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July 24, 2008

VIA ELECTRONIC SUBMISSION

Dana Shaffer
Chief
Wireline Competition Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

RE: *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160 (c)*, WC Docket Nos. 07-21 and 05-342.

Dear Ms. Shaffer:

In accordance with the Commission's Memorandum Opinion and Order in the matters 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*, and *Petition of BellSouth Telecommunications, Inc. for Forbearance Under 47 U.S.C. § 160 (c) from Enforcement of Certain of the Commission's Cost Assignment Rules*, WC Docket Nos. 07-21 and 05-342, respectively, FCC 08-120 ("*Order*"), released April 24, 2008, AT&T respectfully submits its Compliance Plan and Section 254(k) Certification to the Bureau.

If you have any questions about this transmission, please do not hesitate to call me.

Sincerely,

A handwritten signature in cursive script that reads "Theodore C. Marcus".

Theodore C. Marcus
AT&T Services, Inc.

Attachment

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

In the Matter of)	
)	
Petition of AT&T Inc. For Forbearance)	WC Docket No. 07-21
Under 47 U.S.C. § 160 (c) From Enforcement)	
Of Certain of the Commission’s Cost)	
Assignment Rules)	
)	
Petition of BellSouth Telecommunications, Inc.)	WC Docket No. 05-342
For Forbearance Under 47 U.S.C. § 160 (c))	
From Enforcement Of Certain of the)	
Commission’s Cost Assignment Rules)	

AT&T COMPLIANCE PLAN

I. Background

Pursuant to the Commission’s Memorandum Opinion and Order in the matters 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*, and *Petition of BellSouth Telecommunications, Inc. for Forbearance Under 47 U.S.C. § 160 (c) from Enforcement of Certain of the Commission’s Cost Assignment Rules*, WC Docket Nos. 07-21 and 05-342, respectively, FCC 08-120 (“*Order*”), released April 24, 2008, AT&T respectfully submits this compliance plan detailing how AT&T will continue to fulfill certain statutory and regulatory obligations and further conditions detailed in the *Order*. *Order* at ¶ 31.

As directed by the *Order*, AT&T’s compliance plan contains the following elements:

1. A description of AT&T’s imputation methodology that demonstrates that its access charge imputation processes will remain consistent with Section 272(e)(3) of the Act, 47 U.S.C. § 272(e)(3) and the *Section 272 Sunset Order*, 22 FCC Rcd.

- 16440 (2007), and procedures to ensure continued compliance with those requirements;
2. AT&T's first annual Section 254(k) compliance certification and other procedures to ensure continued compliance with Section 254(k), which prohibits telecommunications carriers from allocating an excessive portion of costs to services that are not competitive to subsidize services that are subject to competition; further, to provide the Commission ongoing assurance that AT&T will continue to comply with § 254(k), AT&T will notify the Commission, at the time of its annual certification, of any regulatory change that was adopted in the preceding year in any jurisdiction in which AT&T operates as an incumbent LEC, that substitutes any form of cost-based regulation for the non-cost based (pure price cap or other forms of incentive regulation) regime under which AT&T currently operates. Additionally, AT&T will designate a single point of contact for AT&T employees regarding § 254(k) compliance;
 3. A description of how AT&T will maintain its accounting procedures and data in a manner that will allow it to provide useable information on a timely basis if requested by the Commission to comply with the conditions of this relief and its commitment to the Commission in this proceeding to provide accounting data on request by the Commission for regulatory purposes, consistent with the Commission's statutory authority; and
 4. An explanation of the transition process that AT&T will undertake to discontinue compliance with the Cost Assignment Rules and replace them with the procedures outlined in its compliance plan.

II. Compliance Plan Elements

A. Imputation methodology and other proposed procedures to ensure continued compliance with Section 272(e)(3) and the Section 272 Sunset Order.

