms it adopted allowed incumbent LECs to earn a reasonable return on their investment.[42]

If the RLECs take advantage of the federal recovery mechanisms, they cannot complain to this Commission that the recovery does not give them a 100-percent guarantee of maintaining today's revenues – and in any event the Commission cannot override the FCC's mechanisms or give carriers a windfall or double recovery above that specified by the FCC.[43] The limits on federal recovery are not an "exogenous event"; if the FCC had not stepped in to reform the irretrievably broken access charge system, customer demand would have declined anyway. The Commission has never suggested, and no one could seriously contend, that declining customer demand or competitive pressure are "exogenous events." The purpose of alternative regulation is not to insulate carriers against competition, but to reduce regulation so carriers can reap the benefits – and the risks – of a freer market.

Conversely, if the RLECs choose not to take advantage of the federal mechanisms for recovery of terminating access reductions (perhaps because they do not wish to comply with the limitations and conditions the FCC placed on recovery), that is a business choice the RLECs are free to make. But this Commission should not allow any RLEC to claim that its business decision to eschew the available federal recovery mechanisms leads to an exogenous event under Chapter 30 plans. Simply put, this Commission is not free to change the FCC's recovery mechanisms or allow any RLEC to bypass the FCC's directives.

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[41] *CAF Order*, ¶ 848.

[42] *Id.* ¶ 924. Carriers who do not believe that the recovery mechanisms are sufficient may petition the FCC to rebut this presumption through a "Total Cost and Earnings Review." *Id.* ¶¶ 924-927. Obviously, the Pennsylvania ILECs should be required to exhaust that process before seeking some windfall relief from this Commission.

[43] See *id.* ¶ 813.

b. **The legal and technical interaction between the FCC's intercarrier compensation reforms, the "revenue neutrality" mandated for ILEC intrastate carrier access reforms under Section 3017(a) of Chapter 30, 66 Pa. C.S. § 3017(a), the rural ILEC Chapter 30 NMPs, and Section 3019(h) of Chapter 30, 66 Pa. C.S. § 3019(h).**

Response: There is no interaction – legal, technical or otherwise –between the FCC-ordered reforms and the referenced state statutes and NMPs.

There is no interaction at all between the FCC's intercarrier compensation reforms and the "revenue neutrality" described in Section 3017(a). That provision states only that "*[t]he commission*" – meaning this Pennsylvania Commission – "may not require a local exchange telecommunications company to reduce access rates except on a revenue-neutral basis."[44] By its plain terms, Section 3017(a) does not apply to reductions required by the FCC, and only applies to reductions ordered by the Pennsylvania Public Utility Commission. In any event, the FCC's recovery philosophy is consistent with Section 3017(a). Just as this Commission recognized that carriers are not entitled to a revenue guarantee, double recovery or windfall,[45] the FCC's recovery mechanism is not designed to be "100 percent revenue-neutral relative to today's revenues" because "[a]bsent reform, price cap and rate-of-return carriers alike face an increasingly unpredictable revenue stream" from access charges.[46]

More fundamentally, even if section 3017(a) had any application to FCC-ordered reforms, the FCC has precluded states from ordering any double recovery or windfall recovery against federal access reductions.[47] In this way, carriers are limited to the recovery mechanisms established by the FCC, and they cannot avoid the conditions and requirements the FCC has placed on carriers participating in those mechanisms. The FCC has established a uniform nationwide plan for access reductions and the associated recovery. It has decided how much of

[44] 66 Pa. C.S.A. § 3017(a).
[45] *July 2011 Order*, at pp. 140-141.
[46] *CAF Order*, ¶ 848.
[47] *Id.* ¶ 813.

its access reductions should be recovered from end users, either through the ARC or through universal service contributions, and what conditions a carrier must satisfy to obtain that recovery. Because the Constitution makes federal law (including federal agency decisions) the supreme law of the land,[48] this Commission is not free to second-guess or alter the FCC's plan.

