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March 11, 2010

**Electronic Submission**

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street S.W.  
Washington, D.C. 20554

**EX PARTE**  
**RE: Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92; High-Cost Universal Service Support, WC Docket No. 05-337; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Intercarrier Compensation for ISP-Bound Traffic, WC Docket No. 99-68; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135, A National Broadband Plan for Our Future, GN Docket No. 09-51**

Dear Ms. Dortch:

On March 10, 2010, Saikat Sen, Joel Lubin, David Hostetter and I, all of AT&T, met with the following members of the Commission's staff: Al Lewis, Marcus Maher, Donald Stockdale, Rebekah Goodheart, Bill Sharkey, Mukul Chawla, Tom Koutsky and Rohit Dixit. In that meeting we discussed how AT&T tries to model certain scenarios related to potential reform of intercarrier compensation and universal service. The attached materials formed the basis of the discussion and were used to illustrate AT&T's approach to modeling, not to advocate for any particular outcomes with respect to reform.

In accordance with Section 1.1206 of the Commission's rules, this letter is being filed electronically with your office for inclusion in the public record of the above referenced proceedings.

Please call me if you have any questions.

Sincerely,

Attachment

cc: Al Lewis  
Marcus Maher  
Donald Stockdale  
Rebekah Goodheart  
Bill Sharkey  
Mukul Chawla  
Tom Koutsky  
Rohit Dixit

## AT&T's Industry Inter-carrier Model -- Illustrative Example of a Large ILEC Study Area

INPUT SECTION	<b>Switched Access Revenue @ current rates</b>				
	InterState	\$37,278,340			
	IntraState	\$14,864,513			
	<b>Total</b>	<b>\$52,142,853</b>			
	<b>Switched Access Minutes</b>		<b>Originating %</b>	<b>Terminating %</b>	<b>Total MOU</b>
	InterState	50.00%	50.00%	4,913,062,469	
	IntraState	50.00%	50.00%	1,952,770,856	
	<b>SLC - Rates/Caps/Demand</b>		<b>Primary</b>	<b>Non-Primary</b>	<b>MLB</b>
	Current SLC Rate	\$6.50	\$6.66	\$6.66	
	Proposed SLC Caps	\$8.00	\$8.00	\$9.20	
	Current Access Line Demand	13,694,060	996,146	5,438,355	
	<b>Residential Local Rate</b>		<b>State USF per line</b>	<b>Proposed Bench-Mark</b>	
	\$12.37		\$0.00	\$25.00	
	<b>Target Rates (End State)(</b>		<b>Originating</b>	<b>Terminating</b>	
	InterState Switching & Transport		\$0.0065	\$0.0065	
IntraState Switching & Transport		\$0.0065	\$0.0065		
Dedicated Transport Revenue per MOU		\$0.0006	\$0.0006		

OUTPUT SECTION : MODEL CALCULATIONS	<b>Switched Access Revenue @ Target Rates</b>		<b>Originating</b>	<b>Terminating</b>	<b>Total</b>
	InterState	\$17,401,688	\$17,401,688	\$34,803,376	
	IntraState	\$6,916,564	\$6,916,564	\$13,833,127	
	<b>Total</b>	<b>\$24,318,252</b>	<b>\$24,318,252</b>	<b>\$48,636,503</b>	
	<b>Access Rebalancing Dollars (i.e. Shift)</b>		<b>Originating</b>	<b>Terminating</b>	<b>Total</b>
	InterState	\$1,237,482	\$1,237,482	\$2,474,963	
	IntraState	\$515,693	\$515,693	\$1,031,386	
	<b>Total</b>	<b>\$1,753,175</b>	<b>\$1,753,175</b>	<b>\$3,506,349</b>	
			<b>Primary</b>	<b>Non-Primary</b>	<b>MLB</b>
	Proposed SLC Caps		\$8.00	\$8.00	\$9.20
	Distance Between Proposed SLC Cap and Current SLC Rate (i.e. SLC Headroom)		\$1.50	\$1.34	\$2.54
	Proposed Bench-Mark (Residential)		\$25.00	\$25.00	NA
	Distance Between Bench-Mark and "Current Local Residential Rate + Current SLC + State USF Per Line"		\$6.13	\$5.97	NA
	<b>SLC Increase Opportunity</b>		<b>\$20,541,090</b>	<b>\$1,334,835</b>	<b>\$13,813,421</b>