Together, Section 272(e)(3) and the *Section 272 Sunset Order* generally require AT&T's incumbent LEC companies: (i) to charge affiliates through which AT&T provides in-region, interLATA long distance services an amount for access to telephone exchange service and exchange access that is no less than the amount charged to unaffiliated interexchange carriers for such service, and (ii) in the event they provide in-region, interLATA long distance services on an integrated basis, to impute to themselves an amount for access to telephone exchange service and exchange access that is no less than the amount charged to unaffiliated interexchange carriers for such service. *See* 47 U.S.C. § 272(e)(3); *Section 272 Sunset Order*, ¶ 100. AT&T has extensive procedures and controls in place today, which have been subjected to independent audits and Commission review, that it uses to ensure compliance with its Section 272 obligations, including, but not limited to, its remaining section 272(e)(3) obligations. As detailed below, AT&T will continue to use these processes, which do not rely upon allocated accounting cost data, to ensure AT&T's compliance with those regulatory requirements after approval of this Compliance Plan.

1. AT&T's Existing Section 272(e)(3) and Section 272 Sunset Order Compliance Methodology

AT&T affiliates that provide in-region long distance services order from, are billed by, and pay the AT&T ILEC companies for telephone exchange and exchange access services as do unaffiliated entities that purchase such services from AT&T ILEC affiliates. Thus, for example, an AT&T affiliate that seeks to purchase exchange access services from an AT&T ILEC submits an order for the services it wishes to purchase, is billed by the AT&T ILEC via paper or

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electronic bill, and renders payment to the AT&T ILEC in accordance with the bill.

Nondiscriminatory treatment of AT&T affiliates that provide in-region interLATA services and unaffiliated long distance providers is inherent in the operation of these processes and systems and is reinforced, where appropriate, with periodic notices to employees regarding the company's regulatory compliance obligations.

Moreover, with the exception of certain broadband interstate special access services that have been de-tariffed as required by the Commission upon use of the forbearance relief granted in the *AT&T Broadband Forbearance Order*, 22 FCC Rcd. 18705 at ¶¶ 22, 25, 31, 55 (2007), AT&T affiliates that provide in-region, interLATA services purchase telephone exchange and exchange access services from AT&T ILECs pursuant to the terms of federal or state tariffs or at contract rates approved by state public utility commissions. AT&T affiliates that provide in-region interLATA services purchase de-tariffed broadband interstate special access pursuant to contract at the generally available rates published in the AT&T Interstate Access Guidebook, available at www.att.com/guidebook, through the same processes used to order services from AT&T's interstate access tariffs.

AT&T also has in place existing procedures to ensure compliance with section 272(e)(3) and the *Section 272 Sunset Order* in the event an AT&T affiliate that provides in-region, interLATA services enters into a future arrangement to purchase local exchange or exchange access services from an AT&T ILEC pursuant to contract tariff or other negotiated rates. In this regard, the *Section 272 Sunset Order* states that an AT&T ILEC cannot provide contract tariff services to itself or affiliates for use in the provision of in-region, interLATA service until after it "certifies to the Commission that it provides service pursuant to that contract tariff to an unaffiliated customer." *Id.* ¶ 101 (quoting and incorporating the requirements of 47 C.F.R. §

69.727(a)(iii)).¹ AT&T's regulatory compliance methods and processes thus prohibit the AT&T ILECs from providing contract tariff exchange access services to an AT&T affiliate that provides in-region, interLATA service unless it has been verified that AT&T has certified to the Commission that it provides that same contract tariff service to an unaffiliated customer (and thus that the amount the AT&T affiliate will be charged for the access service is, by definition, no less than the amount charged to the unaffiliated customers that purchase such service).²

The AT&T ILECs provide only limited services today that require 272(e)(3) imputations. For example, AT&T Southeast (formerly BellSouth Telecommunications) provides Regional Fast Packet Access Service ("RFPAS") and Stennis Disaster Recovery Access Links

