ATTACHMENT

2

at&t

Mary L. Henze
Assistant Vice President
Federal Regulatory

AT&T Services, Inc.
1120 20th Street, Suite 1000
Washington, D.C. 20036
Phone 202 457-2041
E-Mail: mary.henze@att.com

Ex Parte (via ECFS)

November 19, 2014

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

***Re: Connect America Fund,* WC Docket 10-90; *Lifeline and Link Up Reform and Modernization*, WC Docket No. 11-42**

Dear Ms. Dortch,

On Tuesday, November 18, Cathy Carpino and I, of AT&T Services, Inc. (AT&T), called Alex Minard and Heidi Lankau, of the Wireline Competition Bureau (Bureau), to continue the discussion about the importance of including eligible telecommunications carrier (ETC) reform in the Commission's order adopting final Connect America Fund Phase II (CAF II) rules. AT&T personnel met with Mr. Minard and Ms. Lankau and others from the Bureau two weeks ago on this topic.[1]

One of the purposes of yesterday's call was to discuss further AT&T's request that the Commission clarify in its CAF II order that all CAF recipients, not just those participating in the Commission's Rural Broadband Experiment, may use a "group, partnership or consortia" to collectively satisfy any of the CAF service obligations. This clarification would allow CAF recipients, which are ETCs, to partner with non-ETC providers, including affiliates, to offer voice service, as an example, to requesting customers. We explained to Mr. Minard and Ms. Lankau how resale, which is permitted pursuant to section 214(e)(1)(A) of the Act, may not be a realistic option for some carriers due to the operational challenges associated with reselling another provider's service to select customers. These challenges include making costly modifications to a carrier's billing system in order to bill another provider's service, particularly if that other provider uses a completely different technology. As the Commission previously concluded, a CAF ETC that uses partners that are not ETCs to provide the required services would nonetheless be "legally and financially responsible" for providing the supported service and meeting all other reporting and compliance obligations. This would be true even if the non-ETC partner were an affiliate of the CAF ETC. AT&T is unaware of any reason why a CAF ETC could not memorialize this arrangement and the roles and responsibilities of both parties in an agreement with an affiliate or

[1] *See* Letter from Mary L. Henze, AT&T, to Marlene Dortch, FCC, WC Docket Nos. 10-90, 11-42 (filed Nov. 7, 2014).

why that agreement would not be enforceable, just as it would be if the agreement involved a non-affiliate.

We also discussed our request that the Commission clarify that such a grouping of providers (*i.e.,* a CAF ETC and non-ETC providers) could satisfy the voice obligation by offering an information service. Specifically, we discussed the possibility of a non-ETC partner to the CAF ETC offering consumers interconnected VoIP service, which is an information service. As the Commission found previously, it may rely on section 706(b) "to ensure that the federal universal service program covers services and networks that could be used to offer information services as well as telecommunications services."[2] This clarification will benefit all prospective CAF ETCs by giving them the flexibility to offer consumers innovative information services, and not merely plain old telephone service.

Finally, we informed Mr. Minard and Ms. Lankau that we were going to supplement the record by providing estimates of the cost to provide standalone voice in AT&T's price cap carrier affiliate service territories using the Commission's Connect America Model (CAM). In a prior filing, AT&T supplied this figure using the CostQuest Broadband Access Tool.[3] Since the November 7 meeting, AT&T personnel have performed the same analysis using the last version of the CAM (version 3) that included a 12,000 ft copper design (*i.e.,* fiber to the DSLAM or FTTD) coupled with location targets from the latest version of the CAM (version 4.1.1). Based on the CAM (vers. 3 and 4.1.1), it will cost AT&T's price cap carrier affiliates approximately $787 million dollars/year to continue providing standalone voice service in CAF II eligible areas. Even if you account for voice revenues received, AT&T's unrecovered cost to provide standalone voice in these areas is $469 million/year.[4] The cost of continuing to provide standalone voice service in Remote Area Fund (RAF)-eligible areas is $360 million/year and, if you account for revenues, the figure is $334 million/year. Finally, the cost of providing standalone voice service in areas that are below the CAF II cost benchmark (*i.e.,* non-CAF II and non-RAF areas that are unserved by cable and fixed wireless) is $661 million/year (and, with revenues, that figure is $278 million/year).[5]

AT&T provides this analysis to demonstrate that the cost of providing standalone voice service far exceeds the amount of so-called frozen high-cost support that it receives today. According to the Commission's own data, it costs AT&T's price cap carrier affiliates $1.8 billion/year to provide standalone voice service throughout their current ETC service territories (or $1.08 billion/year if you make conservative revenue assumptions) yet AT&T's price cap carrier affiliates receive only $176 million/year in frozen support. We reiterate our opposition to any Commission proposal that would require our price cap carrier affiliates to continue offering voice

[2] *Connect America Fund et al.*, WC Docket No. 10-90 et al., 26 FCC Rcd 17663, ¶ 73 (2011) (*USF/ICC Transformation Order*).

[3] Comments of AT&T, WC Docket No. 10-90 et al., at n.81 (filed Aug. 8, 2014).

[4] The revenue figure is derived from the Commission's comparable rate benchmark for standalone fixed voice of $46.96/month with a take rate of 50%, which we believe is a conservative estimate based on analyses previously filed with the Commission on AT&T's price cap carrier affiliates in Illinois and Louisiana.

[5] For the below-CAF II benchmark areas, AT&T assumed a take rate of 30%. The price cap carrier industrywide figures are the following: it will cost price cap carriers approximately $2.7 billion/year to provide standalone voice in CAF II-eligible areas, $1.4 billion/year in RAF areas, and $1.6 billion/year in non-CAF II and non-RAF areas (*i.e.,* those areas that are below the CAF II cost benchmark).

service as an ETC where they do not receive CAF II support. For reasons detailed in our prior filings, AT&T does not believe it is necessary for the Commission to fund voice service in places where there is an unsubsidized provider of voice but if it disagrees with AT&T, then it must make its offer of high-cost funding for voice service voluntary. For the Commission to require AT&T's price cap carrier affiliates to offer standalone voice in CAF II and RAF areas as it proposed in its Further Notice of Proposed Rulemaking, it would have to offer these affiliates a "sufficient" amount of support[6] and the Commission's own cost model provides the Commission with an objective measure of what is sufficient. The amount of frozen support that AT&T's price cap carrier affiliates receive has always been insufficient, a fact that the Commission was able to deflect when it announced that it was refocusing its high-cost support mechanisms to support broadband deployment in high-cost areas. To perpetuate legacy voice obligations for insufficient funding plainly violates the Commission's statutory obligations, even when done on some "interim" basis.