Likewise, there is no interaction between the FCC's reforms and Section 3019(h), which merely provides that an alternative regulation plan "shall supersede any conflicting provisions of this title or other laws of this Commonwealth."[49] The FCC's order is obviously not part of "this title" (Title 66 of the Pennsylvania Consolidated Statutes) and it is not a "law[] of this Commonwealth." And even if there was some conflict between the FCC order and an alternative regulation plan adopted under the law of the Commonwealth, federal law would prevail.

[48] *Fidelity Federal Savs. & Loan Ass'n v. De la Cuesta*, 458 U.S. 141, 153 (1982).
[49] 66 Pa. C.S.A. § 3019(h).

c. **Whether implementation of the contemplated federal ARC by any Pennsylvania Chapter 30 rural ILEC could lead to the permissible creation of revenues that would become part of the intrastate regulated services revenue pool that is utilized in the ILECs' annual price stability mechanism and price cap formula submissions under Section 3015 of Chapter 30, 66 Pa. C.S. § 3015(a)(1)(iii).**

Response: No, the "federal ARC" is a federal charge that is subject to the FCC's jurisdiction.

The ARC cannot be part of any intrastate regulated services revenue pool. It is a jurisdictionally federal charge, like the federal Subscriber Line Charge, and will be tariffed and reported to the FCC.[50] In fact, the FCC permits carriers to combine the ARC with the SLC on customer bills.[51] The ARC was created by the FCC and it is subject to terms established by the FCC. It is not subject to any state commission's jurisdiction or regulation. In those areas where the FCC intended states to play a role, the *CAF Order* expressly says where the states retain authority and what they can do; by sharp contrast, the *CAF Order* does not give the states any role with respect to evaluating, much less approving, a carrier's decision whether to assess the ARC or the amount at which it chooses to do so.

[50] *CAF Order*, ¶ 912. Some carriers copy their interstate SLC rate in their state tariffs but only as an administrative convenience or courtesy. That simple cross-reference does not give any state commission jurisdiction over the federal charge.
[51] *CAF Order*, ¶ 852.

CONCLUSION

WHEREFORE, in light of the foregoing, AT&T respectfully requests that the Commission grant its Petition for Reconsideration and Clarification with respect to originating access, and issue an Order that:

(1) Modifies the *July 2011 Order* to eliminate the $2.50 Carrier Charge;

(2) Requires the RLECs to reduce intrastate originating access charges to parity with interstate levels, in a revenue neutral manner, in two equal steps on July 1, 2012 and July 1, 2013; and

(3) Requires the RLECs to maintain parity going forward after July 1, 2013 consistent with any federal requirements.

With respect to terminating access, AT&T withdraws its Petition for Reconsideration as moot, given that the FCC has already granted the relief that AT&T sought.

Respectfully submitted,

By: [signature]

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Counsel for AT&T

DATED: April 9, 2012

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation Regarding Intrastate Access Charges and IntraLATA Toll Rates of Rural Carriers and the Pennsylvania Universal Service Fund	:	Docket No. I-00040105
AT&T Communications of Pennsylvania, LLC, *et al.*, Complainant v. Armstrong Telephone Company - Pennsylvania, *et al.*, Respondents	:	Docket Nos. C-2009-2098380, *et al.*

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JOINT AFFIDAVIT OF E. CHRISTOPHER NURSE

AND DR. OLA A. OYEFUSI

ON BEHALF OF

AT&T COMMUNICATIONS OF PENNSYLVANIA, LLC, TCG PITTSBURGH, AND TCG NEW JERSEY, INC.

1. My name is E. Christopher Nurse, and my business address is 1120 20th Street, N.W., Suite 1000, Washington, D.C., 20036. I am Regional Vice President, Regulatory & External Affairs, for AT&T's Atlantic Region, which extends from Virginia to Maine. Among my other duties, I am responsible for presenting AT&T's perspectives on a broad range of state regulatory and legislative matters, including initiatives to reform inter-carrier compensation, most commonly involving access charges.

