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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FCC MAIL SECTION

AUG 10 12 47 PM '93

In the Matter of

DA 93 - 979

AT&T Communications
Tariff F.C.C. Nos. 1 and 2
Transmittal Nos. 5460, 5461,
5462 and 5464

CC Docket No. 93 - 193,
Phase II

DISPATCHED BY

MEMORANDUM OPINION AND ORDER
SUSPENDING RATES AND
DESIGNATING ISSUES FOR INVESTIGATION

Adopted: August 9, 1993 ; Released: August 10, 1993

By the Acting Chief, Common Carrier Bureau:

1. On July 16, 1993, the AT&T Communications (AT&T) filed its Transmittal Nos. 5460, 5461, 5462 and 5464.¹ Transmittal 5460 would increase the initial minute rate and the additional minute rate in certain rate periods for AT&T's International Message Telecommunications Service (IMTS) from the U.S. mainland to Canada. This filing also would increase the additional minute rate in certain rate periods for IMTS from the U.S. mainland to 58 countries and from Hawaii to Canada. Transmittal 5460 also would revise the IMTS rate period hours for Bhutan and Uruguay. Transmittal 5461 would increase certain rates applicable to AT&T 800 directory assistance, while Transmittal 5462 seeks to increase the rates for AT&T's long distance message telecommunications service basic schedule, AT&T operator handled calling, AT&T calling card, AT&T's commercial long distance service, AT&T IMTS and AT&T USADirect® service. Transmittal 5464 would increase price cap regulated rates for analog voice grade services, with the exception of ALLIANCE® dedicated teleconferencing service; terrestrial television services, with the exception of educational television services; and certain special government services.

2. Local exchange carriers (LECs) filed their 1993 annual access tariffs on April 2, 1993. Several LECs subject to price cap regulation included adjustments to their price cap indices and rates based on exogenous treatment of certain amounts associated with accounting changes for retiree benefits. On May 17, 1993, AT&T announced revisions to its price cap indices effective July 1, 1993, reflecting the LECs' proposed changes in access prices and exogenous cost

¹ A portion of Transmittal No. 5460 bears an effective date of August 30, 1993.

We suspend the affected transmittals for one day, impose an accounting order, and expand our investigation in CC Docket No. 93-193 to include the captioned transmittals. We designate the LEC portion of the investigation as "Phase I" and the AT&T portion of the investigation as "Phase II." We will not at this time designate issues and establish a pleading cycle for Phase II of the investigation, pending consideration of the record in Phase I.

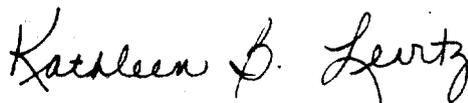
ORDERING CLAUSES

5. Accordingly, IT IS ORDERED that, pursuant to Section 204(a) of the Communications Act of 1934, 47 U.S.C. § 204(a), and Section 0.291 of the Commission's Rules, 47 C.F.R. § 0.291, the revised rates for Baskets 1, 2 and 3 set forth in AT&T Communications Tariff F.C.C. Nos. 1 and 2, Transmittal Nos. 5460, 5461, 5462 and 5464 ARE SUSPENDED for one day from the current effective date and a separate phase of our investigation in CC Docket No. 93-193 to investigate those rates is instituted. AT&T Communications SHALL FILE a supplement reflecting this suspension no later than 5 days from release of this Order.

6. IT IS FURTHER ORDERED that, pursuant to Sections 4(i) and 204(a) of the Communications Act of 1934, 47 U.S.C. §§ 154(i), 204(a), and Section 0.291 of the Commission's Rules, 47 C.F.R. § 0.291, AT&T Communications SHALL KEEP ACCURATE ACCOUNT of all amounts received that are associated with the rates that are the subject of this investigation.

7. IT IS FURTHER ORDERED that subsequent transmittals revising rates in Baskets 1, 2 and 3 are subject to the investigation and accounting order to the extent AT&T exercises pricing flexibility resulting from changes in its price cap indices as a result of LEC access charge changes or AT&T's own OPEB costs.

FEDERAL COMMUNICATIONS COMMISSION



Kathleen B. Levitz
Acting Chief
Common Carrier Bureau

changes AT&T itself experienced.² On June 23, 1993, the Common Carrier Bureau released an order³ that, *inter alia*, suspended for one day and set for investigation rates of certain local exchange carriers that reflected the exogenous treatment of transitional benefit obligation (TBO) amounts.⁴ By letter of June 30, 1993, AT&T made further adjustments to its price cap indices, effective July 1, 1993, including adjustments for exogenous treatment of its own TBO amounts.

3. The captioned transmittals would increase rates in Baskets 1, 2 and 3. These rate increases would be within bands and below the cap established by AT&T's recent adjustments to the indices; however, the revised rates in Baskets 1 and 2 would exceed these limits if the indices were adjusted to exclude TBO amounts. Therefore, some amount of the rate increase represented by the captioned transmittals is directly related to the exogenous treatment of TBO amounts by LECs in their 1993 annual access filings, and a portion is directly attributable to the TBO amounts claimed by AT&T as exogenous costs.⁵ The LEC rates based on exogenous treatment of TBO amounts are currently subject to an accounting order and a Section 204(a) investigation. Thus, to preserve the rights of ratepayers to a refund if AT&T is refunded money by the LECs, and because AT&T's claim of its own TBO costs raises substantially the same issues being addressed in the LEC investigation, it is appropriate to include AT&T's rates in the LEC investigation.

4. Therefore, pursuant to Section 204(a) of the Communications Act⁶ and Section 0.291 of the Commission's rules,⁷ we hereby institute an investigation of AT&T's proposed tariff changes based on the flow-through of LEC TBO amounts and based on the claims for exogenous treatment of AT&T's own TBO amounts.

² Letter from M. F. Del Casino to D. R. Searcy (May 17, 1993). AT&T did not amend rates for any tariffed services at that time, and therefore did not amend its price cap indexes in a tariff transmittal.

³ Memorandum Opinion and Order Suspending Rates and Designating Issues for Investigation, CC Docket No. 93-762, DA 93-193 (released Jun. 23, 1993) (*1993 Annual Access Order*).

⁴ In December 1990, the Financial Accounting Standards Board (FASB) adopted SFAS-106, requiring that companies account for postretirement benefits other than pensions (OPEBs) on an accrual basis, to begin after December 15, 1992. Before SFAS-106, OPEBs were accounted for on a "pay-as-you-go" basis. Under accrual methods, OPEBs are treated as deferred compensation earned by employees as they work. SFAS-106 also requires companies to book previously unaccrued obligation amounts for OPEBs to retirees and active employees existing as of the adoption date. This amount is termed the transitional benefit obligation (TBO).

⁵ Approximately \$210 million was claimed as exogenous by the price cap LECs. AT&T's claimed TBO amounts increase its price cap levels by approximately \$243 million.

⁶ 47 U.S.C. § 204(a).

⁷ 47 C.F.R. § 0.291.