



EX PARTE OR LATE FILED

April 29, 1997

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Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M. Street, N.W.  
Washington, D.C. 20554

Federal Communications Commission  
Office of Secretary

Re: Ex Parte Statement  
CC Docket 96-262

Dear Mr. Caton:

At the request of the Commission staff, Ameritech has modeled the impacts of pending access reform and universal service proposals on Ameritech's access charges. The Commission staff provided assumptions regarding establishing a flat rate per presubscribed line charge to recover non-traffic sensitive costs currently recovered in access minute of use rates. The results of Ameritech's modeling of the Commission staff's assumptions are summarized in attachment 1. Although this summary does not necessarily reflect the views of Ameritech with regard to access reform and universal service, Ameritech is supportive of a flat rate recovery from interexchange carriers (IXCs) of non-traffic sensitive costs.

In the attachment summary, Ameritech shows the impact of pending access reform and universal service proposals on overall access payments in the Ameritech region. The cornerstone of the Commission's rate structure proposal is to move the non-traffic sensitive costs out of the usage (per minute) rate, and establish a flat per presubscribed line (PSL) charge. This new rate structure would initially set a higher PSL charge for multiline business (\$4.50) and non primary residential lines (\$1.50) than for primary residential and business lines (\$.75). As shown, moving to the flat rate structure to recover non-traffic sensitive costs and reducing the per minute switched access rate commensurably will reduce total access payments in the Ameritech region by **\$26.9 million**, upon implementation in 1998, and on a net present value basis will reduce total access payments by the year 2002 by **\$1.4 billion**. This will place the IXCs in a financially better position than they are today.

Ameritech believes that the access reform Order must change the inefficiencies in today's usage rates by removing non-traffic sensitive costs and recovering them through flat rated charges. The Commission's decision to restructure access charges should not be dependent on the business plans of the interexchange carrier market. The extent to which IXCs are claiming that they cannot recover costs under a revised access rate structure is strictly a business decision unrelated to the Commission's actions.

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A question raised by the Commission staff is whether IXCs can legally recover costs from their business customers who purchase service under contracts with the adoption of the new proposed flat rate structure. Ameritech believes that IXCs would not be hindered in recovery of access related costs by any language in current contracts. All carriers have the right to include in their tariffs terms that permit the carrier to flow through costs that are imposed on them by regulators. Ameritech routinely includes such provisions in its tariffs, and understands this to be common practice in the industry. In fact, most IXCs' contract-based tariffs go even further by reserving their right to alter the terms and conditions of service for any reason not just as a flow through of additional access charges. When IXCs have not specifically reserved the right to alter the terms of their customers' contracts and even in those rare instances in which a contract purports to prevent a carrier from doing so -- carriers are not necessarily precluded from changing rates, terms, and conditions in their contracts pursuant to the filed rate doctrine (see attachment 2).

Even if the ability to modify existing contracts was precluded, the number of customers that are covered by these contracts is quite small and they cover very high volume business customers. At a per line volume of 519 minutes per month, the per minute rate reductions in switched access offset completely the \$4.50 PSL; and, the IXC will face lower access payments. At a very minimum, as shown in attachment 3, for an average multiline business customer in the Ameritech region the IXCs will be able to "pass thru" at least 47% of the initial \$4.50 multiline PSL without increasing the business customer's monthly bill.

Also, it should be noted that the IXCs do not even serve the highest volume customers through switched access services, but buy dedicated services that more and more frequently are not provided by the incumbent LEC. The \$4.50 PSL for multiline business will, if anything, rather than disadvantage the IXCs, only serve to increase their incentive to completely bypass the incumbents switched network.

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In summary, the Commission has the opportunity now to change the current, inefficient, mandated switched access rate structure to an efficient structure that will work in a competitive access market. And, as shown above, benefit the interexchange carriers by \$1.4 billion in the Ameritech region alone. With an efficient rate structure in place, the market will work to further reduce access rates without the need for additional restrictive regulations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kristin U. Shulman".

