

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

In the Matter of

2003 Annual Access Charge Tariff Filings

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COMMENTS OF AT&T CORP.

Pursuant to the Commission's Order, released April 18, 2003,¹

AT&T Corp. ("AT&T") submits these comments relating to the Tariff Review Plans ("TRPs") filed by local exchange carriers ("LECs") on May 1, 2003.

The price cap indices ("PCIs") filed by the SBC Communications Inc. companies (Ameritech, Nevada Bell, Pacific Bell, SNET and Southwestern Bell) and by Verizon East (North)² are inflated as a result of those carriers continuing to overstate the exogenous cost adjustments for Excess Deferred Taxes ("EDT"). EDT reflects account balances for deferred taxes based on depreciable assets placed in service no later than December 31, 1986. Additional depreciable assets should *not* have been added to this account after December 31, 1986. As the assets that existed in these accounts depreciate over time, the balance diminishes. Simply put, EDT cannot increase over time. Rather, the balances in these accounts will decrease until the longest depreciable life for the last

¹ *July 1, 2003 Annual Access Charge Tariff Filings*, Order, DA 03-1176 (rel. April 18, 2003).

² SBC Companies' TRP Letter filings of May 1, 2003; Verizon TRP Letter filing of May 1, 2003.

asset of its class put into service has been fully depleted. In fact, nearly all price cap LECs already report that this account is at or near zero.

Notwithstanding the fact that the exogenous impact of the changes in LECs' EDT accounts should be falling (and nearing zero), SBC and Verizon East (North) continue to claim EDT exogenous costs, even though it appears the entire balance of the account has been recovered. An analysis of those LECs' tariff filings confirms that Ameritech and Verizon East (North) have already exhausted their EDT account balances.³ Nonetheless, Ameritech now claims an EDT exogenous cost adjustment of \$894,000, and Verizon East (North) claims an exogenous cost adjustment of \$105,000. These exogenous cost adjustments are plainly unwarranted and unlawful. As noted, both Ameritech and Verizon East (North) have exhausted the EDT account balances on which these exogenous cost adjustments are purportedly based.

Furthermore, the fact that the data submitted by Ameritech clearly show that Ameritech is seeking unlawful exogenous costs also raises serious questions about the EDT exogenous costs sought by the other SBC companies. SBC has not provided sufficient data to allow ratepayers or the Commission to verify the accuracy of the non-Ameritech SBC companies' purported EDT-related exogenous cost adjustments.⁴ Accordingly, the Commission should require all SBC companies to supply the actual and

³ SBC-Ameritech May 1, 2003 TRP Letter filing; Verizon May 1, 2003 TRP Letter filing. *See also* Exhibit 1.

⁴ Specifically, SBC has not provided the initial price cap EDT account amounts or the portion of those accounts that have been exhausted for the non-Ameritech SBC companies.

forecasted EDT account balances for the period beginning with the implementation of price caps, as well as a complete explanation of the EDT exogenous cost calculations.⁵

CONCLUSION

For the reasons stated above, the EDT exogenous costs and corresponding PCIs for SBC and Verizon East should be corrected. Unless these errors are corrected, the Commission should suspend and investigate the annual access tariff filings filed by SBC and Verizon-East on June 16, 2003.

Respectfully submitted,

AT&T Corp.

By /s/ Judy Sello

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May 13, 2003

⁵ The other SBC companies filed EDT exogenous cost adjustments in their May 1, 2003 TRP filings as follows: Southwestern Bell \$1,194,000, Pacific Bell \$912,000, Nevada Bell \$39,000, and SNET \$196,000.

CERTIFICATE OF SERVICE

I, Judy Sello, do hereby certify that on this 13th day of May, 2003, a copy of the foregoing "Comments of AT&T Corp." was served by facsimile and U.S. first class mail, postage prepaid, on the parties named below.

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/s/ Judy Sello
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Analysis Showing Ameritech's Over-Recovery of EDT Exogenous Cost

Dollars in \$000

Exhibit 1
Page 1 of 2

Actual EDT Interstate Balance Change

Line 1	Beginning EDT Interstate Balance *	\$13,581
Line 2	Current EDT Interstate Balance **	\$3,350
Line 3=Ln1-Ln2	Actual EDT Interstate Balance Change	\$10,231

* Ameritech Trans. No. 617, filed April 2, 1992, Exhibit 2.

** SBC TRP Letter filings from May 1, 2002 and May 1, 2003.

This value is equal to the average of EDT Interstate balances reported in these two filings.