FUNDING	<b>Total SLC Increase Opportunity</b>	<b>\$35,689,346</b>	
	<b>Actual SLC Increase</b>	<b>\$3,506,349</b>	
	<b>Funding Needed After SLC Increase</b>	<b>\$0</b>	

FINAL SLC RATES	<b>SLC</b>	<b>Primary</b>	<b>Non-Primary</b>	<b>MLB</b>
	Current SLC Rate	\$6.50	\$6.66	\$6.66
	Delta SLC Rate	\$0.23	\$0.07	\$0.07
	<b>New SLC Rate</b>	<b>\$6.73</b>	<b>\$6.73</b>	<b>\$6.73</b>
	Current SLC Revenue	\$89,011,388	\$6,634,330	\$36,219,444
	Delta SLC Revenue	\$3,085,887	\$65,093	\$355,369
	<b>New SLC Revenue</b>	<b>\$92,097,276</b>	<b>\$6,699,424</b>	<b>\$36,574,813</b>

## AT&T's Industry Inter-carrier Model -- Illustrative Example of a Mid-Size ILEC Study Area

<b>INPUT SECTION</b>	<b>Switched Access Revenue @ current rates</b>			
	InterState	\$3,687,844		
	IntraState	\$5,408,501		
	<b>Total</b>	<b>\$9,096,344</b>		
	<b>Switched Access Minutes</b>			
		<b>Originating %</b>	<b>Terminating %</b>	<b>Total MOU</b>
	InterState	50.00%	50.00%	481,645,110
	IntraState	50.00%	50.00%	221,066,073
	<b>SLC - Rates/Caps/Demand</b>			
		<b>Primary</b>	<b>Non-Primary</b>	<b>MLB</b>
	Current SLC Rate	\$5.01	\$5.01	\$5.57
	Proposed SLC Caps	\$8.00	\$8.00	\$9.20
	Current Access Line Demand	1,059,441	363,418	1,091,386
	<b>Residential Local Rate</b>			
		<b>State USF per line</b>	<b>Proposed Bench-Mark</b>	
\$17.50	\$1.00	\$25.00		
<b>Target Rates (End State){</b>				
	<b>Originating</b>	<b>Terminating</b>		
InterState Switching & Transport	\$0.0065	\$0.0065		
IntraState Switching & Transport	\$0.0065	\$0.0065		
Dedicated Transport Revenue per MOU	\$0.0019	\$0.0019		

<b>OUTPUT SECTION : MODEL CALCULATIONS</b>	<b>Switched Access Revenue @ Target Rates</b>		<b>Originating</b>	<b>Terminating</b>	<b>Total</b>
	InterState	\$1,843,922	\$1,843,922	\$1,843,922	\$3,687,844
	IntraState	\$929,717	\$929,717	\$929,717	\$1,859,434
	<b>Total</b>	<b>\$2,773,639</b>	<b>\$2,773,639</b>	<b>\$2,773,639</b>	<b>\$5,547,277</b>
	<b>Access Rebalancing Dollars (i.e. Shift)</b>		<b>Originating</b>	<b>Terminating</b>	<b>Total</b>
	InterState	\$0	\$0	\$0	\$0
	IntraState	\$1,774,533	\$1,774,533	\$1,774,533	\$3,549,067
	<b>Total</b>	<b>\$1,774,533</b>	<b>\$1,774,533</b>	<b>\$1,774,533</b>	<b>\$3,549,067</b>
			<b>Primary</b>	<b>Non-Primary</b>	<b>MLB</b>
	Proposed SLC Caps	\$8.00	\$8.00	\$8.00	\$9.20
	Distance Between Proposed SLC Cap and Current SLC Rate (i.e. SLC Headroom)	\$2.99	\$2.99	\$2.99	\$3.63
	Proposed Bench-Mark (Residential)	\$25.00	\$25.00	\$25.00	NA
	Distance Between Bench-Mark and "Current Local Residential Rate + Current SLC + State USF Per Line"	\$1.49	\$1.49	\$1.49	NA
	<b>SLC Increase Opportunity</b>	<b>\$1,578,567</b>	<b>\$541,493</b>	<b>\$541,493</b>	<b>\$3,961,964</b>

<b>FUNDING</b>	<b>Total SLC Increase Opportunity</b>	<b>\$6,082,025</b>	
	<b>Actual SLC Increase</b>	<b>\$3,549,067</b>	
	<b>Funding Needed After SLC Increase</b>	<b>\$0</b>	