Kristin U. Shulman  
Director, Federal Regulatory Planning and Policy

Attachment

cc: Mr. Patrick DeGraba  
Mr. John Garcia  
Mr. Greg Rosston

**Ameritech Operating Companies**  
All Revenues Stated in Thousands (000's)

| Assumptions/Inputs                  | Source  | 1998        | 1999        | 2000        | 2001        | 2002        |
|-------------------------------------|---|-------------|-------------|-------------|-------------|-------------|
| 1 EUCL inflation rate (GDPPI)       | Ln 14   | 2.70%       | 2.70%       | 2.70%       | 2.70%       | 2.70%       |
| 2 Multiline EUCL Cap                | Input   | \$9.50      | \$9.76      | \$10.02     | \$10.29     | \$10.57     |
| 3 Second Res EUCL Cap               | Input   | \$5.00      | \$6.14      | \$7.31      | \$8.51      | \$9.74      |
| 4 Singleline Bus EUCL Cap           | Input   | \$3.50      | \$3.50      | \$3.50      | \$3.50      | \$3.50      |
| 5 Residential EUCL Cap              | Input   | \$3.50      | \$3.50      | \$3.50      | \$3.50      | \$3.50      |
| 6 Multiline Growth rate             | Input   | 1.0567      | 1.0500      | 1.0500      | 1.0500      | 1.0500      |
| 7 Second Res Growth rate            | Input   | 1.1187      | 1.1300      | 1.1100      | 1.1100      | 1.1000      |
| 8 Singleline Bus Growth rate        | Input   | 1.0567      | 1.0500      | 1.0500      | 1.0500      | 1.0500      |
| 9 Residential Growth rate           | Input   | 1.0130      | 1.0108      | 1.0113      | 1.0109      | 1.0109      |
| 10 Multiline PSL Cap (without USF)  | Input   | \$4.5000    | \$5.1215    | \$6.7868    | \$8.4970    | \$10.2534   |
| 11 Second Res PSL Cap (without USF) | Input   | \$1.5000    | \$1.5405    | \$2.6091    | \$3.7065    | \$4.8336    |
| 12 Single Line Bus/Res PSL Cap      | Input   | \$0.7500    | \$1.2703    | \$1.8046    | \$2.3533    | \$2.9168    |
| 13 USF portion of PSL               | Ln 44 / Ln 21   | \$0.0000    | \$0.0000    | \$0.0000    | \$0.0000    | \$0.0000    |
| 14 Inflation rate (GDPPI)           | Input   | 2.70%       | 2.70%       | 2.70%       | 2.70%       | 2.70%       |
| 15 X-Factor Assumption              | Current No Sharing Option                                     | 5.30%       | 5.30%       | 5.30%       | 5.30%       | 5.30%       |
| 16 Net Price Cap Red                | Ln 14 - Ln 15   | -2.60%      | -2.60%      | -2.60%      | -2.60%      | -2.60%      |
| 17 Total Multiline Business         | 1996 TRP lines grown to 1998                                  | 6,247,966   | 6,560,364   | 6,888,383   | 7,232,802   | 7,594,442   |
| 18 Total Second Residential         | 1996 TRP lines grown to 1998                                  | 2,175,773   | 2,458,623   | 2,729,072   | 3,029,269   | 3,332,196   |
| 19 Total Singleline Business        | 1996 TRP lines grown to 1998                                  | 870,315     | 913,831     | 959,522     | 1,007,499   | 1,057,874   |
| 20 Total Residential Primary        | 1996 TRP lines grown to 1998, See Note 1                      | 10,840,483  | 10,957,560  | 11,081,381  | 11,202,168  | 11,324,271  |
| 21 Total Lines                      | Sum of Lns 17 - 20  | 20,134,537  | 20,890,378  | 21,658,357  | 22,471,737  | 23,308,783  |
| 22 Multiline EUCL Rate              | Input   | \$5.33      | \$5.33      | \$5.33      | \$5.33      | \$5.33      |
| 23 Second Res EUCL Rate             | Input   | \$4.85      | \$5.33      | \$5.33      | \$5.33      | \$5.33      |
| 24 Singleline Bus EUCL Rate         | Input   | \$3.50      | \$3.50      | \$3.50      | \$3.50      | \$3.50      |
| 25 Residential EUCL Rate            | Input   | \$3.50      | \$3.50      | \$3.50      | \$3.50      | \$3.50      |
| 26 Multiline EUCL Revenue           | Ln 17 * Ln 22 *12   | \$399,620   | \$419,601   | \$440,581   | \$462,610   | \$485,740   |
| 27 Second Res EUCL Revenue          | Ln 18 * Ln 23 *12   | \$126,630   | \$157,254   | \$174,551   | \$193,752   | \$213,127   |
| 28 Singleline Bus EUCL Revenue      | Ln 19 * Ln 24 *12   | \$36,553    | \$38,381    | \$40,300    | \$42,315    | \$44,431    |
| 29 Residential EUCL Revenue         | Ln 20 * Ln 25 *12   | \$455,300   | \$460,218   | \$465,418   | \$470,491   | \$475,619   |
| 30 Total EUCL Revenue               | Sum of Lns 26 - 29  | \$1,018,103 | \$1,075,453 | \$1,120,850 | \$1,169,168 | \$1,218,918 |
| 31 MOU Elasticity                   | Input   | -0.5        | -0.5        | -0.5        | -0.5        | -0.5        |
| 32 Basic MOU growth                 | Input   | 8.45%       | 8.45%       | 8.07%       | 7.52%       | 7.21%       |
| 33 Demand MOU growth                | Elasticity applied to past year price changes (Ln 66 + Ln 67) | 5.15%       | 2.70%       | 2.95%       | 0.00%       | 0.10%       |
| 34 Total MOU growth                 | (1+Ln 32) (1+Ln 33) -1  | 1.14        | 1.11        | 1.11        | 1.08        | 1.07        |
| 35 Trunking Growth                  | Input   | 1           | 1           | 1           | 1           | 1           |