2. My name is Ola A. Oyefusi, and my business address is 7125 Columbia Gateway Drive, Columbia, Maryland 21046. I am a Lead Carrier Relations Manager in AT&T's National Access Management Organization. In that capacity, I am responsible for all matters affecting AT&T's costs to interconnect its network with those of all other carriers, regardless of class of service or technology, in twenty-six states.

3. Together, as a panel, we submitted direct, supplemental direct, rebuttal, surrebuttal, and rejoinder testimony in this proceeding, and we testified at the evidentiary hearing in this case on April 14, 2010. Our educational backgrounds and professional experience are set forth in AT&T Statement 1.0.

4. The purpose of our joint affidavit is to provide factual analysis supporting the Updated Petition for Reconsideration And Comments filed by AT&T Communications of Pennsylvania, LLC, TCG Pittsburgh, and TCG New Jersey, Inc. The Commission entered an order on March 20, 2012, asking parties to submit comments regarding the effects of the FCC's November 18, 2011 order adopting nationwide reforms to intercarrier compensation and establishing a new "Connect America Fund," which has been referred to as the *CAF Order*.[1]

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[1] *In re Connect America Fund: A National Broadband Plan For Our Future,* 54 Communications Reg. (P&F) 637, 2011 WL 5844975 (FCC rel. Nov. 18, 2011) ("*CAF Order*").

5. For purposes of this proceeding, a key feature of the FCC's *CAF Order* is that the FCC has adopted a uniform, nationwide schedule for reforming switched access charges (including intrastate charges) on terminating access.[2] The FCC has also established national mechanisms for recovering reductions in terminating access, through (i) a federal Access Recovery Charge or "ARC" (determined at the holding company level) and (ii) the Connect America Fund or "CAF."[3]

6. By addressing terminating access reforms at the national level, the FCC has made it easier for this Commission to carry out and rebalance reductions to originating access charges. Thus, as AT&T explains in its comments, AT&T requests that the Commission not only carry out the reductions to originating access rates that it already adopted in its *July 2011 Order*, but also reduce all originating access rates (including the originating portion of the "Carrier Charge") to parity with the corresponding interstate rates.

Illustration Of Favorable Effect Of *CAF Order* On Access Rebalancing

7. To illustrate the favorable effects of the FCC's order, we begin by considering CenturyLink. Today, CenturyLink's intrastate switched access rates are much higher than the corresponding interstate rates, due to CenturyLink's $7.19 monthly Carrier Charge. The *July 2011 Order* directed CenturyLink to reduce that charge to $2.50 (a reduction of $4.69) and permitted CenturyLink to rebalance that reduction with a series of increases (totaling $4.69) in local retail rates, which currently stand at $18 per month per residential line. The access reductions and local rate rebalancing were to occur over a four-year, three-stage transition, as follows:

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[2] *CAF Order*, ¶¶ 798-805.
[3] *Id.* ¶¶ 849-853.

	CARRIER CHARGE	RETAIL RATE
Before Reform	$ 7.19	$ 18.00
March 30, 2012 (40%, or $1.88, reduction)	$ 5.31	$ 19.88
October 2013 (35%, or $1.64, reduction)	$ 3.67	$ 21.52
April 2015 (25%., or $1.17, reduction)	$ 2.50	$ 22.69

8. However, a large portion of CenturyLink's Carrier Charge relates to terminating access, and that portion will now be eliminated under the nationwide schedule established by the *CAF Order*. Recovery of that reduction will occur through federal mechanisms (the ARC and the CAF) rather than through local retail rates.