¹ Until June 30, 2010, AT&T remains subject to the additional requirement that before an AT&T ILEC may provide a new or modified contract tariffed service under section 69.727(a) of the Commission's rules to itself or an affiliate that provides in-region, interLATA service, AT&T must certify to the Commission that it provides service pursuant to that contract tariff to an unaffiliated customer *other than Verizon Communications Inc., or its wireline affiliates*. See [AT&T/BellSouth Order, 22 FCC Rcd at 5807](#), App. F, Special Access Merger Commitment # 3, 4 (2007); *Section 272 Sunset Order* at n. 286 ("These merger conditions will continue to apply as described in the merger orders, regardless of whether AT&T and Verizon provide their in-region, interstate, long distance services directly, instead of through an affiliate as described in the conditions").

² As noted, the only exchange access services that AT&T provides on a de-tariffed basis are very high capacity optical and packet-switched broadband services. In granting AT&T forbearance from dominant carrier regulation of those services, the Commission found that there are "myriad" competing suppliers of these services, that these competitors could "readily respond should AT&T seek to impose unjust, unreasonable, or unjustly or unreasonably discriminatory rates, terms, or conditions for its enterprise broadband services," that "competitive constraints on AT&T's non-TDM-based, packet-switched broadband services and non-TDM-based, optical transmission services will check AT&T's ability to impose" unjust, unreasonable or unreasonably discriminatory charges, and that forbearance should ensure that "AT&T is subject to the same treatment as the nondominant competitors that provide these services." *AT&T Broadband Forbearance Order*, 22 FCC Rcd. 18705 at ¶¶ 22, 25, 31, 55 (2007). Given that AT&T is non-dominant in the provision of both the de-tariffed exchange access services and the interLATA services that use those de-tariffed exchange access services, market forces ensure that AT&T could not harm competition or consumers by charging itself or its affiliates less than unaffiliated entities for the de-tariffed exchange access services. Nonetheless, in the event an AT&T affiliate providing in-region, interLATA services were in the future to purchase de-tariffed exchange access services pursuant to contract at rates different than the generally available rates published in AT&T's Interstate Access Guidebook, AT&T's regulatory compliance methods and processes would require internal regulatory review to ensure that the AT&T ILEC will continue to charge the affiliate an amount for such service that is no less than the amount charged to any unaffiliated interexchange carriers for such service.

(Mississippi only) ("DRAL"). The volumes of exchange access services used in the provision of these services are small, and imputations for these services are currently implemented through a manual process. AT&T product management and accounting personnel determine the relevant tariffed recurring and non-recurring exchange access charges based upon the exchange access volumes used during the period. This information is used by accounting personnel to prepare journal entries to debit the imputation amount calculated at the tariffed rates to non-regulated revenues (account 5280) and to credit an equivalent amount to the appropriate regulated revenue account (*e.g.*, accounts 5082, 5083). The imputation amounts are readily identifiable through coding of the debit amounts on the revenue journals and the related supporting data, and imputed amounts are specified in explanatory footnotes in ARMIS Reports 43-01, 43-02, and 43-03.

In addition, AT&T has in place controls to ensure that accounting personnel are notified in the event new interLATA telecommunications services are introduced that may require imputation. The Product Management and Accounting groups employ a product identification report that lists all new projects that are under development. The list is reviewed at least quarterly to identify any new interLATA telecommunications services that may be provided by an AT&T ILEC. AT&T's existing procedures provide that once an AT&T ILEC product requiring imputation is identified, accounting and product management personnel collaborate to determine the local exchange or exchange access services that competitors would need to purchase from the AT&T ILEC to provide a comparable interLATA service and the specific tariffs, contracts or other materials that are applicable for the imputations. After review and approval by a manager in the accounting group, AT&T's imputation methodology then provides for appropriate imputation journal entries to be made to ensure continuing compliance with AT&T's imputation obligations.