**Ameritech Operating Companies**  
**All Revenues Stated in Thousands (000's)**

|    |                       |                 |            |            |            |            |            |
|----|-----------------------|-----------------|------------|------------|------------|------------|------------|
| 36 | Originating MOU (000) | 1996 ARMIS Data | 22,277,333 | 24,727,839 | 27,447,902 | 29,643,734 | 31,718,795 |
| 37 | Terminating MOU (000) | 1996 ARMIS Data | 36,471,838 | 40,483,740 | 44,936,951 | 48,531,907 | 51,929,141 |
| 38 | Total MOU (000)       | Ln 36 + Ln 37   | 58,749,170 | 65,211,579 | 72,384,853 | 78,175,641 | 83,647,936 |

| Calculations | Source                                     | 1998   | 1999         | 2000         | 2001         | 2002         |              |
|--------------|--|--|--------------|--------------|--------------|--------------|--------------|
| 39           | NTS Basket before reductions               | ARMIS 43-01 Ln 1090 (m+r) - Ln 47  | \$ 1,600,693 | \$ 1,588,303 | \$ 1,573,138 | \$ 1,557,389 | \$ 1,561,360 |
| 40           | Traffic Sensitive Basket before Reductions | Ln 47  | \$ 493,717   | \$ 548,026   | \$ 608,309   | \$ 656,974   | \$ 691,216   |
| 41           | Other (trunking,B&C,IX) before Reductions  | ARMIS 43-01 Ln 1090 (s+u+v)  | \$ 592,386   | \$ 592,386   | \$ 592,386   | \$ 592,386   | \$ 582,488   |
| 42           | Total Revenue                              | Ln 39 + Ln 40 + Ln 41  | \$ 2,686,796 | \$ 2,728,715 | \$ 2,773,833 | \$ 2,806,749 | \$ 2,835,064 |
| 43           | NTS Basket after reductions                | Ln 39 - Ln 51  | \$ 1,530,836 | \$ 1,517,357 | \$ 1,501,019 | \$ 1,505,290 | \$ 1,520,765 |
| 44           | Net USF Revenue                            | See Note 2   | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| 45           | Minimum PSL Revenue                        | Ln 13 * Ln 21  | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| 46           | EUCL Revenue                               | Ln 30  | \$ 1,018,103 | \$ 1,075,453 | \$ 1,120,850 | \$ 1,169,168 | \$ 1,218,918 |
| 47           | Basic O & T Revenue                        | Ln 38 * Ln 70  | \$ 511,118   | \$ 567,341   | \$ 629,748   | \$ 668,764   | \$ 696,972   |
| 47a          | Net USF Obligation                         | See Note 2   | \$ 175,362   | \$ (160,000) | \$ (160,000) | \$ (160,000) | \$ (160,000) |
| 48           | Net NTS&TS Revenues                        | Ln 40 + Ln 43 - Ln 46 - Ln 47 + Ln 47a + Ln 52                           | \$ 670,694   | \$ 262,589   | \$ 198,729   | \$ 153,354   | \$ 118,119   |
| 49           | Portion of Reductions to allocate          | excess of Ln 50 over \$300M or Ln 55                                     | \$0          | \$0          | \$0          | (\$46,898)   | (\$73,712)   |
| 50           | Cumulative Reductions                      | Ln 55 cumulative   | (\$130,857)  | (\$201,803)  | (\$273,923)  | (\$346,898)  | (\$420,610)  |
| 51           | Total NTS Reductions                       | Ln 55 - Ln 52 - Ln 53  | (\$69,857)   | (\$70,947)   | (\$72,120)   | (\$52,100)   | (\$40,595)   |
| 52           | Total TS Reductions                        | Ln 49 * Ln 40 / Ln 42  | \$0          | \$0          | \$0          | (\$10,977)   | (\$17,972)   |
| 53           | Total Trunking Reductions                  | Ln 49 * Ln 41 / Ln 42  | \$0          | \$0          | \$0          | (\$9,898)    | (\$15,145)   |
| 54           | Price Cap Reduction                        | Ln 16  | -2.60%       | -2.60%       | -2.60%       | -2.60%       | -2.60%       |
| 55           | Revenue Reduced                            | 1997 Estimated Rate Reduction, 1998-2001 Ln 42 (from prior year) * Ln 54 | (\$69,857)   | (\$70,947)   | (\$72,120)   | (\$72,975)   | (\$73,712)   |

