

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of )  
 )  
Petition of BellSouth Corporation, ) WC Docket 05-352  
AT&T Inc. and Qwest Corporation )  
Requesting Modification of RAO Letter 12 )

**WITHDRAWAL OF PETITION REQUESTING EXPEDITED RELIEF**

AT&T Inc. (“AT&T”)<sup>1</sup> and Qwest Corporation (“Qwest”) (herein referred to as “Petitioners”) hereby jointly withdraw their “Petition Requesting Expedited Relief” (Petition) from the requirement of Responsible Accounting Officers (RAO) Letter 12<sup>2</sup> establishing a \$1 million materiality threshold for corrections to the *Joint Cost Order* audits.<sup>3</sup> The Commission’s subsequent action granting AT&T and Qwest forbearance from the requirements of the *Joint Cost Order* and the related audit requirements have rendered moot the relief requested in the Petition.

RAO Letter 12 was issued to provide guidance on interpreting the *Joint Cost Order*’s audit requirements. In the *Joint Cost Order*, the Commission adopted cost allocation standards to support separation of costs between regulated and non-regulated activities, rules governing

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<sup>1</sup> The Petition was filed jointly by BellSouth Corporation, AT&T Inc., and Qwest Corporation. While the Petition was pending, AT&T Inc. acquired BellSouth Corporation. *See AT&T Inc. and BellSouth Corporation Application for Transfer of Control*, WC Docket No. 06-74, Memorandum Opinion and Order, 22 FCC Rcd 5662 (2007), Order on Recon., 22 FCC Rcd 6285 (2007). In this filing, AT&T Inc. represents its own interests, the interests of BellSouth Corporation, and those of its regulated subsidiaries, including the subsidiaries of BellSouth Corporation.

<sup>2</sup> *See* RAO Letter 12, 3 FCC Rcd 2454 (April 11, 1988); Revised, 3 FCC Rcd 4401 (July 20, 1988); 2<sup>nd</sup> Revision, 5 FCC Rcd 6783 (Oct. 23, 1990); *Errata*, DA 90-1507 (Oct. 23, 1990).

<sup>3</sup> *See Separation of Costs of Regulated Telephone Services from Costs of Nonregulated Activities; Amendment of Part 31, the Uniform System of Accounts for Class A and Class B Telephone Companies to Provide for Transactions Between Telephone Companies and their Affiliates*, 2 FCC Rcd 1298 (1987), *aff’d sub nom., Southwestern Bell Corp. v. FCC*, 896 F.2d 1378 (D.C. Cir. (1990) (*Joint Cost Order*).

affiliate transactions, and accounting, audit, and enforcement requirements.<sup>4</sup> Carriers subject to the *Joint Cost Order's* audit provisions were required to conduct periodic audits to ensure that they were accounting for affiliate transactions and non-regulated operations in conformance with their Cost Allocation Manuals.

In the Second Revision to RAO Letter 12, the Accounting and Audits Division stated that, while the staff will rely on the professional judgment of the independent auditor for determinations of materiality as it relates to the scope of the audit, it expects that the discovery during the course of an audit of any error or omission in excess of \$1 million will result in a correction of the reported results.<sup>5</sup> BellSouth, AT&T and Qwest filed a joint Petition claiming that a “formulaic” approach to materiality that solely relies on a “quantitative” threshold, such as that contained in RAO Letter 12, has been rejected by the Financial Accounting Standards Board, the Securities and Exchange Commission, and reviewing courts and, consequently, should be withdrawn by the Commission.

After the release of RAO Letter 12, there have been significant changes in the Commission’s application of its affiliate transaction and cost allocation rules. In 2008, the Commission granted AT&T and Qwest forbearance from the cost allocation rules and audit requirement adopted in the *Joint Cost Order*.<sup>6</sup> As a result, Petitioners are no longer required to conduct Joint Cost compliance audits, and the materiality threshold adopted in RAO Letter 12 is

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<sup>4</sup> *Joint Cost Order*, 2 FCC Rcd at 1299.

<sup>5</sup> See 2<sup>nd</sup> Revised RAO Letter 12, 5 FCC Rcd at 6783.

<sup>6</sup> *Petition of AT&T Inc. for Forbearance under 47 U.S.C. § 160 from Enforcement of Certain of the Commission’s Cost Assignment Rules*, Memorandum Opinion and Order, 23 FCC Rcd 7302 (2008), pet. for recon. pending, pet. for review pending, *NASUCA v. FCC*, Case No. 08-1226 (D.C. Cir. filed June 23, 2008); *Petition of Qwest Corporation for Forbearance from Enforcement of the Commission’s ARMIS and 492A Reporting Requirements pursuant to 47 U.S.C. § 160(c)*, Memorandum Opinion and Order and Notice of Proposed Rulemaking, 23 FCC Rcd 13647 (2008), (*ARMIS Forbearance Order*), pet. for recon. pending, pet. for rev. pending, *NASUCA v. FCC*, Case No. 08-1353 (D.C. Cir. filed Nov. 4, 2008). In the *ARMIS Forbearance Order*, the Commission also extended to Qwest conditional relief from the Cost Assignment Rules, to the same extent, and subject to the same conditions, that forbearance was granted to AT&T in the *AT&T Cost Assignment Order*. See *ARMIS Forbearance Order*, 23 FCC Rcd at 13662-63, ¶ 27, n. 82.

no longer relevant. AT&T and Qwest believe that the relief requested in the Petition is no longer required, and they therefore withdraw their Petition.<sup>7</sup>

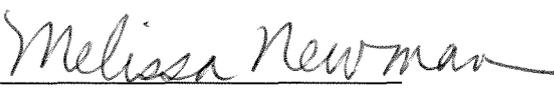
Respectfully submitted,

**AT&T Inc.**

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<sup>7</sup> AT&T and Qwest note that their respective forbearance grants are still subject to petitions for reconsideration before the Commission and petitions for review in the appellate court. Therefore, AT&T and Qwest reserve the right to re-file their Petition should they again become subject to Joint Cost audits and the requirements of RAO Letter 12 in the future.