Please do not hesitate to contact me if you have any questions regarding this filing.

Sincerely,

/s/ Mary L. Henze

Mary L. Henze

cc: Alexander Minard
Heidi Lankau

[6] *See* 47 U.S.C. § 254(b)(5).

ATTACHMENT

3

Mary L. Henze
Assistant Vice President
Federal Regulatory

AT&T Services, Inc.
1120 20th Street, Suite 1000
Washington, D.C. 20036
Phone 202 457-2041
E-Mail: mary.henze@att.com

Via Electronic Filing

September 15, 2014

Ms. Marlene Dortch
Secretary
Federal Communications Commission
The Portals
445 12th Street SW
Washington DC 20554

Re: WC Docket No. 10-90, Connect America Fund; WC Docket No. 11-42, Lifeline and Link Up Reform and Modernization

Dear Ms. Dortch,

On September 11, 2014, Cathy Carpino and the undersigned of AT&T met with Carol Mattey, Alex Minard, Jonathan Lechter, Katie King, and Heidi Lankau, of the Wireline Competition Bureau. The purpose of the meeting was to share the results of a detailed analysis of voice telephony service that AT&T Services, Inc. (AT&T) conducted for its ILEC service territory in the state of Illinois. AT&T undertook this analysis in order to provide policymakers with more granular data about the voice market in the distinct geographic regions defined by Phase II of the Connect America Fund (CAF II): below threshold unfunded areas, high-cost CAF II eligible areas, and extreme high-cost "remote" areas. The implementation of CAF II is *the* transformative event promised by the 2012 USF/ICC Transformation Order. Data such as this Illinois analysis should inform the final details of CAF II and enable the Commission to perform the cost/benefit analyses that are necessary if the program is to succeed.

For its analysis, AT&T geocoded every AT&T Illinois consumer customer of wireline voice telephone service as of May 2014 by census block (CB) and then associated this data with the outputs of the FCC's Connect America Model (CAM) 4.1.1 and data from the National Broadband Map (NBM) and the Census Bureau. While the analysis is so-far limited to one state,[1] the result is an unprecedented view into the decline of the wireline telephony market that supports AT&T's assertion that there is no reason in law or policy for the FCC to continue its current overly-broad ETC regime or its mandatory Lifeline requirements for AT&T's ILECs.

---

[1] AT&T is preparing the same analysis for Louisiana and hopes to add it to the record later this month. These two states were selected for the analysis due to their contrasting profiles. Illinois is northern, AT&T Illinois' wireline customer base is largely urban, and its ILEC service territory is highly non-contiguous. AT&T Illinois does not receive any high-cost frozen support but the latest CAM run would provide approximately $14.5M/year in CAF II support in eligible areas. Louisiana is southern, AT&T Louisiana's wireline customer base is very rural, and its service territory encompasses virtually the entire state. AT&T Louisiana receives $8.8M/year in high-cost frozen support but the latest CAM run would provide almost $30M/year in CAF II support.

AT&T has consistently argued that the implementation of CAF II requires the FCC to transform the current ETC rules so that: a) they apply only to carriers that willingly accept CAF support and only for the geographic areas where such support is provided; b) existing price cap ILEC ETC designations in areas where no CAF support is received must automatically sunset; and c) Lifeline participation should be de-linked from the high-cost ETC designation and be made voluntary for ILECs, just as it is for today's dominant Lifeline providers. The Illinois analysis shows, among other things, that continuing to require ILECs to be ETCs, including Lifeline-only ETCs, where they do not receive CAF support is unnecessary and simply not justifiable. As AT&T has explained previously, relieving price cap carriers of their ETC designations in areas where they do not and cannot receive high-cost support does not mean that these providers will cease providing services in these areas. As the Commission itself recognizes, "carriers may not discontinue voice service without receiving authorization pursuant to section 214. . . ."[2]

High-Cost Data and Issues

The attached table "Illinois: Analysis of Voice Telephony in AT&T ILEC Service Area" provides the results of our analysis with an explanation of data sources. The second data column from the left contains data for the 175,640 CBs in AT&T Illinois' service territory that the CAM has determined do not qualify for any CAF II support. (See also Map A). There are 3,860,815 households in these CBs of which only 19.8% subscribe to AT&T wireline telephone service. This means that about 80% of the households in this non-CAF area have chosen another provider for their voice service. This figure alone is a clear indication that customers have many attractive options for obtaining voice service and the NBM data reported on Lines 13 a-d underscores this fact. AT&T Illinois serves a minority of the households in its service territory and yet it is the only wireline carrier that is *required* to provide voice service throughout the area because it is an ETC even though it has never received federal high-cost USF support and will never receive CAF support in these CBs.

In its most recent *FNPRM*, the FCC sought comment on whether it should automatically sunset ETC designations associated with CAF II funding at the conclusion of the service term.[3] Obviously the answer is yes and furthermore the Commission should do the same with all price cap carrier ETC designations where the recipient does not and cannot receive high-cost support. There is simply no need for and the FCC cannot justify placing unique obligations on one of many voice carriers in order to ensure consumers have access to voice service. In fact, it would be ironic to so obligate the provider of the one voice service that consumers clearly do not prefer.

The third data column from the left contains data for the 6,749 CBs that are "CAF II eligible" which means that there is no qualifying broadband provided by an unsubsidized competitor and the CAM has identified that deploying broadband to the

---

[2] *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54, ¶ 184 (rel. June 10, 2014) (*CAF II FNPRM*).

[3] *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54, ¶ 184 (rel. June 10, 2014) (*CAF II FNPRM*).

32,159 "funded locations" would be "high-cost." If AT&T Illinois were to accept the offer of CAF II support for these CBs it will have knowingly taken on the obligations in return for the CAF II support ($14.5M) and its high-cost ETC designation should be limited solely to these CBs and those obligations relevant to the goals of CAF II.

