

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of

JULY 2, 2002

ANNUAL ACCESS CHARGE TARIFF

FILINGS

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WCB/Pricing 02-12

COMMENTS OF AT&T CORP.

Pursuant to the Commission's Order, DA 02-970, released April 26, 2002,¹ AT&T Corp. ("AT&T") submits these comments relating to the Tariff Review Plans ("TRPs") filed by local exchange carriers ("LECs") on May 1, 2002.

The revised price cap indices filed by Verizon-East² and certain SBC Communications, Inc. companies³ ("SBC") contain exogenous cost adjustments for Excess Deferred Taxes ("EDT") and Investment Tax Credits ("ITC") that appear to be substantially overstated. EDT and ITC exogenous costs are tied to the depreciation lives of assets that were in place in 1986.⁴ As the depreciation lives of those underlying assets expire, the EDT and ITC exogenous costs associated with those assets should decrease (and eventually reach zero). In fact, all other price cap LECs already report that one or

¹ *July 2, 2002 Annual Access Charge Tariff Filings*, Order, DA 02-970 (released April 26, 2002).

² Verizon, Letter filing of May 1, 2002.

³ SBC Ameritech, Letter filing of May 1, 2002; SBC Pacific Bell, Letter filing of May 1, 2002; SBC Southwestern Bell, Letter filing of May 1, 2002.

⁴ EDT and ITC are account balances for deferred taxes based on depreciable assets that were in service as of December 31, 1986.

both of those accounts is either at or near zero. That is to be expected given that it has now been 16 years since the 1986 Tax Reform Act, and all but one of the assets to which EDT and ITC are tied have depreciation lives of less than 16 years.⁵

Notwithstanding these facts, SBC and Verizon-East continue to report EDT and ITC exogenous costs that substantially exceed zero. SBC-Ameritech, SBC-Southwestern Bell and SBC-Pacific Bell, in total, claim EDT and ITC exogenous costs of \$2.6 million and \$2.3 million, respectively. Verizon-East claims EDT and ITC exogenous costs of \$1.7 million and \$3.7 million, respectively. Although these exogenous costs appear on their face to be overstated, neither LEC provides sufficient information to justify those costs. SBC's and Verizon's transmittal letters fail to provide sufficient data and explanations relating to the EDT and ITC calculations to allow ratepayers to verify the accuracy of those costs. That is unacceptable. Ratepayers ultimately bear the burden of paying these costs, making it critical that they have sufficient information to assess whether those costs – which on their face appear to be vastly overstated – were properly computed. Accordingly, SBC and Verizon-East should be required to supply the actual and forecasted EDT and ITC account balances for the last 10 years as well as the asset category balances for the base year 2001.⁶ In addition, these LECs should be required to provide a complete explanation of the EDT and ITC

⁵ The only asset category that possibly could still be reflected in EDT and ITC exogenous costs is the asset category for “Buildings” (which has an asset life of 39 years). But the EDT and ITC exogenous costs associated with buildings is *de minimis*.

⁶ These 10 years of data are required to verify the accuracy of these LECs' current forecasts of EDT and ITC account balances.

exogenous cost calculations. These data will help ratepayers (and the Commission) begin to assess the validity of Verizon-East's and SBC's EDT and ITC exogenous cost claims.

CONCLUSION

For the reasons stated above, the Commission should suspend and investigate the tariff revisions filed by SBC (Ameritech, Pacific Bell and Southwestern Bell) and Verizon-East when they are filed in June, 2002, unless the errors identified above are corrected.

Respectfully submitted,

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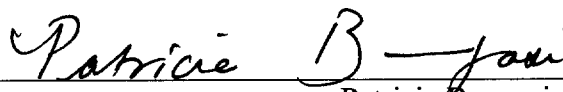
Attorneys for AT&T Corp.

May 13, 2002

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of May, 2002, I caused true and correct copies of the forgoing Comments of AT&T Corp. to be delivered to the persons below.

Dated: May 13, 2002
Washington, D.C.



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