|    |                               |            |            |            |            |            |            |
|----|-------------------------------|------------|------------|------------|------------|------------|------------|
| 56 | Standard Terminating MOU rate | See Note 3 | \$0.008700 | \$0.008700 | \$0.008700 | \$0.008700 | \$0.008700 |
|----|-------------------------------|------------|------------|------------|------------|------------|------------|

|    |                                   |  |          |          |            |            |            |
|----|-----------------------------------|--|----------|----------|------------|------------|------------|
| 57 | Multiline PSL Rate (without USF)  | Ln 10 or remaining revenue / Ln 17           | \$4.5000 | \$0.7542 | \$0.0000   | \$0.0000   | \$0.0000   |
| 58 | Second Res PSL Rate (without USF) | Ln 11 or remaining revenue / Ln 18           | \$1.5000 | \$0.7543 | (\$0.0001) | (\$0.0001) | (\$0.0002) |
| 59 | Singleline Bus PSL Rate           | Ln 60  | \$0.7500 | \$1.2703 | \$1.3754   | \$1.0467   | \$0.7950   |
| 60 | Single Line PSL Rate              | Ln 13 or remaining revenue / (Ln 20 + Ln 19) | \$0.7500 | \$1.2703 | \$1.3754   | \$1.0467   | \$0.7950   |

|    |                             |                                    |           |           |           |           |           |
|----|-----------------------------|------------------------------------|-----------|-----------|-----------|-----------|-----------|
| 61 | Multiline PSL Revenue       | Ln 57 * Ln 17 *12 / 1000           | \$337,390 | \$59,374  | \$0       | \$0       | \$0       |
| 62 | Second Res PSL Revenue      | Ln 58 * Ln 18 *12 / 1000           | \$39,164  | \$22,254  | (\$3)     | (\$4)     | (\$8)     |
| 63 | Singleline Business PSL Rev | Included in Ln 64                  | \$0       | \$0       | \$0       | \$0       | \$0       |
| 64 | Singleline PSL Rev          | Ln 60 * (Ln 20 + Ln 19) *12 / 1000 | \$105,397 | \$180,963 | \$198,733 | \$153,358 | \$118,126 |
| 65 | Total PSL Revenue           | Sum of Lns 61-64                   | \$481,951 | \$262,591 | \$198,729 | \$153,355 | \$118,118 |

|    |                  |                                   |            |            |            |            |            |
|----|------------------|-----------------------------------|------------|------------|------------|------------|------------|
| 66 | Originating Rate | Ln 70 + remaining revenue / Ln 36 | \$0.017172 | \$0.008700 | \$0.008700 | \$0.008555 | \$0.008332 |
| 67 | Terminating Rate | Ln 70 + remaining revenue / Ln 37 | \$0.008700 | \$0.008700 | \$0.008700 | \$0.008555 | \$0.008332 |

|    |                         |               |           |           |           |           |           |
|----|-------------------------|---------------|-----------|-----------|-----------|-----------|-----------|
| 68 | Terminating MOU Revenue | Ln 67 * Ln 37 | \$317,305 | \$352,209 | \$390,951 | \$415,173 | \$432,684 |
|----|-------------------------|---------------|-----------|-----------|-----------|-----------|-----------|

|    |                      |   |            |            |            |            |            |
|----|----------------------|---|------------|------------|------------|------------|------------|
| 69 | Originating Rate Cap | Current Switched Access Rate Less Long Term Support | \$0.021554 | \$0.021554 | \$0.021554 | \$0.021554 | \$0.021554 |
|----|----------------------|---|------------|------------|------------|------------|------------|