<b>FINAL SLC RATES</b>	<b>SLC</b>	<b>Primary</b>	<b>Non-Primary</b>	<b>MLB</b>
	Current SLC Rate	\$5.01	\$5.01	\$5.57
	Delta SLC Rate	\$1.65	\$1.65	\$1.09
	<b>New SLC Rate</b>	<b>\$6.66</b>	<b>\$6.66</b>	<b>\$6.66</b>
	Current SLC Revenue	\$5,307,800	\$1,820,724	\$6,078,787
	Delta SLC Revenue	\$1,752,926	\$601,303	\$1,194,838
	<b>New SLC Revenue</b>	<b>\$7,060,726</b>	<b>\$2,422,027</b>	<b>\$7,273,625</b>

## AT&T's Industry Inter-carrier Model -- Illustrative Example of a Small Rural ILEC Study Area

INPUT SECTION	<b>Switched Access Revenue @ current rates</b>				
	InterState	\$98,676			
	IntraState	\$586,865			
	<b>Total</b>	<b>\$685,541</b>			
	<b>Switched Access Minutes</b>		<b>Originating %</b>	<b>Terminating %</b>	<b>Total MOU</b>
	InterState		50.00%	50.00%	3,732,110
	IntraState		50.00%	50.00%	2,117,575
	<b>SLC - Rates/Caps/Demand</b>		<b>Primary</b>	<b>Non-Primary</b>	<b>MLB</b>
	Current SLC Rate		\$6.50	\$6.50	\$9.20
	Proposed SLC Caps		\$8.00	\$8.00	\$9.20
	Current Access Line Demand		9,758	0	2,550
	<b>Residential Local Rate</b>		<b>State USF per line</b>	<b>Proposed Bench-Mark</b>	
\$12.65		\$0.00	\$25.00		
<b>Target Rates (End State)(</b>		<b>Originating</b>	<b>Terminating</b>		
InterState Switching & Transport		\$0.0065	\$0.0065		
IntraState Switching & Transport		\$0.0065	\$0.0065		
Dedicated Transport Revenue per MOU		\$0.0028	\$0.0028		

OUTPUT SECTION : MODEL CALCULATIONS	<b>Switched Access Revenue @ Target Rates</b>				
	InterState	\$17,371	\$17,371	\$34,742	
	IntraState	\$9,856	\$9,856	\$19,712	
	<b>Total</b>	<b>\$27,227</b>	<b>\$27,227</b>	<b>\$54,454</b>	
	<b>Access Rebalancing Dollars (I.e. Shift)</b>		<b>Originating</b>	<b>Terminating</b>	<b>Total</b>
	InterState		\$31,967	\$31,967	\$63,934
	IntraState		\$283,576	\$283,576	\$567,153
	<b>Total</b>		<b>\$315,543</b>	<b>\$315,543</b>	<b>\$631,086</b>
			<b>Primary</b>	<b>Non-Primary</b>	<b>MLB</b>
	Proposed SLC Caps		\$8.00	\$8.00	\$9.20
	Distance Between Proposed SLC Cap and Current SLC Rate (I.e. SLC Headroom)		\$1.50	\$1.50	\$0.00
	Proposed Bench-Mark (Residential)		\$25.00	\$25.00	NA
	Distance Between Bench-Mark and "Current Local Residential Rate + Current SLC + State USF Per Line"		\$5.85	\$5.85	NA
<b>SLC Increase Opportunity</b>		<b>\$14,638</b>	<b>\$0</b>	<b>\$0</b>	

FUNDING	<b>Total SLC Increase Opportunity</b>		<b>\$14,638</b>
	<b>Actual SLC Increase</b>		<b>\$14,638</b>
	<b>Funding Needed After SLC Increase</b>		<b>\$616,449</b>

FINAL SLC RATES	<b>SLC</b>		<b>Primary</b>	<b>Non-Primary</b>	<b>MLB</b>
	Current SLC Rate		\$6.50	\$6.50	\$9.20
	Delta SLC Rate		\$1.50	\$1.50	\$0.00
	<b>New SLC Rate</b>		<b>\$8.00</b>	<b>\$8.00</b>	<b>\$9.20</b>
	Current SLC Revenue		\$63,430	\$0	\$23,459
	Delta SLC Revenue		\$14,638	\$0	\$0
<b>New SLC Revenue</b>		<b>\$78,068</b>	<b>\$0</b>	<b>\$23,459</b>	