There are 33,228 households in this CAF II area and while the percent of households that continue to subscribe to AT&T Illinois wireline voice service is higher than in non-CAF areas, at 41.9%, it is also very clear that consumers have options for voice service since about 58% have chosen another provider. The viability of other voice providers in these CBs suggests that the areas that the CAM has identified as "high-cost" for broadband should not be assumed to be high-cost for voice service. The NBM data in Lines 13 a-d of this column indicates that these options may be wireless broadband or fixed wireless providers since cable company service drops off dramatically. In any event, the data support AT&T's position that there is no need for the FCC to continue providing high-cost support to support voice in CAF II areas where CAF II support is not accepted or won. And there is certainly no justification for requiring price cap ILECs to remain ETCs in these areas to ensure voice service is available. The data show that the FCC was prescient in transforming USF to a broadband program; no USF solution is needed for voice even in the new "high-cost," CAF II areas.

The fourth and final column contains data for the 1,311 CBs that have no CAF II eligible locations and have an average cost above $172.51, the "alternative technology" threshold for the version of the CAM used that would place these locations in the Remote Area Fund (RAF). There are other RAF locations in CBs that are CAF II eligible (see pink areas on Map A) but these are excluded from this analysis in order to provide a "pure" RAF data set. Despite the remote, low density character of these CBs, the voice market results are remarkably similar to those for the CAF II eligible areas. Of the 2,159 households in these CBs, 46.7% still subscribe to AT&T Illinois wireline voice service while about 53% have chosen another provider for their voice service. Cable companies are virtually non-existent in these CBs so it appears that wireless and fixed wireless providers are viable competitors. Again, while these CBs are extremely high cost for broadband they do not appear to lack options for voice service.

Lifeline Data and Issues

The Lifeline data show an even more dramatic depiction of customers embracing competitive offerings over AT&T Illinois' wireline service. According to the Universal Service Administrative Company's (USAC's) 2013 disbursement data, 96% of Lifeline reimbursements went to wireless carriers in Illinois, with only 4% going to wireline providers. Between 2007 and 2013, AT&T Illinois' Lifeline disbursements dropped by 65%. But over that same period of time, Lifeline disbursements in Illinois increased by an astounding 870%.

The data also show that consumers in both urban and rural areas, including extremely high-cost areas, have equally rejected AT&T Illinois as their Lifeline provider of choice. In non-CAF II-eligible CBs, only 0.4% of households obtain Lifeline benefits from AT&T Illinois. This percentage is identical in CAF II-eligible CBs and increases by a statistically insignificant amount to 0.6% in extremely high-cost CBs. There is no question that a sizable percentage of Illinois households are eligible for Lifeline benefits in urban and rural areas[4] yet only a small fraction of eligible households obtain their Lifeline benefits from AT&T Illinois. The data dispel any myth that Lifeline competitors are predominantly in urban areas, leaving rural Lifeline-eligible customers with only the ILEC as their Lifeline provider.

To put the AT&T Lifeline percentages in perspective, we estimated the number of Lifeline subscribers in each CAF area[5] and compared the results with the number of AT&T Illinois Lifeline customers in the same area. In the extremely high-cost RAF CBs, AT&T estimates that between 113 and 350 households receive Lifeline benefits but we know that only 12 of them receive that benefit from AT&T Illinois. And, in CAF II-eligible CBs, we estimate that between 1,687 and 5,383 households obtain Lifeline service but we know that just 133 obtain that benefit from AT&T Illinois. The data clearly suggest that Lifeline provider alternatives are ubiquitously available throughout AT&T Illinois' ETC service area and Lifeline-eligible consumers resoundingly prefer those alternatives to AT&T Illinois' wireline Lifeline offering.

The Commission now has access to a tremendous amount of data from its National Lifeline Accountability Database (NLAD) which would allow it to geocode every single Lifeline customer to a census block. AT&T encourages the Commission to use the data it has to conduct an analysis similar to what AT&T has done in Illinois to identify the geographic distribution of Lifeline subscribers and the providers who serve them. Based on its own work in Illinois, AT&T believes the Commission will find that Lifeline-eligible consumers have numerous Lifeline provider options and, given the choice, obtain Lifeline benefits from a non-ILEC.

Last month, AT&T filed comments in response to the Commission's *CAF II FNPRM*.[6] In that filing, AT&T urged the Commission to reform its current ETC regime in its order adopting CAF II rules. AT&T detailed the necessity of relieving price cap carriers of their ETC designations and obligations in areas where they do not and cannot receive CAF II support. As part of that request, AT&T also urged the Commission to separate Lifeline participation from participation in the Commission's high-cost program and to make Lifeline participation voluntary.[7] This is not a new request. In fact, the Commission sought and received comment on AT&T's proposal in its 2012 *Lifeline Modernization Further Notice of Proposed Rulemaking*.[8] The record is complete and AT&T urges the Commission to move forward by adopting AT&T's proposal.

---

[4] According to the U.S. Department of Agriculture, in 2013, 21.4% of Illinois households participated in SNAP, which is just one of many public assistance programs that qualifies a household for Lifeline. *See Supplemental Nutrition Assistance Program, State Activity Report, Fiscal Year 2013*; Food and Nutrition Service, Supplemental Nutrition Assistance Program, Program Accountability and Administration Division, at p. 3 (July 2014), *available at* http://www.fns.usda.gov/sites/default/files/snap/2013-state-activity.pdf.

[5] To calculate the number of households eligible for Lifeline we used the Census Bureau data included on Line 16 as the low bound and 2011 USAC data indicating that 30% of Illinois households are eligible for Lifeline as the upper bound. We then applied the 2011 USAC participation rate for Illinois (54%) to calculate the number of households that may actually receive Lifeline benefits.

[6] Comments of AT&T, WC Docket No. 10-90 et al. (filed August 8, 2014).

[7] *Id.* at 29-33.

[8] *Lifeline and Link Up Reform and Modernization et al.*, WC Docket No. 11-42 et al., Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 6656, ¶¶ 502-04 (2012).

During the meeting, staff asked AT&T's representatives, at a high level, what further changes to the Lifeline program we thought were necessary. We responded simply that AT&T would like to treat Lifeline customers like any other customer. As AT&T has often explained over the past several years, it does not believe that service providers should be responsible for determining a consumer's eligibility for a public assistance program.[9] AT&T is unaware of any other public assistance program where a private sector entity, which has a financial interest in the outcome of the eligibility determination, makes these decisions. The FCC will be fighting an uphill compliance battle of its own making as long as it continues to rely on hundreds of private companies to implement its Lifeline eligibility rules. Taking providers out of this role and coordinating Lifeline eligibility determinations and enrollment with that of other government benefits programs would not only strengthen the program but it would likely provide consumers with a simpler application process.