**Ameritech Operating Companies**  
**All Revenues Stated in Thousands (000's)**

|    |                           |                             |             |             |             |             |             |
|----|---------------------------|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| 70 | Standard Terminating Rate | Ln 56 * (1 + Ln 40 / Ln 42) | \$ 0.008700 | \$ 0.008700 | \$ 0.008700 | \$ 0.008555 | \$ 0.008332 |
|----|---------------------------|-----------------------------|-------------|-------------|-------------|-------------|-------------|

|    |                     |               |           |           |           |           |           |
|----|---------------------|---------------|-----------|-----------|-----------|-----------|-----------|
| 71 | Originating Revenue | Ln 66 * Ln 36 | \$382,546 | \$215,132 | \$238,797 | \$253,591 | \$264,288 |
|----|---------------------|---------------|-----------|-----------|-----------|-----------|-----------|

| Additional USF Revenue Calculation |                                   | Source | 1998     | 1999     | 2000     | 2001     | 2002      |
|------------------------------------|-----------------------------------|--------|----------|----------|----------|----------|-----------|
| 72                                 | Multiline PSL Cap (with USF)      | Input  | \$4.5000 | \$6.1215 | \$7.7868 | \$9.4970 | \$11.2534 |
| 73                                 | Second Res and PSL Cap (with USF) | Input  | \$1.5000 | \$2.5405 | \$3.6091 | \$4.7065 | \$5.8336  |

|    |                                   |       |          |          |            |            |            |
|----|-----------------------------------|-------|----------|----------|------------|------------|------------|
| 74 | Multiline PSL Rate (without USF)  | Ln 57 | \$4.5000 | \$0.7542 | \$0.0000   | \$0.0000   | \$0.0000   |
| 75 | Second Res PSL Rate (without USF) | Ln 58 | \$1.5000 | \$0.7543 | (\$0.0001) | (\$0.0001) | (\$0.0002) |

|    |                         |       |          |          |          |          |          |
|----|-------------------------|-------|----------|----------|----------|----------|----------|
| 76 | Multiline PSL USF Rate  | Input | \$0.0000 | \$1.0000 | \$1.0000 | \$1.0000 | \$1.0000 |
| 77 | Second Res PSL USF Rate | Input | \$0.0000 | \$1.0000 | \$1.0000 | \$1.0000 | \$1.0000 |

|    |                                |       |           |           |           |           |           |
|----|--------------------------------|-------|-----------|-----------|-----------|-----------|-----------|
| 78 | Total Multiline Business Lines | Ln 17 | 6,247,966 | 6,560,364 | 6,888,383 | 7,232,802 | 7,594,442 |
| 79 | Total Second Residential Lines | Ln 18 | 2,175,773 | 2,458,623 | 2,729,072 | 3,029,269 | 3,332,196 |

|    |  |                           |     |            |            |            |            |
|----|--|---------------------------|-----|------------|------------|------------|------------|
| 80 | \$1 USF PSL Multiline Business Revenue | Ln 76 * Ln 78 * 12 / 1000 | N/A | \$ 78,724  | \$ 82,661  | \$ 86,794  | \$ 91,133  |
| 81 | \$1 USF PSL Second Residential Revenue | Ln 77 * Ln 79 * 12 / 1000 | N/A | \$ 29,503  | \$ 32,749  | \$ 36,351  | \$ 39,986  |
| 82 | Total \$1 USF PSL Revenue              | Ln 80 + Ln 81             | N/A | \$ 108,228 | \$ 115,409 | \$ 123,145 | \$ 131,120 |

|    |                                      |               |          |          |          |          |          |
|----|--------------------------------------|---------------|----------|----------|----------|----------|----------|
| 83 | Total Multiline PSL Rate (with USF)  | Ln 57 + Ln 76 | \$4.5000 | \$1.7542 | \$1.0000 | \$1.0000 | \$1.0000 |
| 84 | Total Second Res PSL Rate (with USF) | Ln 58 + Ln 77 | \$1.5000 | \$1.7543 | \$0.9999 | \$0.9999 | \$0.9998 |