2. AT&T's Proposed Post-Forbearance Section 272(e)(3) and *Section 272 Sunset Order* Compliance Methodology

AT&T's separate affiliate charging and imputation processes to ensure compliance with Section 272(e)(3) and the *Section 272 Sunset Order* will be unaffected by implementation of the forbearance granted in the *Order*. AT&T affiliates that provide in-region, interLATA telecommunications services will continue to order from, be billed by, and pay the AT&T ILEC companies for telephone local exchange and exchange access services as do unaffiliated entities that purchase such services from AT&T ILEC affiliates. AT&T also plans to continue providing employee communications regarding the company's remaining section 272 obligations, and to retain processes for the notification, review, approval and documentation of any future arrangements for the purchase of AT&T ILEC telephone exchange or exchange access services by affiliates providing in-region, interLATA services.

Similarly, AT&T will continue imputation procedures and processes, including collaboration between Product Management and Accounting personnel to ensure appropriate imputation for existing services, early identification of new services that may require imputation, establishment of appropriate imputation for any such services, and periodic review of imputations to ensure compliance with section 272(e)(3) and *Section 272 Sunset Order* obligations. Thus, in the event an AT&T ILEC provisions in-region interLATA using access to its telephone exchange service or exchange access, it will impute to itself an amount for such access that is no less than the amount charged to unaffiliated interexchange carriers for such service. In accordance with AT&T's existing practice and the Commission's *Section 272 Sunset Order* (§ 104), AT&T will debit Part 32 nonregulated revenue account 5280 for the imputed charges, credit the appropriate Part 32 regulated revenue account (*e.g.*, accounts 5082, 5083),

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and specify the imputed amounts in explanatory footnotes in ARMIS Reports 43-01, 43-02, and 43-03.

B. Annual certification and other proposed procedures to ensure compliance with Section 254(k).

The *Order* determined that AT&T met the requirements for forbearance from the Commission's Cost Assignment Rules, including the affiliate transaction rules, and rejected arguments that continued compliance with those regulatory requirements was necessary to ensure AT&T's continued compliance with § 254(k). With regard to § 254(k), the Commission therefore conditioned the grant of forbearance only on "annual certification by AT&T that it will comply with its obligations under § 254(k) in the absence of the Cost Assignment Rules, and will maintain and provide any requested cost accounting information necessary to prove such compliance." *Order* ¶ 30. In accordance with the *Order*, AT&T attaches as Appendix A hereto its first annual certification that it will comply with its obligations under § 254(k) in the absence of the Cost Assignment Rules and will maintain and provide any requested cost accounting information necessary to prove such compliance. Subsection C of this Compliance Plan, *infra*, describes AT&T's proposal for how it will maintain its accounting procedures and data in a manner that will allow it to provide useable information on a timely basis if requested by the Commission.

Nothing more is required to ensure AT&T's continued compliance with its § 254(k) obligations. Section 254(k) prohibits the subsidy of services that are subject to competition. 47 U.S.C. § 254(k). Section 254(k)'s cross-subsidy bar "addresses the concern that ILECs may attempt to gain an unfair market advantage in competitive markets by allocating to their less competitive services, for which subscribers have no available alternative, an excessive portion of

the costs incurred by their competitive operations.” *Implementation of Section 254(k) of the*

Communications Act of 1934, as Amended, Order, 12 FCC Rcd 6415, 6419-20 (1997). This

concern arose under rate-of-return regulation, where cost-shifting affects rates and, more

specifically, may enable carriers to offset rate reductions for competitive services with rate

increases for noncompetitive services. It can also be a concern, albeit a lesser one, under certain

forms of price cap regulation, which fail to sever the connection between costs and rates.