Beyond the inappropriateness of carrier involvement in eligibility determinations, the Commission's current Lifeline program imposes significant administrative costs on providers. By the Commission's own estimate, participating in its Lifeline program costs providers approximately $600 million a year, or about 37% of the $1.64 billion/year program. These amounts likely understate providers' administrative costs because state-specific requirements add to administrative complexity and costs. None of a provider's administrative costs is reimbursable. Instead, for postpaid providers like AT&T's wireline ILECs, Lifeline is a mere pass-through program whereby a provider is reimbursed $9.25/month per customer for each $9.25/month discount it provides to its Lifeline customers. While AT&T's ILECs have seen their Lifeline subscriber counts plummet over the past seven or so years, their costs of administering this public assistance benefit have not correspondingly decreased. Instead, after the Commission's 2012 Lifeline reforms became effective, these costs have only increased as providers now must review customers' eligibility documentation, interface with NLAD, and recertify all of their Lifeline customers each year.

* * * * * * *

AT&T respectfully submits that its Illinois data show that, as a legal and policy matter, it is unnecessary for the Commission to compel price cap carriers to offer standalone voice and participate in the Lifeline program throughout their service area. Even in rural, high-cost areas, consumers have a multitude of competitive offerings available to them and, in overwhelming numbers, have rejected ILEC wireline service in favor of those competitive services. AT&T urges the Commission to update its ETC and Lifeline rules and requirements to better reflect the existing competitive landscape.

[9] *See, e.g.*, AT&T *NBP Public Notice # 19* Comments, GN Docket Nos. 09-51 et al., at 31 (filed Dec. 7, 2009); AT&T *Lifeline and Link Up Reform and Modernization NPRM* Comments, WC Docket No. 11-42, et al., at 12 (filed April 21, 2011); AT&T *Lifeline and Link Up Reform and Modernization NPRM* May 10 Reply Comments, WC Docket No. 11-42, et al., at 2-9 (filed May 10, 2011); AT&T *Lifeline and Link Up Reform and Modernization FNRPM* Comments, WC Docket No. 11-42 et al., at 3-10 (filed April 2, 2012).

All material shared during this meeting is attached. Please do not hesitate to contact me should you have any questions.

Sincerely,

/s/ Mary L. Henze

Mary L. Henze

Attachments
cc: Carol Mattey
Alex Minard
Jonathan Lechter
Heidi Lankau
Katie King

ILLINOIS: Analysis of Voice Telephony in AT&T ILEC Service Area

		AT&T ILEC Service Area or *Statewide	CBs in AT&T ILEC Svc Area w/No CAF II Funded Locations	CAF II Eligible CBs in AT&T ILEC Svc Area	Alt Tech-Remote Area CBs in AT&T ILEC Svc Area
1	Number of Census Blocks (CBs)	182,389	175,640	6,749	1,311
2	Number of Households (HHs)	3,894,043	3,860,815	33,228	2,159
3	Number of CAF II Funded Locations	-	-	32,159	-
4	Number of Alt Tech/Remote Area Locations	-	-	-	2,351
5	Amount of Annual CAF II Support	-	-	$14,545,731	-
6	Amount of Annual Frozen High-Cost Support	$0	$0	$0	$0
7	Number of ETCs per AT&T ILEC Wire Center	6 to 13	At least 6	At least 6	At least 6
8	Number of Retail Wireline Carriers in IL	128*	-	-	-
9	Number of Wireline ILECs in IL	40*	-	-	-
10	Number of Wireline CLECs in IL	88*	-	-	-
11	Percent of Retail Wireline Lines in IL that are CLEC	39%*	-	-	-
12	Percent of IL Adults in Wireless-only Households	38%*	-	-	-
13	Percent of Households in AT&T ILEC Service Area with:				
	a. Cable Modem Coverage	96.4%	97.2%	6.3%	0.5%
	b. Fixed Wireless Coverage	99.4%	99.4%	93.9%	91.1%
	c. Wireless Broadband Coverage	100%	100%	99.8%	99.4%
	d. 4+ Wireless Carriers or Cable Modem or Fixed Wireless	100%	100%	97.3%	93.3%
14	Percent of Lifeline Disbursements in IL to Wireline ETCs	4%*	-	-	-
15	Percent of Lifeline Disbursements in IL to Wireless ETCs	96%*	-	-	-
16	Percent of Households in AT&T IL Svc Area with Cash Public Assistance or SNAP (see Note)	11.8 %	11.9%	9.4%	9.7%
17	Percent of Households w/AT&T Wireline Lifeline	0.4%	0.4%	0.4%	0.6%
18	Percent of Households w/AT&T Wireline Voice Service	20.0%	19.8%	41.9%	46.7%
	a. % of HHs w/AT&T Wireline and AT&T Wireless Voice	2.6%	2.6%	7.3%	8.8%
	b. % of HHs w/AT&T Wireline Voice and AT&T Broadband (DSL or U-Verse)	4.1%	4.1%	4.1%	3.2%
	c. % of HHs w/AT&T Wireline Voice and 2 or More Other AT&T Services	3.5%	3.5%	2.6%	4.3%
	d. % of HHs with Standalone Wireline Voice from AT&T	9.7%	9.6%	27.9%	30.4%

Note: The data provide in Line 16 is included only as a surrogate for the potential Lifeline eligible population in and among the CB groupings. It is not intended to portray actual Lifeline eligibility or subscribership rates. In fact, the data significantly understates current SNAP participation. The public assistance/SNAP households by CB were calculated from the Census Bureau's 5-year average (2006-2010) census tract data. In 2013, USDA data indicates that 21.4% of households in Illinois participated in SNAP. In addition, this line item does not include data for all programs that would qualify a household for Lifeline.

Table Sources by Row:

1-5. FCC CAM 4.1.1 (10Mbps/768kbps) output associated to CB-level based on FCC funded CB list. Alt-Tech/Remote Area CBs are unserved CBs with no CAF II funded locations and average cost above $172.51. CBs and HHs in RAF category are also included in the CBs with No CAF II Funded Locations category.

2. Information on the number of households in each CB is from the 2010 U.S. Census

6. Universal Service Administrative Company

7. AT&T analysis of documents filed with and issued by the Illinois Commerce Commission (ICC). Every AT&T wire center in Illinois has at least six and up to 13 designated ETCs (high-cost and lifeline). Counts do not include AT&T ILEC ETC.