Notes:

- (1) Primary Residential Lines equal total residential lines (less life line) times 86.87% plus life line lines.
- (2) 1998 calculated by taking \$1.3b high cost fund and allocating it by interstate retail revenues and allocating \$3.2b education, health care, lifeline by interstate and intrastate retail revenues.  
1999-2002 calculated using the same methodology except using \$3.8b high cost fund. Universal Service Revenues received are netted from totals.
- (3) This rate represents Ameritech's traffic sensitive costs associated with switched access

**Ameritech Operating Companies**  
**All Revenues Stated in Thousands (000's)**

|    | <b>Selected Summary Data</b>        | <b>Source</b>                              | <b>1998</b>  | <b>1999</b>  | <b>2000</b>  | <b>2001</b>  | <b>2002</b>  |
|----|-------------------------------------|--|--------------|--------------|--------------|--------------|--------------|
| 1  | Originating Rate                    | Ln 66 from Detail Sheets                   | \$0.017172   | \$0.008700   | \$0.008700   | \$0.008555   | \$0.008332   |
| 2  | Terminating Rate                    | Ln 67 from Detail Sheets                   | \$0.008700   | \$0.008700   | \$0.008700   | \$0.008555   | \$0.008332   |
| 3  | Average Rate                        | (Ln 68 + Ln 71) / Ln 38 from Detail Sheets | \$0.011913   | \$0.008700   | \$0.008700   | \$0.008555   | \$0.008332   |
| 4  | Multiline PSL Rate (with USF)       | Ln 57 from Detail Sheets                   | \$4.5000     | \$1.7542     | \$1.0000     | \$1.0000     | \$1.0000     |
| 5  | Second Res PSL Rate (with USF)      | Ln 58 from Detail Sheets                   | \$1.5000     | \$1.7543     | \$0.9999     | \$0.9999     | \$0.9998     |
| 6  | Singleline Bus PSL Rate             | Ln 59 from Detail Sheets                   | \$0.7500     | \$1.2703     | \$1.3754     | \$1.0467     | \$0.7950     |
| 7  | Single Line PSL Rate                | Ln 60 from Detail Sheets                   | \$0.7500     | \$1.2703     | \$1.3754     | \$1.0467     | \$0.7950     |
| 8  | Multiline EUCL Rate                 | Ln 22 from Detail Sheets                   | \$5.33       | \$5.33       | \$5.33       | \$5.33       | \$5.33       |
| 9  | Second Res EUCL Rate                | Ln 23 from Detail Sheets                   | \$4.85       | \$5.33       | \$5.33       | \$5.33       | \$5.33       |
| 10 | Singleline Bus EUCL Rate            | Ln 24 from Detail Sheets                   | \$3.50       | \$3.50       | \$3.50       | \$3.50       | \$3.50       |
| 11 | Residential EUCL Rate               | Ln 25 from Detail Sheets                   | \$3.50       | \$3.50       | \$3.50       | \$3.50       | \$3.50       |
| 12 | Price Cap Reduction Percentage      | Ln 16 from Detail Sheets                   | -2.60%       | -2.60%       | -2.60%       | -2.60%       | -2.60%       |
| 13 | Revenue Reduced                     | Ln 55 from Detail Sheets                   | \$ (69,857)  | \$ (70,947)  | \$ (72,120)  | \$ (72,975)  | \$ (73,712)  |
| 14 | Baseline MOU Rate                   | Input - assuming existing price cap rules  | \$ 0.020576  | \$ 0.020082  | \$ 0.019600  | \$ 0.019130  | \$ 0.018671  |
| 15 | Baseline Revenues from IXCs         | Ln 14 * Ln 38 from Detail Sheets           | \$ 1,208,823 | \$ 1,309,579 | \$ 1,418,743 | \$ 1,495,500 | \$ 1,561,791 |
| 16 | Total PSL Revenue                   | Sum of Lns 61-64 from Detail Sheets        | \$481,951    | \$262,591    | \$198,729    | \$153,355    | \$118,118    |
| 17 | Total Switching Revenue             | Ln 68 + Ln 71 from Detail Sheets           | \$ 699,851   | \$ 567,341   | \$ 629,748   | \$ 668,764   | \$ 696,972   |
| 18 | Total \$1 USF PSL Revenue           | Ln 80 + Ln 81 from Detail Sheets           | N/A          | \$ 108,228   | \$ 115,409   | \$ 123,145   | \$ 131,120   |
| 19 | Total Revenue New Structure         | Sum of Lns 16-18                           | \$1,181,803  | \$938,160    | \$943,887    | \$945,263    | \$946,209    |
| 20 | IXC Revenue Reduction from Baseline | Ln 15 - Ln 19                              | \$ 27,020    | \$ 371,419   | \$ 474,856   | \$ 550,237   | \$ 615,581   |
| 21 | Net Present Value                   | Net present Value of Ln 20                 | \$ 1,389,704 |              |              |              |              |