Notably, in 1996, when Congress enacted section 254(k), the FCC and a number of states

maintained regulatory regimes that continued to link rates and costs. The Commission's price

cap regime at the time included sharing obligations and low-end adjustments, and many states

continued to subject carriers to rate-of-return regulation or a form of price cap regulation that

still took into account carriers' costs. Yet even in this context, the Commission recognized that

price cap regulation, not the accounting cost assignment scheme, was its “primary means” of

preventing cross-subsidization,³ although, the Commission also implemented accounting

safeguards as a further safeguard to ensure compliance with section 254(k). *See Southwestern*

Bell Telephone Co. v. FCC, 153 F.3d 523, 559 (8th Cir. 1998) (*citing Section 254(k)*)

Implementation Order, 12 FCC Rcd 6415 (1997).

Today, the situation is very different. AT&T faces significant competition for its services

from multiple sources such as CLECs, wireless carriers, cable companies, IP-based providers,

etc. In addition, AT&T is now subject to “pure” price caps (without sharing or low end

adjustments) or other forms of non-cost-based or incentive regulation in all jurisdictions in which

³ *Applications of Contel of Virginia, Inc., Doing Business as GTE Virginia, GTE Florida Incorporated, GTE California Incorporated, and GTE Hawaiian Telephone Company, Inc. for Authority pursuant to Section 214 of the Communications Act of 1934, as amended, and Section 63.01 of the Commission's Rules to construct, operate, and maintain facilities to provide video dialtone service to communities in Virginia, Florida, California, and Hawaii*, 10 FCC Rcd 12672 (CCB 1992), ¶ 93.

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it operates as an incumbent LEC.⁴ Under this regime, even if AT&T purported to shift costs from a competitively provided service to a service the Commission has not yet classified as such, such cost-shifting would have no impact whatsoever on AT&T's rates, since its rates are set without regard to costs. Thus, the mechanics and logic of pure price caps and other forms of incentive regulation, combined with the significant competition AT&T faces for all of its services, fundamentally mitigate any legitimate concerns about cost-shifting.

Certain of AT&T's interstate access services are not subject to price cap regulation, because the Commission has decided to forbear from applying such regulation to AT&T. In these instances, the Commission determined that competition, not price regulation, would ensure that AT&T's rates are just and reasonable and not unreasonably discriminatory. These optical and packet-switched high capacity access services are not properly viewed as "services that are not competitive" within the meaning of section 254(k), and, in all events, the vigorous competition that exists for these services would prevent AT&T from arbitrarily increasing rates for them as a result of cost-shifting.⁵

⁴ Until June 30, 2010, AT&T also remains subject to a special access merger commitment that prohibits it from increasing the rates in its interstate tariffs for special access services that it provides in its in-region territory, as set forth in tariffs on file at the Commission on the Merger Closing Date. AT&T Inc. and BellSouth Corporation, Application for Transfer of Control, WC Docket No. 06-74, Memorandum Opinion and Order, 22 FCC Rcd 5662, App. F, Special Access Merger Commitment #5 (2007). AT&T also is prohibited from increasing the rates paid by existing customers of DS1 and DS3 local private line services that it provides in its in-region territory pursuant to, or referenced in, TCG FCC Tariff No. 2 above their level as of the Merger Closing Date. *Id.*, App. F, Special Access Merger Commitment #2 (2007).

⁵ See, e.g., Memorandum Opinion and Order, *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160(c) from Title II and Computer Inquiry Rules with Respect to Its Broadband Services, et al.*, 22 FCC Rcd. 18705, ¶¶ 30 (2007) (granting forbearance from certain optical and packet switched services and "conclud[ing] that dominant carrier tariffing and pricing regulation of [such services] . . . is not necessary" because "[t]he competitive conditions persuade us that the contribution of tariffing requirements, and the accompanying cost support and other requirements . . . is negligible"); Report and Order and Notice of Proposed Rulemaking, *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities*, 20 FCC Rcd. 14853, ¶ 79 (replacing *Computer III* rules with "a less regulatory

C. Plan for maintenance of accounting procedures and data in a manner that will allow AT&T to provide useable information on a timely basis upon Commission request.

AT&T proposes a four part plan for how it will maintain its accounting procedures and data in a manner that will allow it to provide useable information on a timely basis in the unlikely event that the Commission determines in the future that it needs allocated accounting cost data to serve a regulatory purpose.

