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Electronic Submission

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th 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	Switched Access Revenue @ current rates				
	InterState	\$37,278,340			
	IntraState	\$14,864,513			
	Total	\$52,142,853			
	Switched Access Minutes		Originating %	Terminating %	Total MOU
	InterState	50.00%	50.00%	4,913,062,469	
	IntraState	50.00%	50.00%	1,952,770,856	
	SLC - Rates/Caps/Demand		Primary	Non-Primary	MLB
	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	
	Residential Local Rate		State USF per line	Proposed Bench-Mark	
	\$12.37		\$0.00	\$25.00	
	Target Rates (End State)(Originating	Terminating	
	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	Switched Access Revenue @ Target Rates		Originating	Terminating	Total
	InterState	\$17,401,688	\$17,401,688	\$17,401,688	\$34,803,376
	IntraState	\$6,916,564	\$6,916,564	\$6,916,564	\$13,833,127
	Total	\$24,318,252	\$24,318,252	\$24,318,252	\$48,636,503
	Access Rebalancing Dollars (i.e. Shift)		Originating	Terminating	Total
	InterState	\$1,237,482	\$1,237,482	\$1,237,482	\$2,474,963
	IntraState	\$515,693	\$515,693	\$515,693	\$1,031,386
	Total	\$1,753,175	\$1,753,175	\$1,753,175	\$3,506,349
			Primary	Non-Primary	MLB
	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
	SLC Increase Opportunity		\$20,541,090	\$1,334,835	\$13,813,421

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

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

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

INPUT SECTION	Switched Access Revenue @ current rates			
	InterState	\$3,687,844		
	IntraState	\$5,408,501		
	Total	\$9,096,344		
	Switched Access Minutes			
	InterState	50.00%	50.00%	481,645,110
	IntraState	50.00%	50.00%	221,066,073
	SLC - Rates/Caps/Demand			
	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
	Residential Local Rate			
	\$17.50	State USF per line \$1.00	Proposed Bench-Mark \$25.00	
	Target Rates (End State){			
	InterState Switching & Transport	Originating \$0.0065	Terminating \$0.0065	
IntraState Switching & Transport	\$0.0065	\$0.0065		
Dedicated Transport Revenue per MOU	\$0.0019	\$0.0019		

OUTPUT SECTION : MODEL CALCULATIONS	Switched Access Revenue @ Target Rates		Originating	Terminating	Total
	InterState	\$1,843,922	\$1,843,922	\$1,843,922	\$3,687,844
	IntraState	\$929,717	\$929,717	\$929,717	\$1,859,434
	Total	\$2,773,639	\$2,773,639	\$2,773,639	\$5,547,277
	Access Rebalancing Dollars (i.e. Shift)		Originating	Terminating	Total
	InterState	\$0	\$0	\$0	\$0
	IntraState	\$1,774,533	\$1,774,533	\$1,774,533	\$3,549,067
	Total	\$1,774,533	\$1,774,533	\$1,774,533	\$3,549,067
			Primary	Non-Primary	MLB
	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
	SLC Increase Opportunity	\$1,578,567	\$541,493	\$541,493	\$3,961,964

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

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

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

INPUT SECTION	Switched Access Revenue @ current rates				
	InterState	\$98,676			
	IntraState	\$586,865			
	Total	\$685,541			
	Switched Access Minutes		Originating %	Terminating %	Total MOU
	InterState		50.00%	50.00%	3,732,110
	IntraState		50.00%	50.00%	2,117,575
	SLC - Rates/Caps/Demand		Primary	Non-Primary	MLB
	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
	Residential Local Rate		State USF per line	Proposed Bench-Mark	
\$12.65		\$0.00	\$25.00		
Target Rates (End State)(Originating	Terminating		
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	Switched Access Revenue @ Target Rates				
	InterState	\$17,371	\$17,371	\$34,742	
	IntraState	\$9,856	\$9,856	\$19,712	
	Total	\$27,227	\$27,227	\$54,454	
	Access Rebalancing Dollars (I.e. Shift)		Originating	Terminating	Total
	InterState		\$31,967	\$31,967	\$63,934
	IntraState		\$283,576	\$283,576	\$567,153
	Total		\$315,543	\$315,543	\$631,086
			Primary	Non-Primary	MLB
	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
SLC Increase Opportunity		\$14,638	\$0	\$0	

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

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

AT&T's Intercarrier Model

Description of How Each Steps Are Calculated

Switched Access Revenue @ Target Rates	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.
Access Rebalancing Dollars	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]
Distance to SLC Cap	For All Three Line Types	= [Proposed SLC Cap - Current SLC Rate]
Distance to Benchmark Rate	Residential Lines Only	= [Proposed Bench-Mark - Current SLC Rate - Current Local Residential Rate - State USF per Line]
SLC Increase Opportunity	For All Three Line Types	= [Minimum of Distance to SLC Cap and Distance to Bench-Mark x [Current Access Line Demand]
Total SLC Increase Opportunity		= Sum of SLC Increase Opportunities of Three Different Line Types
Actual SLC Increase		= Minimum of Total Access Rebalancing Dollars and Total SLC Increase Opportunity
Incremental Funding Need		= Maximum of [\$ 0] and [Total Access Rebalancing Dollars - Actual SLC Increase]
SLC Rate Making Cascade	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>Interstate SLC Rates and Lines</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>Interstate MOU, Rates, and Revenues</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>Intrastate MOU, Rates, and Revenues</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>State USF per Loop</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>Local Residential Rates</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>