IXCs Can Modify Contracts and Tariffs to Accommodate A New Rate Structure

The IXCs contract based tariffs reserve the right to modify terms and conditions, not only changes in rates. Thus, as a consortium of large users noted in comments filed last year at the Commission: "AT&Ts Contract Tariffs (CTs). MCIs Special Customer Arrangements (SCAs), and Sprints Customer Network Service Arrangements (CNSAs) all contain negotiated, customer-specific terms but rely for most provisions upon the carriers generic tariffs which undergo frequent amendment. In our experience, the carriers jealously guard their right to amend those generic tariffs without first securing the consent of (or even giving notice to) their CT, SCA, or CNSA customers who may be affected by the changes." (Comments of the Ad Hoc Telecommunications Users Committee, the California Bankers Clearing House Association, the New York Clearing House Association, ABB Business Services, Inc., and the Prudential Insurance Company of America in CC Docket No. 96-61, April 25, 1996.)

Pages from an AT&T contract-based tariff, attached hereto, illustrate this practice. While that contract-based tariff includes individually negotiated provisions, it is literally sprinkled with cross-references to one of AT&Ts generic tariffs and specifically notes that such tariff may be "amended from time to time." In fact, it states that, "[e]xcept as otherwise provided in this Contract Tariff, the rates and regulations that apply . . . are as set forth in [generic tariffs], as such tariffs are amended from time to time." Thus, as a matter of practice, AT&T and other IXCs generally reserve their right to alter the rates, terms, and conditions of their customer contracts.

If they file revisions to those contracts and the Commission allows those revisions to take effect, the revised terms and conditions supersede any prior contractual terms. That is because "[u]nder the filed rate doctrine, the respective rights of carriers and customers with respect to interstate common carrier communications services are governed by tariffs filed before the Commission pursuant to Section 203 of the Communications Act. Effective tariffs are the law between customers and carriers." (Richman Bros. Records, Inc. v. U.S. Sprint Communications Co., Inc., 10 FCC Rcd 13639, 13671(1995). "[T]he rate of the carrier duly filed is the only lawful charge." (Maislin Industries, U.S., Inc. v. Primary Steel, Inc., 110 S. Ct. 2759 (1990).) Therefore, if the Commission allows a tariff change to take effect, it is binding on the carrier and the customer, for so long as it remains in effect, notwithstanding any previous contract or tariff clause to the contrary.

The Commission has long held that a tariff that unilaterally changes the terms and conditions of a long-term contract will be deemed just and reasonable if that change is justified by

"substantial cause." The seminal case in this area is RCA American Communications, Inc., 86 FCC2d 1197 (1981) (prior and subsequent history omitted), which first adopted the "substantial cause" test sixteen years ago. ("[W]e conclude that the reasonableness of a proposal to revise material provisions in the middle of a term must hinge to a great extent on the carriers explanation of the factors necessitating the desired changes at that particular time. If a carrier can make a showing of substantial cause, its decision to alter tariff terms will be considered reasonable." Id. at 1201-1202)

This "substantial cause" test, "remains the law today, as the Commission has recently recognized. (See Policy and Rules Concerning the Interstate, Interexchange Marketplace, CC Docket No. 96-61, FCC 96-424, released October 31, 1996, at para. 55) Thus, if an interexchange carrier can demonstrate "substantial cause" for a tariff change under which it would pass per-line charges on to end users, its existing customer contracts would not stand in the way of such change.