First, AT&T will continue to maintain USOA books of account for all of its regulated operating telephone companies that include account-specific investment, expense and revenue data for scores of individual Part 32 accounts. Revenues will continue to be recorded and maintained in accordance with Part 32. Costs will be recorded in those books as before in accordance with the Part 32 Chart of Accounts. All of these data will remain available for inspection by the Commission or reporting by AT&T to the Commission for regulatory purposes, consistent with the Commission's statutory authority.

Second, AT&T will maintain in its records the most recent calendar year's CAM audit-based cost allocation ratios by Part 32 account as of the date of approval of this Compliance Plan. These allocation ratios, determined from studies and other processes, many of which have

framework" is appropriate given "the increasing integration of innovative broadband technology into the existing wireline platform; the growth and development of entirely new broadband platforms; the flexibility to respond more rapidly and effectively to new consumer demands; and our expectation of the availability of alternative competitive broadband transmission to the currently required wireline broadband common carrier offerings"). *See also* Report and Order and Memorandum Opinion and Order, *Section 272(f)(1) Sunset of the BOC Separate Affiliate and Related Requirements*, 22 FCC Rcd. 16440, ¶¶ 18-72 (2007) (analyzing competition and market power for each product and geographic market and finding sufficient competition to warrant forbearance); *Pricing Flexibility Order*, 14 FCC Rcd 14221 ¶ 13 (1999) (the trunking basket PCI combined with the service-specific pricing band limits "restrict a price cap LEC's ability to offset price reductions for services that are subject to competition with price increases for services that are not subject to competition").

already been frozen for years pursuant to Commission orders, would be immediately available in the event the Commission were in the future to request accounting cost data allocated by those ratios. In the event that the Commission makes any such future request, AT&T reserves the right to update the ratios to take into account changes that have taken place since the date of this Compliance Plan, to the extent those changes have rendered the ratios significantly less reliable than they were at the time of adoption of the Compliance Plan in reflecting appropriately allocated costs, and if such updates are not excessively burdensome.

Third, in the event the Commission seeks allocated accounting cost data based on factors other than the allocation factors referred to above, AT&T can perform special cost studies to determine those factors. Additionally, AT&T will retain documentation of existing methods and procedures ("M & P") for the allocation of accounting costs (including training materials, operating practice manuals, cost and other allocation study guidelines, and AT&T's Cost Allocation Manual ("CAM") as it exists at the time of approval of the Compliance Plan). The M & P will be available to AT&T personnel with familiarity with the subject matter (*e.g.*, personnel from the AT&T Controller's department) to use as a resource. AT&T will also retain on backup storage media copies of electronic systems, spreadsheets and other software it currently uses for cost assignment.⁶

Fourth, AT&T will retain documentation of its existing M & Ps for the recording of affiliate transactions pursuant to Part 32.27 (including training materials, operating practice manuals and cost and other study guidelines). Moreover, AT&T will treat transactions between its affiliates in its accounting records consistent with GAAP. For example, asset transfers of a

⁶ AT&T was in the midst of integrating the pre-merger BellSouth processes into the AT&T processing system. That effort will be terminated, and AT&T does not propose to retain the former BellSouth processing system.

material nature to or from an affiliate will be reflected based at net book value (*see* FAS 141, ¶ D12), and services of a material nature provided to or from an affiliate will be reflected at available market based rates or based on common costing standards.⁷

D. AT&T's transition plan.

AT&T has undertaken an extensive review of its current Cost Assignment Rules compliance processes, what will be required to discontinue those processes, and what will be required to implement the proposed procedures described above to ensure continued compliance with ongoing statutory and regulatory obligations pursuant to Section 272(e)(3), the *Section 272 Sunset Order*, and Section 254(k). Based upon this review, AT&T has determined that the transition for most processes can begin immediately upon approval of this Compliance Plan and be completed relatively quickly. Indeed, very little transition will be required. As described above, the procedures that AT&T proposes to ensure continued compliance with Section 272(e)(3), the *Section 272 Sunset Order*, and Section 254(k) are already in place and, with respect to the provision of telephone exchange service and exchange access to AT&T ILECs or their affiliates that provide in-region, interLATA services, have not historically relied upon allocated accounting cost data.

