

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

_____)	
Schools and Libraries Universal Service)	CC Docket No. 02-6
Support Mechanism)	
_____)	

**AT&T REPLY TO COMMENTS ON ITS PETITION FOR CLARIFICATION OR,
IN THE ALTERNATIVE, WAIVER**

Pursuant to Section 1.429 of the Commission's Rules, 47 C.F.R. § 1.429, AT&T Corp. ("AT&T") and the Commission's Public Notice, Report 2618, published in 68 Fed. Reg. 47310 (August 8, 2003), AT&T submits this reply to comments on its petition for clarification of one aspect of the Commission's *Second Report and Order*, FCC 03-101, released April 30, 2003 ("*Order*"), in this proceeding. In the *Order*, the Commission held that service providers must give recipients of schools and libraries universal service support the choice each funding year either: (1) to pay the non-discounted portion of the cost of services, *i.e.*, the amount of the bill that schools or libraries must pay under the FCC's universal service program, or (2) to pay the full price and then receive reimbursement through the BEAR process for the discounted portion, *i.e.*, the amount of the bill that schools or libraries do not have to pay under that program.¹ Specifically, AT&T requested that the Commission clarify that AT&T's on-line reimbursement process that in effect allows applicants to pay the non-discounted

¹ Under the first option, if, for example, a customer has service with a monthly price of \$1,000 and is entitled to a 20% discount, it would have to pay \$800 and \$200 would come from the schools and libraries program. Per the *Order*, the \$800 is referred to as the "non-discounted portion" and the \$200 is the "discounted portion."

price for service complies with the first option.² Alternatively, to the extent necessary, pursuant to Section 1.3 of the Commission's Rules, 47 C.F.R. § 1.3, AT&T requested a waiver of the Commission's *Order* ¶¶ 44-47, and Section 54.514(a) of the Commission's rules, 47 C.F.R. § 54.514(a), to allow it to continue its on-line reimbursement process rather than billing the non-discounted amount to customers.

The State E-rate Coordinators Alliance ("SECA") and the Pennsylvania Department of Education ("PADOE") oppose AT&T's request for relief on the ground that if carriers were required to provide discounted bills then "applicants will be relieved from completing yet another form to receive their discounts." SECA Reply Comments at 7-8; *see also* PADOE Comments at 2. While AT&T understands these parties' desire for streamlined processes, this was *not* the Commission's rationale for providing customers a choice between discounted billing and full payment up front with subsequent reimbursement through the BEAR process. Rather, the basis for the Commission's decision was that "requiring schools and libraries to pay in full could create serious cash flow problems for many schools and libraries and would disproportionately affect the most disadvantaged schools and libraries." *Order* ¶ 47, *citing Universal Service Order*, 12 FCC Rcd. 8776, 9083, ¶ 586 (1997). AT&T's on-line E-rate reimbursement system fully addresses this concern because AT&T provides the amount of the discount to the customer before payment of its AT&T bill is due. AT&T Petition at 4-5.

From an efficiency perspective, both Verizon and Sprint support the clarification requested by AT&T. Verizon, for example, affirms that the "Commission should clarify that so long as service providers are able to offer applicants a way to avoid making

² AT&T, of course, also allows applicants to select the BEAR process.

‘upfront payments’ of the discounted portion of the cost of services, they have flexibility to implement the method in a way that works best with their systems. By making such a clarification, the Commission will satisfy applicants’ concerns about out-of-pocket payments while simultaneously minimizing the cost and expense of billing system changes.” Verizon Comments at 2.

Sprint similarly confirms that “development of a system that produces a pure discounted bill is costly and time-consuming because of its multiple legacy billing systems, and discounts and funding caps that vary by customer and by customer account.” Sprint Comments at 2. “Allowing adjuncts to the billing mechanism such as that described by AT&T . . . helps to control costs imposed upon service providers while reducing the perceived cash flow burden on applicants.” *Id.*

Moreover, as AT&T demonstrated in its petition, customers find AT&T’s system very easy to use. AT&T Petition at 6. Indeed, even SECA expressly states that “we applaud AT&T for their on-line reimbursement process. Those applicants that have chosen to use it have reported to us that they appreciate its ease of use.” SECA Reply Comments at 8.

While AT&T is working toward a billing solution, for these reasons and those discussed in AT&T’s petition, the Commission should clarify that AT&T’s on-line E-rate reimbursement system complies with the Commission’s requirement that the applicant not have to pay the full cost of service up front. Grant of this clarification or waiver will not alter the principle or result of applicant choice, but will make clear that AT&T can implement applicant choice in a way that avoids extensive, costly and unnecessary billing

systems changes and allows applicants that are served by AT&T to continue to use a system they have found useful.

CONCLUSION

For the foregoing reasons and those in AT&T's petition, the Commission should clarify that AT&T's on-line reimbursement process complies with the Commission's rules or, to the extent, necessary grant AT&T a waiver to allow it to rely on this process to fulfill its obligation to provide schools and libraries applicants the option of electing to pay the non-discounted amount.

Respectfully submitted,

AT&T CORP.

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September 4, 2003

CERTIFICATE OF SERVICE

I, Judy Sello, do hereby certify that on this 4th day of September, 2003, a copy of the foregoing “AT&T Reply to Comments on its Petition for Clarification or, in the alternative, Waiver” was served by U.S. first class mail, postage prepaid, on the parties shown on the attached Service List.

/s/ Judy Sello
Judy Sello

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