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

In the Matter of	)	
	)	
July 1, 2004	)	WCB/Pricing 04-18
Annual Access Charge Tariff Filings	)	

PETITION OF AT&T CORP.

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June 28, 2004

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Pursuant to Section 1.773 of the Commission's Rules, 47 C.F.R. § 1.773, and the Commission's Order, DA 04-1049, released April 19, 2004,[1] AT&T Corp. ("AT&T") submits this Petition addressed to the annual interstate access tariffs filed on June 23, 2004 by local exchange carriers ("LECs").

INTRODUCTION AND SUMMARY

The LECs' 2004 Annual Access Charge Tariffs contain a number of serious errors and require suspension and investigation. As detailed below, the LECs' access tariffs are, in numerous respects, flatly inconsistent with the Commission's rules, relevant court decisions, and publicly available data. The resulting overstated access charges undermine the core objectives of the 1996 Telecommunications Act, impede competition, and deny consumers the corresponding benefits of competition. Accordingly, AT&T respectfully urges the Commission to suspend and investigate the unsupported and inflated tariff rates detailed below.[2]

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[1] *In the Matter of July 1, 2004 Annual Access Charge Tariffs,* WCB/Pricing 04-18, DA 04-1049 (released April 19, 2004).

[2] A tariff is subject to rejection when it is *prima facia* unlawful, in that it demonstrably conflicts with the Communications Act, as amended by the Telecommunications Act of 1996 or a (continued…)

I. MINNESOTA INDEPENDENT EQUAL ACCESS CORPORATION'S TARIFFS CONTAIN MYRIAD FUNDAMENTAL ERRORS THAT SUBSTANTIALLY OVERSTATE RATES.

The 2004/2005 interstate access tariffs of the Minnesota Independent Equal Access Corporation ("MIEAC") contain myriad fundamental flaws that inflate MIEAC's interstate access rates by millions of dollars.[3] However, because MIEAC filed its flawed 2004/2005 interstate access tariffs with only seven days notice, this Petition addresses only three of the most egregious errors in those tariffs. The Commission should suspend MIEAC's tariffs and set them for investigation.

MIEAC's tariffs rely on substantially understated demand projections. MIEAC reports that in 2002 and 2003, its actual demand was 489,632,393 and 482,139,620 million minutes of use, respectively. *See* Exhibit A-1.[4] MIEAC now projects that in the 2004/2005 tariff period,

(…continued)
Commission rule, regulation or order. *See, e.g., American Broadcasting Companies, Inc.* v. *AT&T*, 663 F.2d 133, 138 (D.C. Cir. 1980); *MCI* v. *AT&T*, 94 F.C.C.2d 332, 340-41 (1983). Suspension and investigation are appropriate where a tariff raises substantial issues of lawfulness. *See AT&T* (Transmittal No. 148), Memorandum Opinion and Order, 56 RR2d 1503 (1984); *ITT* (Transmittal No. 2191), 73 F.C.C.2d 709, 716 n.5 (1979) (citing *AT&T*, 46 F.C.C.2d 81, 86 (1974)). Appendix A identifies the companies whose tariffs should be suspended and investigated and whose rates should be remedied.

3 The Minnesota Independent Equal Access Corporation ("MIEAC") states that it is a wholly owned subsidiary of Onvoy. Minnesota Independent Equal Access Corporation Tariff F.C.C. No. 1, Centralized Equal Access ("CEA") Service 2004 Annual Access Tariff Filing Description and Justification, at 1 (Onvoy, in turn, is 57% owned by Independent Telco's, Quantum Industrial Partners and SFM Domestic Investments). MIEAC states that its purpose is to provide "Centralized Equal Access Services to rural areas of Minnesota along with toll recording and rating services." *Id.* at 2. In addition it provides Signaling System services using the Signaling System 7 Protocol. *Id.* at 3; *see also* MIEAC Transmittal No. 17. MIEAC notes that it provides Feature Group D ("FGD") as "the core element of its 'equal access' offering" and that it also provides FGB service where a Routing Exchange Carrier ("REC") has the service available. Further if originating feature group B is provided "MIEAC's charge does not apply." *Id.* at 2-3. According to MIEAC, its service allows IXC's access to the rural exchanges through its network.

4 All Exhibits are attached hereto.

demand will decrease, on average, to 289 million minutes of use, a more than 40% decline.[5] This massive decrease in projected demand substantially inflates MIEAC's proposed per minute switched transport rates.