9-11. Annual Report on Communications Markets in Illinois; ICC, July 30, 2014

12. Ibid, citing Centers for Disease Control data

13 a-d. National Broadband Map, June 2013

14-15. Universal Service Administrative Company

16. US Census Bureau, American Community Survey 2010, 5 year estimate 2006-2010 data, Table – Income: Public Assistance Income or Food Stamps/SNAP in the past 12 months for Households at the Census Tract Level

17. Households who received a Lifeline benefit from AT&T IL in May 2014, AT&T consumer customer data

18 a-d. May 2014 AT&T consumer customer data. Line 18 is the percent of households that subscribe to AT&T wireline voice service either as part of a bundle or as a standalone service. Lines 18 a-d are subsets of Line 18. Line 18a includes data only for AT&T wireless customers who choose to include wireless charges on their wireline phone bill.

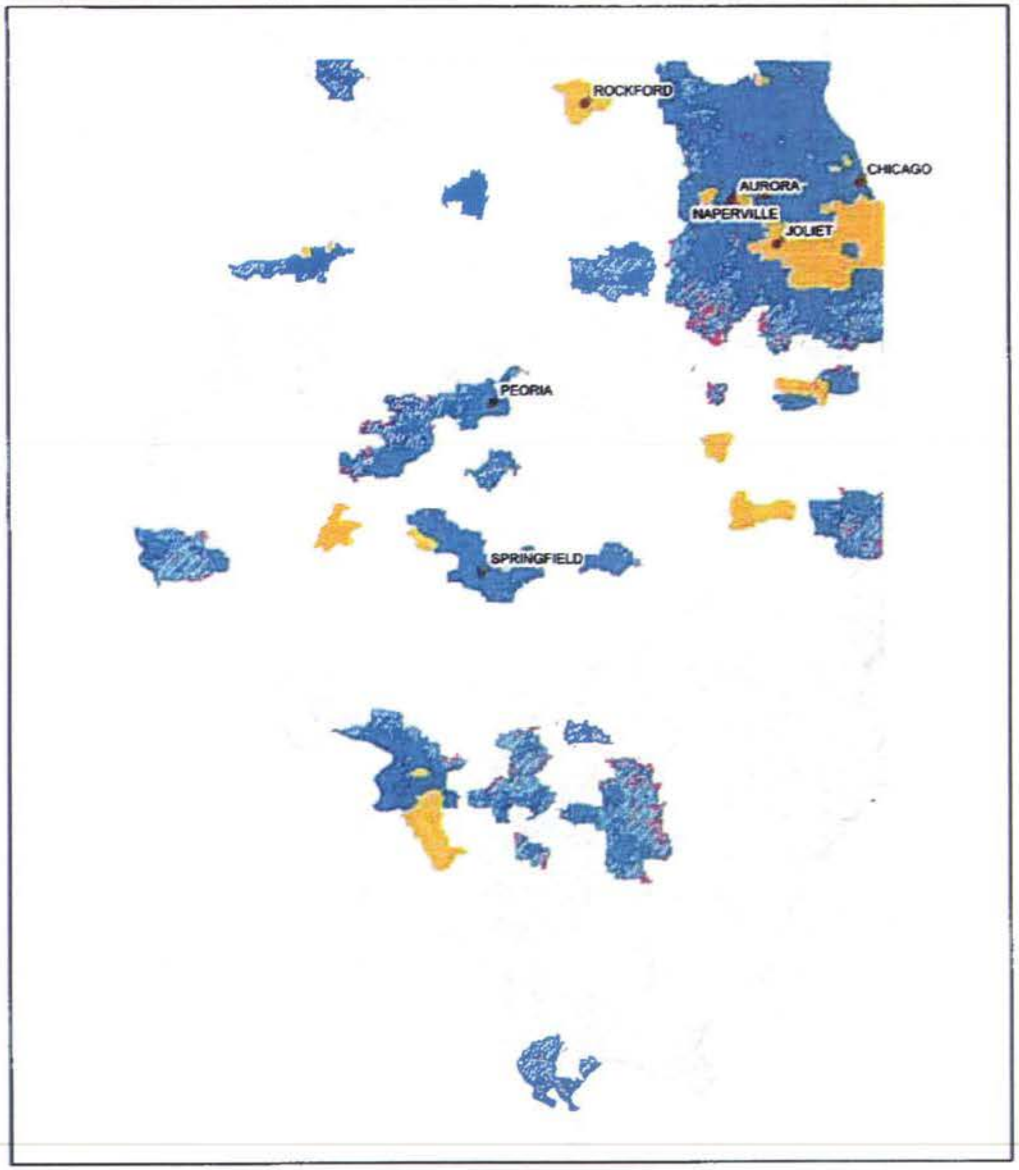
Maps

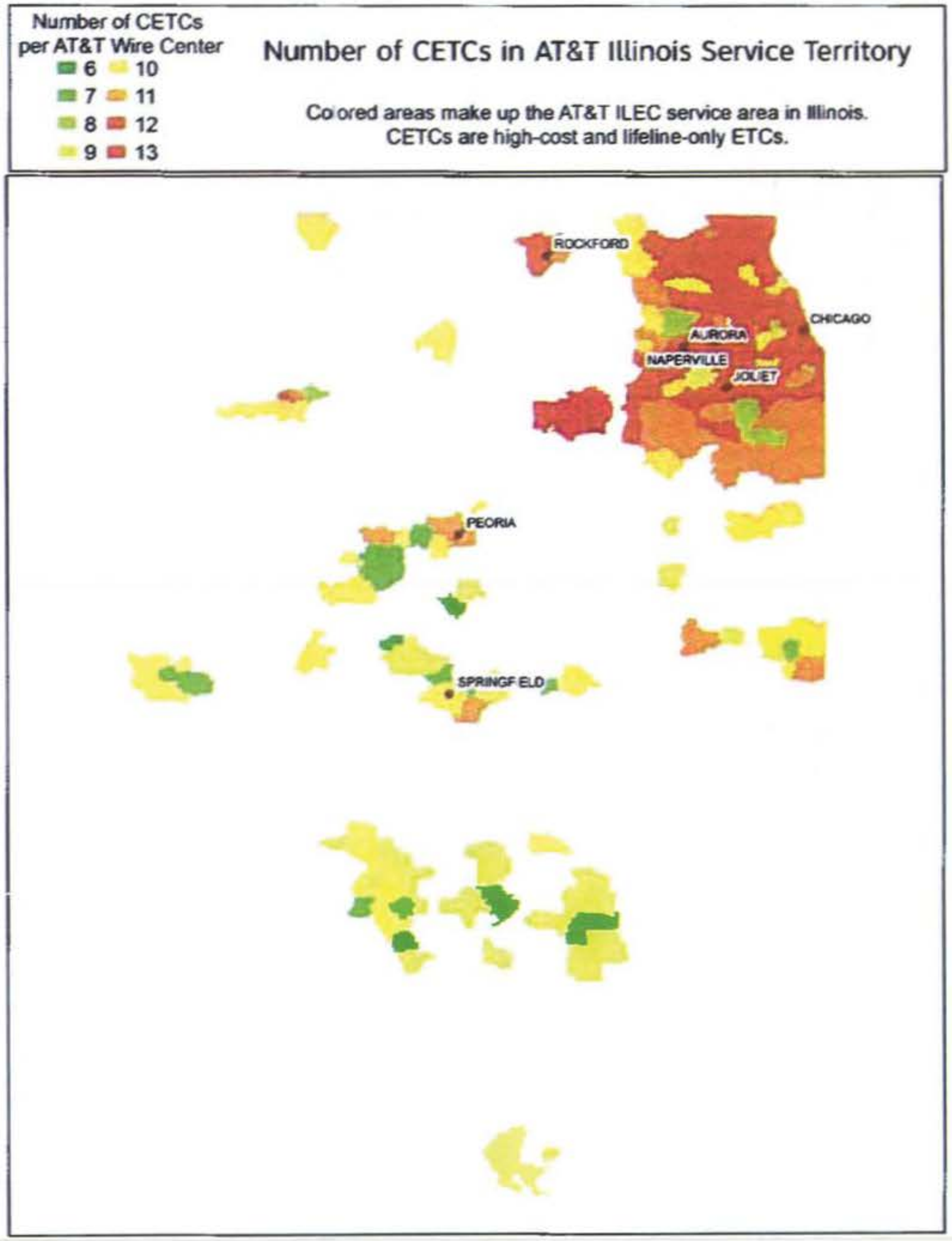
A. CAF II Eligible Areas in Illinois vs. AT&T Illinois Service Territory
B. Number of CETCs in AT&T Illinois Service Territory

CAF II Eligible Areas in Illinois vs. AT&T Illinois Service Terriroty

Solid colored areas make up the AT&T ILEC service area in Illinois
Hatched overlay indicates all CAF II eligible census blocks in Illinois

Legend
- AT&T Wire Centers with no CAF II funded locations
- AT&T Wire Centers with CAF II funded locations
- CAF II Eligible Census Blocks
- AT&T RAF only Census Blocks
- City Points - Major




Number of CETCs
per AT&T Wire Center
6
7
8
9
10
11
12
13
Number of CETCs in AT&T Illinois Service Territory
Colored areas make up the AT&T ILEC service area in Illinois.
CETCs are high-cost and lifeline-only ETCs.
ROCKFORD
CHICAGO
AURORA
NAPERVILLE
JOLIET
PEORIA
SPRINGFIELD

ATTACHMENT
4

Mary L. Henze
Assistant Vice President
Federal Regulatory

AT&T Services, Inc.
1120 20th Street, Suite 1000
Washington, D.C. 20036
Phone 202 457-2041
E-Mail: mary.henze@att.com

October 14, 2014

Ms. Marlene Dortch
Secretary
Federal Communications Commission
The Portals
445 12th Street SW
Washington DC 20554

Re: WC Docket No. 10-90, Connect America Fund; WC Docket No. 11-42, Lifeline and Link Up Reform and Modernization

Dear Ms. Dortch,