9. Based on AT&T's Pennsylvania experience, the majority (about 70 percent) of the RLECs' Carrier Charges relate to terminating access rather than originating access. To comply with the *CAF Order*, CenturyLink will need to calculate the portion of its Carrier Charge (and all other "End Office Access Service" rate elements) that relates to terminating access and separate that portion from originating access.[4] **Exhibit C** to this Joint Affidavit shows an illustration of how this calculation can be done. The FCC's rules require price-cap carriers like CenturyLink to eliminate half of the difference between interstate and intrastate rates on July 1, 2012; and then bring intrastate terminating access rates to full parity with the interstate rates and

[4] To determine the exact percentage of the Carrier Charge that is attributed to originating access versus terminating access, each RLEC must be required to provide the data and back up calculations demonstrating how the RLEC has historically billed the charge between originating versus terminating access. Given that the RLECs must reduce the percentage of the Carrier Charge that applies to terminating access as part of the FCC's Order, the Commission should require the carriers to include the calculations and back-up data for the Carrier Charge reductions as part of the tariffing process described in the Commission's April 3, 2012 Secretarial Letter in Docket No. M 2012-2291824. Thus, the RLECs would provide their calculations to the Commission (and to interested parties, including AT&T) by no later than May 14, 2012.

rate structure on July 1, 2013. In addition, CenturyLink will need to calculate the reduction in terminating access revenue in order to determine the "Eligible Recovery" it may receive through the federal ARC and CAF recovery mechanisms. For ease of illustration, we assume here (based on an overall weighted average of access charges billed to AT&T in Pennsylvania) that $5 or about 70 percent of CenturyLink's Carrier Charge relates to terminating access, and $2.19 or about 30 percent relates to originating access.

10. Because $5 of CenturyLink's Carrier Charge will be recovered through the federal ARC and CAF mechanisms, the Commission can reduce CenturyLink's originating access rates all the way to parity with the corresponding interstate rates for only $2.19 per month. This is less than *half* of the $4.69 rebalancing the Commission already found just and reasonable in its *July 2011 Order*, and the total rebalancing is only slightly more than the $1.88 rebalancing the Commission had scheduled for the first step in its transition. This clearly demonstrates that the FCC's *CAF Order* has made it substantially easier for the Commission to implement meaningful access reform on the originating side.

11. **Exhibit A** to this Joint Affidavit presents a detailed calculation of the rebalancing for CenturyLink and three other large RLECs: Frontier/Commonwealth, Consolidated (formerly known as North Pittsburgh) and Windstream (including the three D&E companies). As with CenturyLink, we estimate based on a weighted average of billing data that 70 percent of the Carrier Charges for these RLECs relate to terminating access. As with CenturyLink, this analysis demonstrates that the *CAF Order* has made it much easier for this Commission to implement access parity on the originating side.

Comparison Of FCC "Residential Rate Ceiling" With Commission Rate Benchmark

12. The *CAF Order* establishes a $30 "Residential Rate Ceiling" on monthly retail rates for local service for purposes of calculating the federal ARC.[5] The FCC did not prohibit carriers from raising their retail rates above the $30 Ceiling; rather, it simply prevents carriers from assessing some or all of the ARC in a given state to the extent they exceed the Ceiling.[6]

13. The Commission's order asks parties to discuss the possible interaction between the FCC's Residential Rate Ceiling and the $23 benchmark that this Commission established in its *July 2011 Order* in this proceeding. The Commission's benchmark applies solely to the carrier's flat rate for "pure" local service, while the FCC's Ceiling includes not only the flat rate but also certain other "components" that the FCC considers in comparing a carrier's rates to the Ceiling.[7] For an apples-to-apples comparison, one must first "translate" the federal Ceiling by removing the extra component charges it includes.

14. The "Rate Ceiling Component Charges" that apply in Pennsylvania are the Commonwealth's E911 charge (which varies by county) and Telephone Relay Service ("TRS") charge, and the federal "end user common line charge."[8] Certain other component charges, such as state subscriber line charges, mandatory extended area service charges, and state universal service charges, do not appear to be applicable to Pennsylvania RLECs.

