

BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

In the matter of:

Petition of AT&T Inc. for  
Forbearance Under 47 U.S.C. §  
160(c) From Enforcement of  
Certain of the Commission's Cost  
Assignment Rules

WC Docket No. 07-21

**REPLY COMMENTS OF THE CALIFORNIA PUBLIC UTILITIES  
COMMISSION AND OF THE PEOPLE OF THE STATE OF  
CALIFORNIA ON AT&T'S PETITION FOR FORBEARANCE**

The California Public Utilities Commission and the People of the State of California (California or CPUC) submit these Reply Comments to the Federal Communications Commission (FCC or Commission) on AT&T's Petition For Forbearance from certain cost assignment rules (AT&T's Petition).<sup>1</sup> The CPUC supports the recommendations made by several parties that the Commission should address the issues raised by AT&T's

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<sup>1</sup> AT&T asks the FCC to forbear from enforcing certain "cost assignment rules," including those related to: jurisdictional separations (Part 36 of the FCC's rules), nonregulated activities (§ 32.23), affiliate transactions (§ 32.27), cost allocation (Part 64, Subpart 1), cost apportionment (Part 69, Subparts D and E), and other related rules. *AT&T Inc. Petition for Forbearance*, WC Docket No. 07-21, *In the Matter of Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160 From Enforcement of Certain of the Commission's Cost Assignment Rules*, (January 25, 2007), at 1, note 2. A petition by BellSouth seeking similar relief that was filed in WC Docket No. 05-342 was later withdrawn by AT&T (after the AT&T-BellSouth merger) and refiled in WC Docket No. 07-21. Letter from Theodore Marcus, Senior Attorney, AT&T Services, Inc. to Marlene H. Dortch,

Petition in relevant open FCC proceedings such as the review of jurisdictional separations currently being undertaken by the Federal-State Joint Board on Separations (Separations Joint Board).

The CPUC agrees with the parties that argue that the broad scope of issues raised by AT&T's Petition that have wide-ranging implications and should not be dealt with in the context of one company's petition for forbearance.<sup>2</sup> As Sprint Nextel observes, "[cost] assignment is not a discrete issue, but is inextricably entwined with other major complex issues the Commission is in the process of carefully weighing and assessing."<sup>3</sup> Sprint Nextel states that "[a]ny changes to the cost assignment rules, therefore, demand a comprehensive, holistic analysis rather than a piecemeal review through a single-party forbearance petition."<sup>4</sup>

Parties also emphasize that any changes to the FCC's cost assignment rules should be closely coordinated with state commissions.<sup>5</sup> For example, the Texas Office Of Public Utility Counsel explains that:

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Secretary, Federal Communications Commission, WC Docket No. 05-342 (Feb. 9, 2007).

<sup>2</sup> See, e.g., Opposition of Time Warner Telecom Inc. (March 19, 2007) (Time-Warner Opposition) at 19; Comments of the Public Service Commission of Wisconsin (March 16, 2007) (Wisconsin PSC Comments) at 1.

<sup>3</sup> Opposition of Sprint Nextel Corporation (March 19, 2007) (Sprint Nextel Opposition) at 8.

<sup>4</sup> *Id.*

<sup>5</sup> See, e.g., Time-Warner Opposition at 19-22; Wisconsin PSC Comments at 1-2.

AT&T/BellSouth's forbearance request from the various cost assignment rules is complex and impacts both state and federal regulators. As such, staff from both jurisdictions should be given an opportunity to review and analyze the impact. A coordinated federal-state effort is needed in order to give proper perspective from both jurisdictions.<sup>6</sup>

One such coordinated effort is the review of jurisdictional separations being conducted by the Federal-State Joint Board on Separations.<sup>7</sup> The FCC recently extended an interim freeze on the allocation factors for separations and sought further comment on separations reform proposals.<sup>8</sup> In response to AT&T's Petition, the State Members of the Separations Joint Board note that the Joint Board "is currently considering the same separations reform issues that are raised by this forbearance petition."<sup>9</sup> The State Members thus recommend that it "be allowed to continue its current efforts and not be effectively preempted by piecemeal forbearance decisions that would overthrow existing separations procedures in approximately half the country."<sup>10</sup>

The CPUC supports these comments of the State Members and other parties and recommends that, while some of the major issues raised by

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<sup>6</sup> Comments Of The Texas Office Of Public Utility Counsel In Response To AT&T Inc. Petition For Forbearance (March 19, 2007) at 2.

<sup>7</sup> The FCC's jurisdictional separations rules prevent companies from recovering the same costs in both the state and federal jurisdictions.

<sup>8</sup> *In the Matter of Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No 80-286, *Order and Further Notice of Proposed Rulemaking*, FCC 06-70 (rel. May 16, 2006).

<sup>9</sup> Comments of the State Members of the Federal-State Joint Board (Mar. 19, 2007) at 5.

<sup>10</sup> *Id.* at 6.

AT&T's Petition are being considered in relevant open proceedings such as separations reform, the Commission should deny AT&T's Petition at this time. Any issues in AT&T's Petition that are not

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resolved in such proceedings can then be evaluated in the context of the modified policies adopted by the Commission.

Respectfully submitted,

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By: /s/ NATALIE D. WALES

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