

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

In the Matter of )  
)  
Petition of Consolidated Communications, ) WC Docket No. 12-63  
Frontier, and Windstream for Conversion of )  
Average Schedule Affiliates to Price Cap )  
Regulation and for Limited Waiver Relief )

**REPLY COMMENTS OF AT&T, INC.**

AT&T Inc. (AT&T), on behalf of its affiliates, respectfully submits these reply comments in response to the petition filed by Consolidated Communications, Inc., Frontier Communications Corporation, and Windstream Corporation (Petitioners) seeking approval to convert their average schedule affiliates to price cap regulation and for limited waiver relief.<sup>1</sup> As discussed in its comments,<sup>2</sup> AT&T generally supports Petitioners' request to convert to price caps but the Commission should impose conditions on the conversion that ensure that the Petitioners do not reap an unwarranted windfall during the transition to bill-and-keep initiated by the *USF/ICC Transformation Order*.<sup>3</sup>

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<sup>1</sup> See generally Joint Petition of Price Cap Holding Companies for Conversion of Average Schedule Affiliates to Price Cap Regulation and for Limited Waiver Relief, WC Docket No. 12-63 (filed Mar. 1, 2012) (Petition); *Wireline Competition Bureau Seeks Comment on the Petition of Consolidated Communications, Frontier, and Windstream for Conversion of Average Schedule Affiliates to Price Cap Regulation and for Limited Waiver Relief*, WC Docket No. 12-63, Public Notice, DA 12-375 (rel. Mar. 9, 2012).

<sup>2</sup> See AT&T Comments, WC Docket No. 12-63 (filed Apr. 9, 2012).

<sup>3</sup> See generally *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) (*USF/ICC Transformation Order*).

Only USTelecom filed in support of the Petitioners' proposal to exit the NECA average-schedule pool at the NECA rate without a cost study.<sup>4</sup> AT&T respectfully suggests that USTelecom may not have fully considered all of the implications of allowing Petitioners to exit the pool at the NECA rate—both the impact on the Petitioners' rates and on the rates of the parties left behind in the pool. As AT&T demonstrated in its comments, Petitioners have failed to show that initializing their price cap indices (PCIs) at NECA rates will result in just and reasonable rates for these carriers, and it seems likely that it will not. Given that Petitioners are net payers to the pool, allowing them to set their initial rates based on the higher, average costs of other pool members once Petitioners withdraw from the NECA averaging mechanism would permit them to reap a windfall from significantly above-cost switched access rates. Doing so would also result in reductions to the rates of the remaining pool members to avoid an overall increase in rates, which would be prohibited by the cap adopted in the Commission's *USF/ICC Transformation Order*. The public interest benefits of ensuring lawful rates would surely outweigh the limited burdens of performing cost studies on those seeking the relief. Therefore, AT&T continues to urge the Commission to require Petitioners to perform cost studies to establish just and reasonable initial rates under price cap regulation.<sup>5</sup>

If, however, the Commission is persuaded by Petitioners' contentions that now cost studies are an undue burden given the transition to bill-and-keep initiated by the Commission in the *USF/ICC Transformation Order*,<sup>6</sup> AT&T suggests two alternative approaches that would

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<sup>4</sup> See USTelecom Comments, WC Docket No. 12-63 (filed Apr. 9, 2012).

<sup>5</sup> In its Comments, AT&T also urged the Commission to clarify whether the Petitioners will be subject to targeting of their average traffic-sensitive (ATS) rates to the appropriate target rate as described in section 61.3(rr) of the Commission's rules. See AT&T Comments at 4.

<sup>6</sup> See Petition at 12-13; USTelecom Comments at 4.

minimize burdens, while providing some measure of assurance that Petitioners do not reap an unwarranted windfall during the transition:

- Petitioners could benchmark rates to the rates of their exchanges of similar size that have previously exited the NECA average schedule pool; or
- Petitioners could calculate a rate based on their most recent draw from the pool respectively.

Both of these methods would allow Petitioners to establish rates, with minimal burden, that would roughly approximate a just and reasonable rate. Allowing Petitioners to exit the pool at NECA rates, and without any conditions to ensure just and reasonable rates, would allow a windfall of well above-cost switched access rates and would be unlawful and contrary to the public interest.

For these reasons, AT&T respectfully urges the Commission to reject the petition as filed and only grant Petitioners' petition subject to the terms discussed above.

April 24, 2012

Respectfully submitted,

By: /s/Christi Shewman

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