Filed EDT Interstate Balance Change

<u>YEAR</u>	<u>EDT Interstate Change</u>	<u>YEAR</u>	<u>EDT Interstate Change</u>
1990		1997 (Note 7)	\$375
1991 (Note 1)	\$2,767	1998 (Note 8)	\$70
1992 (Note 2)	\$1,102	1999 (Note 9)	\$650
1993 (Note 3)	\$1,396	2000 (Note 10)	\$337
1994 (Note 4)	\$1,865	2001 (Note 11)	\$796
1995 (Note 5)	\$1,613	2002 (Note 12)	\$184
1996 (Note 6)	\$2,582	2003 (Note 13)	\$189
Line 4	Total Filed EDT Interstate Balance Change		\$13,926

The Sum of the Filed Balance Changes Exceeds the Actual Balance:

Line 5=Ln4-Ln3	Difference in Filed vs Actual	\$3,695
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Exogenous Cost Impact of Excess EDT Interstate Balance Change

Ameritech's historical ratio of EDT exogenous cost to EDT Interstate balance change is about 2:1 (Ameritech sought \$29, 897 in EDT exogenous costs for its reported \$13,926 in EDT interstate balances.) Therefore, the \$3,695 of excess EDT Interstate balance change is equivalent to a \$7,956 excess exogenous cost. These calculations are shown below:

Line 6	Total EDT Exogenous Cost	\$29,987
Line 7	Total EDT Interstate Balance Change	\$13,926
Line 8=Ln6/Ln7	Ratio Exog Cost/Interstate Change	2.15
Line 9=Ln8*\$3,695	Excess Exogenous Cost Impact	\$7,956

Notes for Data on Page 1 of 2 of Exhibit 1

Exhibit 1
Page 2 of 2

- (1) 1991 Filed data reports a total ITC & EDT. See Ameritech Transmittal No. 533, Filed 5/2/91. Exhibit 2. Ameritech reports its total to be \$1,168+\$1,188+\$411 in the Common, Transport, and Special Baskets. The information is reported in the Category "Payback of Excess Deferred Taxes". The 1991 balances are found in Transmittal 617.
- (2) 1992 balances are from Transmittal 702, filed April 2, 1993. Changes in the Amortization amounts are from the 1992 annual filing. See Ameritech Transmittal No. 617, 1992 Annual Access Tariff Filing. Exhibit 2.
- (3) Filed data are from Ameritech Transmittal 702, Exhibit 2. 1993 balances are from the 1994 filing. 1993 balances are from the 1994 filing.
- (4) Filed data per Ameritech Transmittal No. 787 See Exhibit 2 page 1 of 2. Ameritech provided an average 1994/1995 balance in its 1995 filing. It did not provide a 1994 balance.
- (5) Ameritech Transmittal. No. 882, Filed May 9, 1995. See Ameritech Transmittal 961 exhibit 2, page 1 of 3. In 1995 Ameritech no longer provided actual balances for the year. This balance reflects 1994/1995 average.
- (6) Ameritech Transmittal No. 961 Filed April 2, 1996. See also Ameritech April 2, 1996 Letter Filing. In 1995 Ameritech no longer provided actual balances for the year. This balance reflects 1995/1996 average.
- (7) Filed data are from Ameritech's April 2, 1997 letter filing. In 1995 Ameritech no longer provided actual balances for the year. This balance reflects the 1996/1997 average.
- (8) Filed data are from Ameritech's April 2, 1998 Letter filing. In 1995 Ameritech no longer provided actual balances for the year. This balance reflects the 1997/1998 average.
- (9) Filed data are from Ameritech Transmittal No. 1206, Exhibit 1. In 1995 Ameritech no longer provided actual balances for the year. This balance reflects the 1998/1999 average.
- (10) Filed data are from Ameritech Transmittal No.1238, Figure 12.2, lines 5 & 8.
- (11) Workpapers clearly label a change in both total and interstate amounts. See May 15, 2001 Ameritech letter filing.
- (12) Filed data are from SBC-Ameritech May 1, 2002 Letter Filing.
- (13) 2003 balances are Ameritech projected 2003/2004 values.