In an ex parte letter dated September 15, 2014, AT&T Services, Inc. (AT&T) shared the results of a detailed analysis of voice telephony service that it conducted for Illinois Bell Telephone Company's service territory. We now submit the same analysis for BellSouth Telecommunications, LLC's service territory in Louisiana. In both Illinois and Louisiana, we began the analysis by geocoding every AT&T consumer customer of "plain old telephone service" (POTS) as of May 2014 by census block (CB)[1]. We then associated this consumer data with the outputs of the FCC's Connect America Model (CAM) 4.1.1 and data from the National Broadband Map (NBM) and the Census Bureau.

Despite the geographic and demographic variances in the two states the results of the analyses are remarkably similar. Just as in Illinois, a minority of households in every geographic category in AT&T Louisiana's service territory are POTS customers. (See Line 18 of the attached table.). Likewise, less than 1% of households in every category have selected the AT&T ILEC as their Lifeline provider in both Illinois and Louisiana. (See Line 17). Using the methodology we employed in the Illinois analysis[2], AT&T estimates that in the extreme high-cost Remote Area Fund (RAF) CBs in Louisiana, between 176 and 272 households receive Lifeline benefits but we know that only 7 of them receive that benefit from AT&T Louisiana. And, in Connect America Fund Phase II (CAF II) eligible CBs, we

[1] Thus, our Illinois analysis revealed that 80% of the households in the state chose a voice service other than AT&T POTS.

[2] To calculate the number of households eligible for Lifeline we used the Census Bureau data included on Line 16 as the low bound and 2013 USDA data indicating that 25% of Illinois households are enrolled in SNAP, and thus are eligible for Lifeline, as the upper bound. Because the 2011 USAC participation rate for Louisiana of 133% appears to be in error, we instead applied a conservative 50% participation rate (lower than the USAC figure for Illinois which was 54%) to calculate the number of households that may actually receive Lifeline benefits.

estimate that between 9,118 and 12,955 households obtain Lifeline service but we know that just 577 obtain that benefit from AT&T Louisiana.