15. The Commonwealth's E911 charge is either $1.25 or $1.50 per month, depending on the county. The TRS charge is $0.08 per month. The federal end user common line charge, also known as the subscriber line charge or "SLC," can be as high as $6.50 for most carriers' primary residential line, although CenturyLink's SLC is slightly less than that.

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[5] *Id.* ¶¶ 852, 913.
[6] *Id.* ¶ 913.
[7] *Id.* ¶ 914.
[8] See 47 C.F.R. § 51.915(b)(11).

16. Thus, the "pure" local service component of the $30 federal Ceiling is approximately $22: $30, minus $6.50 for the SLC, $0.08 for the TRS charge, and $1.25 or $1.50 for the E911 charge. In other words, on an apples-to-apples basis, the federal Ceiling is slightly lower than the Commission's $23 benchmark. **Exhibit B** to our affidavit presents this calculation for reference.

Interaction Of FCC Rate Ceiling With Commission Benchmark

17. As we have shown above, the pure local rate component of the FCC's Residential Rate Ceiling (approximately $22) is very similar to the Commission's $23 local rate benchmark. Because the Commission's benchmark is slightly higher, though, it is theoretically possible for a carrier to exceed the federal Ceiling *if* that carrier raises its local rates all the way to the $23 benchmark.

18. As we stated earlier, however, the FCC has taken care of recovery for access reductions on the terminating side through the federal ARC and CAF mechanisms. As a result, the Commission can reduce originating access rates all the way to parity with the corresponding interstate rates, and still wind up with significantly less "rebalancing" of local rates than it had anticipated in the *July 2011 Order*.

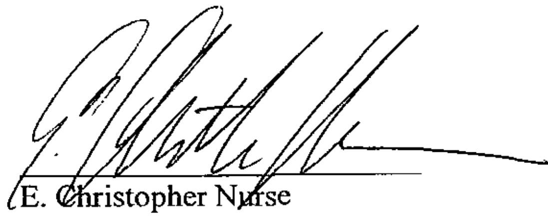
19. **Exhibit A** shows the rebalancing calculation for the four largest RLECs (including Windstream affiliates), which comprise the large majority of the total disparity between intrastate and interstate switched access charges in Pennsylvania. As this calculation shows, even if every one of those RLECs decided to rebalance the entire reduction in originating access charges through increases in local rates, their rebalanced local rates would still be well below the $23 benchmark, and also well below the $22 local rate component of the FCC's

Residential Rate Ceiling. For example, as we discussed above, CenturyLink could reduce its originating access rates all the way to parity with interstate rates, and rebalance the entire amount through increases in local rates, while still keeping its local rates at $20.19, leaving ample headroom. Moreover, the entire rebalancing for each carrier would be less than any one of the $3.50 rebalancing steps approved by the *July 2011 Order*.

20. Note that our analysis is conservative in an important respect: we assume that each RLEC would choose to rebalance the entire originating access reduction through local rate increases. Nothing in the *July 2011 Order*, and nothing in AT&T's proposal, requires any RLEC to do so. An RLEC would be free to make a business decision to rebalance access reductions through local rates, but it would be just as free to rebalance some or all of the access reductions in other ways (for example, through other rates or through other actions such as cost savings).

21. In addition, keep in mind that the Residential Rate Ceiling is not a hard cap on local rates. It simply limits a carrier's ability to assess the federal ARC in a given state. To the extent a carrier exceeds the Residential Rate Ceiling in any state, it may not be able to assess some or even all of the full ARC on consumers in that state but must recover the federally mandated access reductions through ARCs assessed on multi-line business customers (which are subject to a separate limit based on the sum of the ARC and the Subscriber Line Charge), ARCs assessed in other states where rates are below the federal Ceiling, and the CAF.

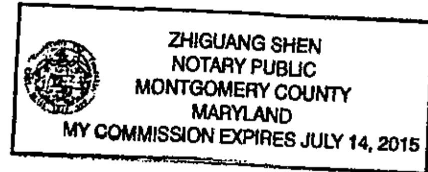
FURTHER AFFIANTS SAYETH NOT.