Analysis Showing Verizon North's Over-Recovery of EDT Exogenous Cost

Dollars in \$000

Exhibit 2
Page 1 of 2

Actual EDT Interstate Balance Change

Line 1	Beginning EDT Interstate Balance *	\$18,666
Line 2	Current EDT Interstate Balance **	\$991
Line 3=Ln1-Ln2	Actual EDT Interstate Balance Change	\$17,675

* NYNEX Transmittal No. 86, filed April 2, 1992, Appendix E, Workpapers EDT and EDTITC.

** Verizon North TRP Letter filings from May 1, 2002 and May 1, 2003.

This value is equal to the average of EDT Interstate balances reported in these two filings.

Filed EDT Interstate Balance Change

<u>YEAR</u>	<u>EDT Interstate Change</u>	<u>YEAR</u>	<u>EDT Interstate Change</u>
1990		1997 (Note 7)	\$594
1991 (Note 1)		1998 (Note 8)	\$868
1992 (Note 2)	\$243	1999 (Note 9)	\$233
1993 (Note 3)	\$1,239	2000 (Note 10)	\$1,786
1994 (Note 4)	\$6,955	2001 (Note 11)	\$751
1995 (Note 5)	\$5,375	2002 (Note 12)	\$173
1996 (Note 6)	\$2,976	2003 (Note 13)	\$33
Line 4	Total Filed EDT Interstate Balance Change		\$21,226

The Sum of the Filed Balance Changes Exceeds the Actual Balance:

Line 5=Ln4-Ln3	Difference in Filed vs Actual	\$3,551
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Exogenous Cost Impact of Excess EDT Interstate Balance Change

Verizon North's historical ratio of EDT exogenous cost to EDT Interstate balance change is about 2:1 (Verizon North sought \$45,890 in EDT exogenous costs for its reported \$21,226 in EDT interstate balances.) Therefore, the \$3,551 of excess EDT Interstate balance change is equivalent to a \$7,677 excess exogenous cost. These calculations are shown below:

Line 6	Total EDT Exogenous Cost	\$45,890
Line 7	Total EDT Interstate Balance Change	\$21,226
Line 8=Ln6/Ln7	Ratio Exog Cost/Interstate Change	2.16
Line 9=Ln8*\$3,551	Excess Exogenous Cost Impact	\$7,677

Notes for Data on Page 1 of 2 of Exhibit 2

Exhibit 2
Page 2 of 2

- (1) 1991 filed data does not include sufficient back-up to calculate balances or the removal from balance.
- (2) NYNEX Transmittal 86, 4-2-1992. D&J, Section 2.1, Appendix E, Workpapers EDT and EDTITC. Current balances represent 1991/1992.
- (3) NYNEX Transmittal 176. D&J., Section 2.1, Appendix E, Workpapers EDT and EDTITC. Current balances represent 1992/1993.
- (4) NYNEX Transmittal No. 228 See D&J, Section 2.1, Appendix E, Workpapers EDT and EDTITC. Current balances represent 1993/1994.
- (5) NYNEX Transmittal No. 378, 5-9-1995. See D&J, Section 2.1, Appendix E, Workpapers EDT and EDTITC. Current balances represent 1994/1995 tariff year.
- (6) NYNEX Transmittal No. 409, 4-2-1996. See D&J, Section 2.1, Appendix D, Workpapers EDT and EDTITC. Current balances represent 1995/1996 tariff year.
- (7) NYNEX letter filing of 4-2-1997. D&J, Section 2.1, Appendix D, Workpapers EDT and EDTITC. Current balances represent 1996/1997 tariff year.
- (8) Bell Atlantic North Letter filing 4-2-1998. See D&J, Workpapers 3N-1 through 3N-7. Current Balances represent 1997/1998 tariff year. In 1998, Bell Atlantic North provided the Total FIT Adjusted Excess Deferred Tax.
- (9) Bell Atlantic North Transmittal No. 1148. See D&J, Workpapers 4-8 thorough 4-13. In 1999, Bell Atlantic North no longer provided estimated balances.
- (10) Bell Atlantic North Transmittal No.1304. See D&J, Workpapers 3-2 thorough 3-7. In 2000, Bell Atlantic North did not provide estimated balances.
- (11) Verizon-East Transmittal 45. See D&J, Workpaper 4. In 2001, Bell Atlantic North did not provide estimated balances for the year.
- (12) Verizon-East Letter Filing 5-1-2002. See D&J, Attachment B, Exhibit 4, Workpaper 3-East. In 2002, Verizon East provided estimated balances.
- (13) Verizon-East Letter Filing 5-1-2003. See D&J, Appendix A, Workpaper 3.