A notable difference between the two states, however, appears in the NBM's wireless coverage data reported in Lines 13b and 13d. While over 90% of households in every geographic category in Illinois are served by a Fixed Wireless provider, 20% or less of the households in Louisiana have Fixed Wireless service. (See Line 13b). Also notable is that over 90% of households in CAF II and RAF Areas in Illinois have a choice from among four or more wireless providers while only 32.7% and 25.1% of households in these categories, respectively, in Louisiana have this level of choice of wireless provider. (See Line 13d). However, the data indicate that a clear majority of households in CAF II and RAF CBs in Louisiana can choose from among two wireless providers (See Line 13e). Despite this difference in some types of wireless coverage, it is interesting to note that the percentage of households that choose NOT to subscribe to AT&T's POTS service is fairly consistent between the two states. In Illinois, 58% and 53% of households in CAF II and RAF CBs have not chosen AT&T POTS for their voice service. In Louisiana, these percentages are 55% and 58%, respectively. This result suggests that 1) there are viable alternatives for voice service in both states; and 2) the number of alternative voice providers may not be as relevant as the mere fact that there are alternatives. All consumers in Illinois and Louisiana, including those in very rural areas, appear to have voice options and are taking advantage of them.

AT&T and others have consistently argued that the implementation of CAF II requires the FCC to transform the current ETC rules so that: a) they apply only to carriers that willingly accept CAF support and only for the geographic areas where support is provided; b) existing price cap carrier ETC designations in areas where the providers receive no CAF support automatically sunset; c) Lifeline participation is de-linked from the high-cost ETC designation and is voluntary for ILECs, just as it is for today's dominant Lifeline providers; and d) the CAF II service obligations are narrowly tailored to the service that CAF II-eligible areas lack – broadband – and do not require recipients to offer voice on a standalone basis or to participate in the Lifeline program. AT&T's Illinois and Louisiana analysis shows, among other things, that continuing to require price cap carriers to be ETCs, including Lifeline-only ETCs, where they do not receive CAF support is unnecessary and simply not justifiable. Consumers, even in extremely high-cost areas, consistently reject POTS and the Commission cannot legally justify requiring one class of provider – the price cap carrier – to maintain increasingly antiquated facilities to continue to offer a service that consumers do not desire. This Commission-imposed diversion of capital has required these carriers to spend scarce dollars to maintain TDM-based facilities rather than using their capital to expand broadband service – a service that consumers do desire.

Relieving price cap carriers of their ETC designations and service obligations in areas where these providers do not receive CAF support does not mean that consumers in such areas will lose access to voice service. A cursory review of AT&T's data shows that this will not occur because consumers can get voice service from multiple providers and readily choose to do so. Moreover, as AT&T has explained previously, relieving price cap carriers of their ETC designations in areas where they do not and cannot receive high-cost support does not mean that these providers will cease providing services in these areas. As the Commission itself recognizes, "carriers may not discontinue voice service without receiving authorization pursuant to section 214. . . ."[3]

Please do not hesitate to contact me should you have any questions about this analysis.

Sincerely,

/s/ Mary L. Henze

Mary L. Henze

Attachments
Cc: Carol Mattey
Alex Minard
Jonathan Lechter
Heidi Lankau
Katie King

[3] *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54, ¶ 184 (rel. June 10, 2014).

LOUISIANA: Analysis of Voice Telephony in AT&T ILEC Service Area

		A AT&T ILEC Service Area or *Statewide	B CBs in AT&T ILEC Svc Area w/No CAF II Funded Locations	C CAF II Eligible CBs in AT&T ILEC Svc Area	D Alt Tech-Remote Area CBs in AT&T ILEC Svc Area
1	Number of Census Blocks (CBs)	101,099	87,670	13,429	1,618
2	Number of Households (HHs)	1,573,211	1,469,571	103,640	2,176
3	Number of CAF II Funded Locations	-	-	76,450	-
4	Number of Alt Tech/Remote Area Locations	-	-	-	2,909
5	Amount of Annual CAF II Support	-	-	$25,584,412	-
6	Amount of Annual Frozen High-Cost Support	$8,748,295	-	-	-
7	Number of ETCs per AT&T ILEC Wire Center	18-20	At least 18	At least 18	At least 18
8	Number of Retail Wireline Carriers in LA	128*			
9	Number of Wireline ILECs in LA	20*			
10	Number of Wireline CLECs in LA	108*			
11	Percent of Retail Wireline Lines in LA that are CLEC	38%*			
12	Percent of LA Adults in Wireless-only Households	36%*			
13	Percent of Households in AT&T ILEC Service Area with:				
	a. Cable Modem Coverage	86.1%	91.4%	10.2%	0.7%
	b. Fixed Wireless Coverage	19.6%	20.1%	13.2%	9.8%
	c. Wireless Broadband Coverage	99.9%	100%	99.1%	96.8%
	d. 4+ Wireless Carriers or Cable Modem or Fixed Wireless	91.3%	95.5%	32.7%	25.1%
	e. 2+ Wireless Carriers or Cable Model or Fixed Wireless	99.5%	99.8%	94.2%	87.9%
14	Percent of Lifeline Disbursements in LA to Wireline ETCs	4%*			
15	Percent of Lifeline Disbursements in LA to Wireless ETCs	96%*			
16	Percent of Households in AT&T LA Svc Area with Cash Public Assistance or SNAP (see Note)	16.8%	16.8%	17.5%	16.2%
17	Percent of Households w/AT&T Wireline Lifeline	0.3%	0.3%	0.6%	0.3%
18	Percent of Households w/AT&T Wireline Voice Service	24.1%	22.6%	44.8%	41.2%
	a. % of HHs w/AT&T Wireline and AT&T Wireless Voice	5.2%	4.8%	11.3%	9.7%
	b. % of HHs w/AT&T Wireline Voice and AT&T Broadband (DSL or U-Verse)	3.7%	4.6%	5.4%	2.8%
	c. % of HHs w/AT&T Wireline Voice and 2 or More Other AT&T Services	4.7%	4.7%	4.7%	3.1%
	d. % of HHs with Standalone Wireline Voice from AT&T	10.4%	9.8%	23.3%	25.5%

Note: The data provide in Line 16 is included only as a surrogate for the potential Lifeline eligible population in and among the CB groupings. It is not intended to portray actual Lifeline eligibility or subscribership rates. In fact, the data significantly understates current SNAP participation. The public assistance/SNAP households by CB were calculated from the Census Bureau's 5-year average (2006-2010) census tract data. In 2013, USDA data indicates that 25% of households in Louisiana participated in SNAP. In addition, this line item does not include data for all programs that would qualify a household for Lifeline.

Table Sources by Row:

1-5. FCC CAM 4.1.1 (10Mbps/768kbps) output associated to CB-level based on FCC funded CB list. Alt-Tech/Remote Area CBs are unserved CBs with no CAF II funded locations and average cost above $172.51. CBs and HHs in RAF category are also included in the CBs with No CAF II Funded Locations category.