E. Christopher Nurse

Subscribed and Sworn to before me this 6th day of April, 2012,

Notary Public



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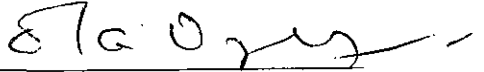
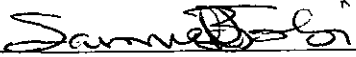


Dr. Ola A. Oyefusi

9-5-2012

Subscribed and Sworn to before me this 6th day of April, 2012,



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PROPRIETARY EXHIBIT A

NOT INCLUDED IN PUBLIC VERSION

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Exhibit B

Comparison of $23 Commission Benchmark to FCC's $30 Residential Rate Ceiling

The Commission's July 2011 Order BM is $1 *higher* than the FCC's CAF Order BM

Components included in FCC's Residential Rate Ceiling		
FCC Monthly Rate Ceiling[1]	**$30.00** (If E-911= $1.25)	**$30.00** (If E-911= $1.50)
Less:		
Subscriber Line Charge (SLC) - maximum, primary residence line	$6.50	$6.50
State SLC	$0.00	$0.00
Mandatory Extended Area Service (EAS) charge	$0.00	$0.00
Telephone Relay Service (TRS)	$0.08	$0.08
E-911 charge (This fee varies by county $1.25 to $1.50 per line)	$1.25	$1.50
Per-line State USF Contribution paid in end-user's monthly bill	$0.00	$0.00
Federal Access Recovery Charge (ARC)	$0.00	$0.00
Total - flat rate residence line (w/E-911 at $1.25-$1.50)	$7.83	$8.08

Equals **Effective FCC Benchmark Rate of**	**$22.17**	**$21.92**
Contrast **PA PUC July 2011 Ordered Rate**[2]	$23.00	$23.00
PA PUC Benchmark is *higher* than FCC benchmark rate by:	$0.83	$1.08

[1] See FCC *CAF Order* WC Docket No. 10-90, et. al., issued November 18, 2011, paragraphs 913-916.
[2] See Commission's July 18, 2011 Order in this case, Docket No. I-00040105, page 157.

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Exhibit C

Sample Illustration Showing Originating and Terminating Carrier Charges (CC) Breakout for CenturyLink

Assuming hypothetical number of lines and Local Switching (LS) Minutes of Use (MOUs)

a	Total Access Lines in Service (illustrative)	100,000
b	Carrier Charge (CC) per line/mo.	$7.19
c	Annual CC Charges to the Industry (a*b*12)	$ 8,628,000

The CC is assessed to individual IXCs on the basis of each IXC's market share of end office originating and terminating local switching minutes of use.[1]

Example: Breakdown of CC Billings to the Industry

	Originating	Terminating	Total
LS MOUs billed to the industry	3,000,000	7,000,000	10,000,000
LS MOUs - O&T Percentages	30%	70%	100%
Corresponding CC Charges to Industry	$ 2,588,400	$ 6,039,600	$ 8,628,000

The FCC's *CAF Order* is reforming terminating switched access, thus only the originating portion remains to be addressed by the Commission as shown below.

	Total	30% Originating
Carrier Charge (CC) per line/mo.	$7.19	**$2.16**
Annual CC Charges to the Industry (a*b*12)	$ 8,628,000	**$ 2,588,400**

[1]See, *e.g.*, CenturyLink's tariff at Pa. P.U.C. No. 29, Supplement No. 71, Seventh Revised Page 90, Section 3.8.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing Updated Petition for Reconsideration and Comments of AT&T in Response to Commission's Opinion and Order entered March 20, 2012, and the supporting Joint Affidavit of E. Christopher Nurse and Dr. Ola A. Oyefusi, 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 Chicago, Illinois, this 9th day of April, 2012.

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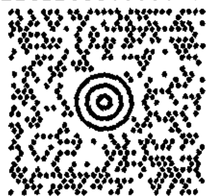

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