Accordingly, AT&T expects to cease monthly processing of cost allocation results (Parts 64, 36 and 69) immediately upon approval of the Compliance Plan. AT&T also expects to discontinue processes to perform the periodic studies that are used to determine cost allocation ratios immediately upon approval of the Compliance Plan. AT&T expects to discontinue updates to its Cost Allocation Manual ("CAM") immediately, preserving the CAM as it exists at

⁷ Other than as described above, the retention of AT&T's Part 32 accounting data, any cost data prepared and provided pursuant to future lawful Commission requests, and information related to affiliate transactions, as described above, will be in accordance with standard company record retention schedules.

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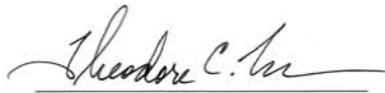
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the time of approval of the Compliance Plan. AT&T expects formally to notify its external auditors that the audit formerly required by Part 64.904 will no longer be necessary and to discontinue internal efforts in support of that audit immediately upon approval of the Compliance Plan. The accounting for affiliate transactions will also begin transitioning away from Part 32.27 immediately upon approval of the Compliance Plan. In particular, comparisons of fully distributed costs or net book value with fair market value and prevailing price threshold determinations will no longer be performed. All imputations other than those required by § 272(e)(3) and the *Section 272 Sunset Order* will be discontinued. In summary, a significant portion of the transition will take place immediately, though some impacts and processes may take somewhat longer to implement fully.

Respectfully submitted,



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Dated: July 24, 2008

Section 254(k) Certification

Enclosed is the certification required in the Commission's Memorandum Opinion and Order in the matters 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*, and *Petition of BellSouth Telecommunications, Inc. for Forbearance Under 47 U.S.C. § 160 (c) from Enforcement of Certain of the Commission's Cost Assignment Rules*, WC Docket Nos. 07-21 and 05-342, respectively, FCC 08-120, released April 24, 2008.

State of Texas

County of Bexar

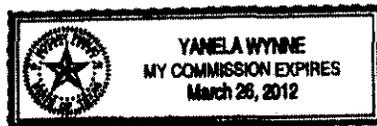
I, John J. Stephens, do hereby certify that: I am Senior Vice President-Controller of AT&T, Inc. and that, to the best of my knowledge, information and belief, the AT&T Operating Telephone Companies listed on the attached Appendix A will comply with the requirements of 47 U.S.C. § 254(k) in the absence of the FCC's Cost Assignment Rules and will provide any cost accounting information necessary to prove such compliance in accordance with any lawful request for same made by the Commission. This certification is expressly made for one year following the signature date.

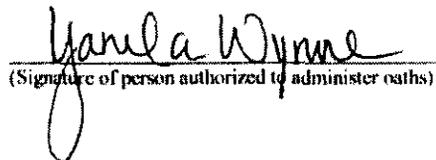


(Signature of Affiant)

Subscribed and sworn to before me, a [NOTARY PUBLIC] in and for the State and County above named, this 23 day of July, 2008.
My commission expires 3/26, 2012.

[SEAL]





(Signature of person authorized to administer oaths)

APPENDIX A

List of AT&T Operating Telephone Companies

Illinois Bell Telephone Company
Indiana Bell Telephone Company, Incorporated
Michigan Bell Telephone Company
The Ohio Bell Telephone Company
Pacific Bell Telephone Company
Nevada Bell Telephone Company
The Southern New England Telephone Company
Southwestern Bell Telephone, L.P.
Wisconsin Bell, Inc.
BellSouth Telecommunications, Inc.