2. Information on the number of households in each CB is from the 2010 U.S. Census

6. Universal Service Administrative Company

7. AT&T analysis of documents filed with and issued by the Louisiana Public Service Commission. Every AT&T wire center in Louisiana has at least 18 and up to 20 designated ETCs (high-cost and lifeline). Counts do not include AT&T ILEC ETC.

8-10. AT&T analysis of documents filed with and issued by the Louisiana Public Service Commission.

11. FCC Local Telephone Competition Report: Status as of June 30, 2013.

12. CDC, National Health Statistics Reports, Number 70, December 18, 2013, p.5

13 a-e. National Broadband Map (NBM), June 2013

14-15. Universal Service Administrative Company

16. US Census Bureau, American Community Survey 2010, 5 year estimate 2006-2010 data, Table – Income: Public Assistance Income or Food Stamps/SNAP in the past 12 months for Households at the Census Tract Level

17. Households who received a Lifeline benefit from AT&T LA, AT&T consumer customer data

18 a-d. May 2014 AT&T consumer customer data. Line 18 is the percent of households that subscribe to AT&T wireline voice service either as part of a bundle or as a standalone service. Lines 18 a-d are subsets of Line 18. Line 18a includes data only for AT&T wireless customers who choose to include wireless charges on their wireline phone bill.

Maps

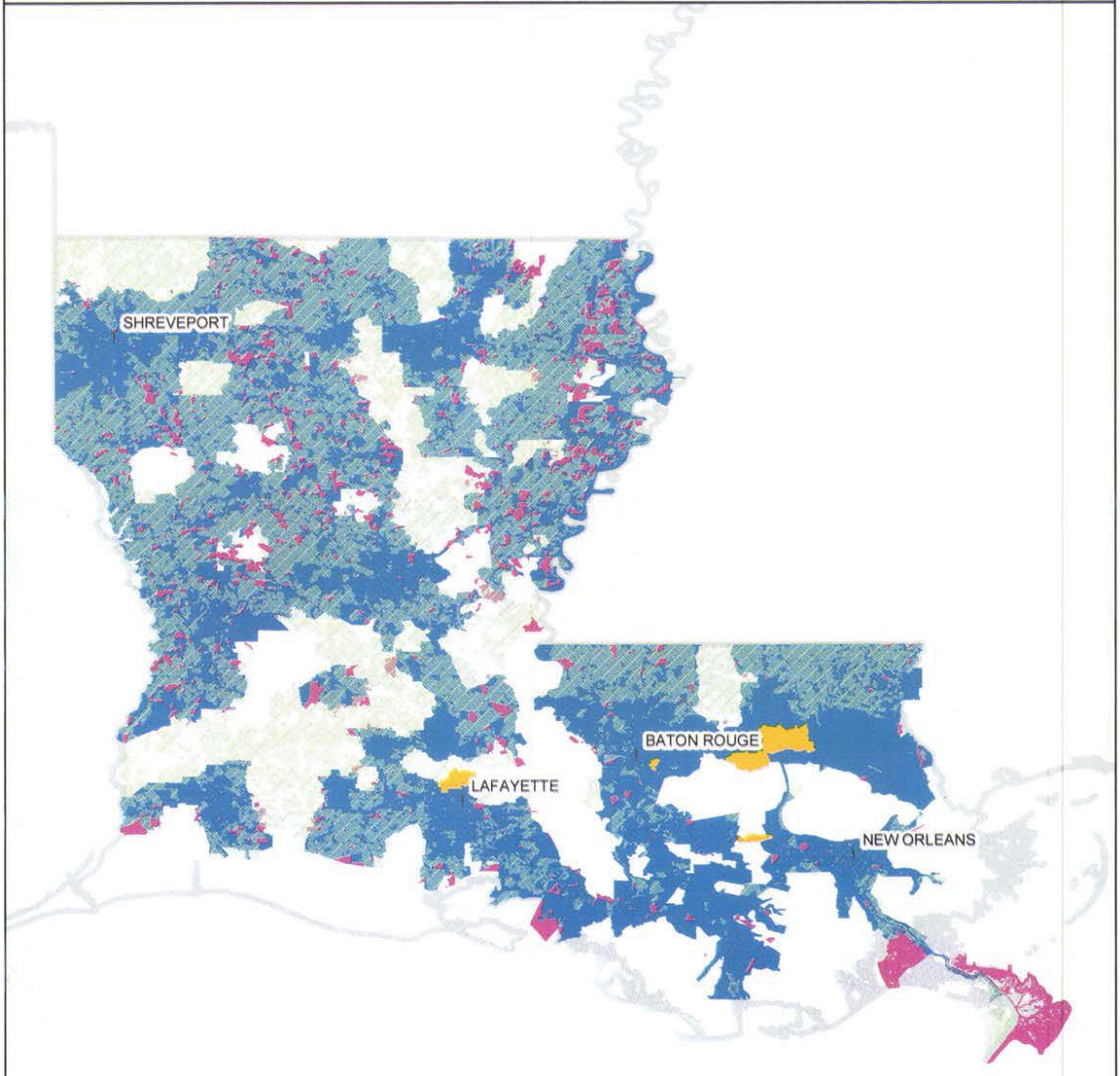
A. CAF II Eligible Areas in Louisiana vs. AT&T Louisiana Service Territory
B. Number of CETCs in AT&T Louisiana Service Territory

CAF II Eligible Areas in Louisiana vs. AT&T Louisiana Service Territory

Solid colored areas make up the AT&T ILEC service area in Louisiana. Hatched overlay indicates all CAF II eligible census blocks in Louisiana.

Legend

- City Points - Major
- CAF II Eligible Census Blocks
- AT&T RAF only Census Blocks
- AT&T Wire Centers with CAF II funded locations
- AT&T Wire Centers with no CAF II funded locations



Number of CETCs in AT&T Louisiana Service Territory

Number of CETCs per AT&T Wire Center
- 18
- 19
- 20

Colored areas make up the AT&T ILEC service area in Louisiana.
CETCs are high-cost and lifeline-only ETCs

APPENDIX

B

AT&T Alabama CBs CAF II Status

Legend
- CAF II-Eligible CBs
- Competitive Bidding-Only CBs
- CBs with Voice Forbearance

Date: 2015/09/03