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**\*\* All material on this page is new. \*\***

**CONTRACT TARIFF NO. 6143**

**1. Services Provided:**

**A. AT&T Software Defined Network (SDN) Services (AT&T Tariff F.C.C. No. 1) consisting of:**

1. Custom SDN
2. Global Software Defined Network (GSDN) Service

**B. AT&T 800 Services (AT&T Tariff F.C.C. Nos. 2 and 14) consisting of:**

1. AT&T MEGACOM 800 Service-Domestic
2. AT&T MEGACOM 800 Service-Canada
3. AT&T MEGACOM 800 Service-Mexico
4. AT&T MEGACOM 800 Service-Overseas
5. AT&T 800 READYLINE Service-Domestic
6. AT&T 800 READYLINE Service-Canada
7. AT&T 800 READYLINE Service-Mexico
8. AT&T 800 READYLINE Service-Overseas
9. AT&T 800 READYLINE Service-Puerto Rico and the U.S. Virgin Islands

**C. AT&T ACCUNET T1.5 Service Access Connections (AT&T Tariff F.C.C. No. 9)**

**D. AT&T Terrestrial 1.544 Mbps Local Channel Services (AT&T Tariff F.C.C. No. 11)**

**2. Contract Term; Renewal Options** - The term of this Contract Tariff is 3 years beginning with a Customer's Selected Date (CSD) which shall be no more than four months following the Customer's Initial Service Date (CISD). The CISD is the first day of the Customer's first full billing month under this Contract Tariff. This Contract Tariff may be renewed in its entirety for an additional 1 year period.

**3. Minimum Commitments/Charges** - The AT&T SDN Services and AT&T 800 Services combined Minimum Annual Revenue Commitment under this Contract Tariff will be satisfied with the same qualified Gross Monthly Usage Charges as specified for the SDN Integrated Outbound and Inbound Optional Discount Plan (OneNet) in AT&T Tariff F.C.C. No. 1, as amended from time to time.

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5.A.1. Base Discounts (continued)

(b) If the MARC is \$1,080,000, the following discounts will apply:

| <u>For Gross Monthly Usage Charges of:</u> | <u>Discount applied to SDN-Domestic and AT&amp;T 800 Services Usage</u> |
|--|---|
| Between \$0 up to \$90,000                 | 37.5%   |
| over \$90,000 up to \$135,000              | 40.5%   |
| over \$135,000                             | 0.0%  |

| <u>For Gross Monthly Usage Charges of:</u> | <u>Discount applied to International SDN Usage</u> |
|--|--|
| Between \$0 up to \$90,000                 | 20.5%  |
| over \$90,000 up to \$135,000              | 23.5%  |
| over \$135,000                             | 0.0%   |

(c) If the MARC is \$1,200,000, the following discounts will apply:

| <u>For Gross Monthly Usage Charges of:</u> | <u>Discount applied to SDN-Domestic and AT&amp;T 800 Services Usage</u> |
|--|---|
| Between \$0 up to \$100,000                | 38.0%   |
| over \$100,000 up to \$150,000             | 41.0%   |
| over \$150,000                             | 0.0%  |

| <u>For Gross Monthly Usage Charges of:</u> | <u>Discount applied to International SDN Usage</u> |
|--|--|
| Between \$0 up to \$100,000                | 20.5%  |
| over \$100,000 up to \$150,000             | 23.5%  |
| over \$150,000                             | 0.0%   |

2. Additional Discounts - The Customer will receive an additional 11.0% discount, each month, in lieu of the discounts specified for the AT&T SDN International Term Plan (ITP) in AT&T Tariff F.C.C. No. 1. This discount will be applied in the same manner as the ITP as specified in AT&T Tariff F.C.C. No. 1, as amended from time to time.

6. Classifications, Practices and Regulations

A. Except as otherwise provided in this Contract Tariff, the rates and regulations that apply to the Services Provided specified in Section 1, preceding, are as set forth in the AT&T tariffs that are referenced in Section 1, preceding, as such tariffs are amended from time to time.

**Minimum "pass thru" Percentage of Multiline Business PSL Charge**

|   |                 |
|---|-----------------|
| <b>1 Average usage per line per month*</b>  | <b>243.15</b>   |
| <b>2 Reduction in the weighted combined MOU rate<br/>(\$0.02058 - \$0.01191)</b>            | <b>\$0.0087</b> |
| <b>3 Monthly reduction in the per line MOU revenue<br/>(line 1 x line 2)</b>                | <b>\$2.11</b>   |
| <b>4 Multiline Business PSL (1998)</b>  | <b>\$4.50</b>   |
| <b>5 Minimum percentage "pass thru" with no<br/>monthly bill increase (line 3 / line 4)</b> | <b>47%</b>      |

\* This is the average per line usage for all Ameritech lines, the multiline business usage would be higher and the minimum "pass thru" percentage would also be higher