AT&T's Intercarrier Model

Description of How Each Steps Are Calculated

<b>Switched Access Revenue @ Target Rates</b>	Interstate Originating	= [Total Interstate MOU x Interstate Originating % x Interstate Originating Target Rate] + [Total Interstate MOU x Interstate Originating % x Interstate Dedicated Transport Rev/MOU]
	Interstate Terminating	Same as above. Substitute Terminating for Originating.
	Intrastate Originating	= [Total Intrastate MOU x Intrastate Originating % x Intrastate Originating Target Rate] + [Total Intrastate MOU x Intrastate Originating % x Interstate Dedicated Transport Rev/MOU]
	Intrastate Terminating	Same as above. Substitute Terminating for Originating.
<b>Access Rebalancing Dollars</b>	Interstate	= [Interstate Switched Access Revenue @ Current Rate] - [Sum of Originating and Terminating Interstate Revenue @ Target Rate]
	Intrastate	= [Intrastate Switched Access Revenue @ Current Rate] - [Sum of Originating and Terminating Intrastate Revenue @ Target Rate]
<b>Distance to SLC Cap</b>	For All Three Line Types	= [ Proposed SLC Cap - Current SLC Rate ]
<b>Distance to Benchmark Rate</b>	Residential Lines Only	= [Proposed Bench-Mark - Current SLC Rate - Current Local Residential Rate - State USF per Line]
<b>SLC Increase Opportunity</b>	For All Three Line Types	= [Minimum of Distance to SLC Cap and Distance to Bench-Mark x [Current Access Line Demand]
<b>Total SLC Increase Opportunity</b>		= Sum of SLC Increase Opportunities of Three Different Line Types
<b>Actual SLC Increase</b>		= Minimum of Total Access Rebalancing Dollars and Total SLC Increase Opportunity
<b>Incremental Funding Need</b>		= Maximum of [\$ 0] and [Total Access Rebalancing Dollars - Actual SLC Increase ]
<b>SLC Rate Making Cascade</b>	Cascading of SLC Rates	First start with Actual SLC Increase Dollars. STEP 1: Increase Primary SLC Rate to Non-Primary Rate until all available dollars are exhausted or Primary rates becomes equal to Non-Primary rate. STEP 2: If there are dollars left after equalizing Primary and Non-Primary rates, then continue to increase both rates towards MLB rates. Stop increasing as and when dollars are exhausted or all three rates becomes equal. STEP 3: If there are still dollars left after all three rates are equal, then continue to increase all three rates equally until all "actual SLC increase" dollars are exhausted.

**Data Sources:**

<p><b>Interstate SLC Rates and Lines</b></p>	<p>Price Cap ILECs Interstate Access Filings, June 2009 Tariff Review Plans (TRP)  NECA Interstate Access Filings for Rate of Return ILECs that are NECA Pool Member, June 2009  Interstate Access Filings by Non-NECA Rate of Return ILECs, June 2009  Access Lines for Smaller ILECs were also derived from CAT_13 Loop Counts and PUC Reports</p>
<p><b>Interstate MOU, Rates, and Revenues</b></p>	<p>Access Minutes by ILEC Study Areas from Table 8.3 of 2009 Monitoring Report  Rates are from ILEC TRPs, Access Tariffs, NECA Filings, and other sources  Rates are also supplemented through information obtained from State Access/USF Proceedings, Testimonies, and other Federal Filings  Revenues are derived as Rates times Minutes</p>
<p><b>Intrastate MOU, Rates, and Revenues</b></p>	<p>Access Minutes by ILEC Study Areas Are Derived using PIU Factors.  Rates are from ILEC TRPs, Access Tariffs, NECA Filings, and other sources  Rates are also supplemented through information obtained from State Access/USF Proceedings, Witness Testimonies, and other State Filings</p>
<p><b>State USF per Loop</b></p>	<p>The availability of state USF data varies greatly. Texas and a few other states produce an annual report. California has its support budget approved each year by the state legislature. Other states' data can be found in regulatory orders or in staff testimony. However, some states, like Utah, do not provide exact information and the support must be estimated based on an estimate of the state's intrastate telecommunications revenue and the carrier's assessment percentage  2008 CAT-13 Loops per State were obtained from the NECA Study Report filed 9/30/2009.  For those states with State USF fund, total dollars were divided by Total Loops to create State USF per Line.</p>
<p><b>Local Residential Rates</b></p>	<p>Where available, average Local Residential Rates were created from ILEC State Tariffs  Where applicable, Mandatory EAS charges were added  Additional Local Rates were collected from State Proceedings  For some study areas, NECA statewide averages or large ILEC rates were used as surrogates</p>