MIEAC claims that it is reasonable to assume that its demand will fall by such a large amount because, according to MIEAC, demand may shift to wireless carriers, voice over Internet protocol providers, and the use of E-mail and Instant Messaging.[6] But there is no evidence whatsoever that this shift in call usage is likely to cut demand for MIEAC's services nearly in half over the next two years. On the contrary, according to NECA, which covers most of the same areas as MIEAC, such phenomenon likely will decrease demand over the next two years by only 0.89%.[7]

Further confirming that there is no reasoned basis for MIEAC's demand projections and the corresponding composite switched transport rates is that, although MIEAC's actual demand has varied substantially from year to year since 2000, its rates have remained largely unchanged. In 2000, MIEAC filed a proposed composite switched transport rate of $0.01887, based on projected demand for the 2000/2001 tariff period of about 411 million minutes of use.[8] MIEAC never sought to decrease its composite switched transport rates in the 2002/2003 tariff period, even though its demand increased to an average of over 486 million minutes of use during that

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[5] MIEAC Transmittal 18, Filed June 24, 2004, Rate Development Schedule.

[6] *Id.,* MIEAC D&J, Page 7.

[7] NECA forecasts 18,909,400,032 minutes of use for the 2004/2005 tariff period (NECA Transmittal No. 1030, filed June 16, 2004, DMD-1, Page 3, Row 430). Actual minutes of use for the 2002/2003 tariff period were reported to be 19,079,605,577. *See* NECA Transmittal No. 988, filed June 16, 2003 (for 2002) and Transmittal No. 1030 (for 2003), DMD-1, Page 3, Row 420.

[8] MIEAC Transmittal No. 12, filed June 26, 2000, Rate Development Schedule ($7,754,811 (continued…)

time. *See* Exhibit A-1. And MIEAC seeks a nearly identical rate in its 2004/2005 tariff even though it is now projecting substantial unreasonable decreases in demand. It thus appears that MIEAC is manipulating its data to obtain a particular rate.[9]

There is an unexplained mismatch between MIEAC's originating and terminating rates. MIEAC proposes to charge users of originating access services much higher switched transport rates than users of terminating access services.[10] MIEAC proposes tandem switching rates that are about 50% higher than the terminating rate, and about 1100% more for originating transport than the equivalent terminating transport rate. *See* Exhibit A-2. There is no justification for such rate disparities because both originating and terminating services use identical facilities to provide identical functions. MIEAC should thus restructure its originating tandem switching and transport rates so that they mirror and are equal to their respective terminating rates.

MIEAC's tariff contains an obvious clerical error. MIEAC projects in its filed Part 36 and Part 69 cost study results for the 2004/2005 tariff period that its interstate revenue requirement will be $4,903,331 for tandem switching and transport services.[11] But the revenue requirement used by MIEAC to develop rates (as displayed on the Rate Development Schedule)

(…continued)
Revenue Requirement divided by 410,937,303 MOUs).

[9] MIEAC also has never filed corrective mid-term filings to account for the increased usage and has continued to charge the rates it first established in July 2000 on a demand base of 411 million minutes of use.

[10] MIEAC also appears to not included all of the revenue that it generates from its tariffed services, including signaling and 800 wireless services. *See* MIEAC Tariff FCC No. 1, Section 6.8.

[11] MIEAC Transmittal No. 18, filed June 24, 2004, Part 36 Cost Study, Page S-1, Line 14. MIEAC has also applied an incorrect rate of return of 11.50% instead of 11.25% in the (continued…)

is $5,766,314.[12] MIEAC thus overstates its revenue requirement by $862,876. MIEAC must fix this error by at least using the revenue requirement projected by its Part 36 and Part 69 studies.

II. THE COMMISSION SHOULD SUSPEND AND INVESTIGATE THE TARIFFS OF LECS WITH A LONG HISTORY OF EARNINGS THAT EXCEED THE AUTHORIZED RATE-OF-RETURN.

In 1997, the Commission properly suspended multiple interstate access tariffs where statistical analyses showed that the projections in those tariffs had resulted in systematic errors in rates, and where those errors were statistically significant.[13] A similar analysis confirms that several rate-of-return LECs' 2004/2005 tariffs must be suspended. As demonstrated in Exhibit B, several rate-of-return LECs have relied on projections that result in returns that substantially exceed the Commission-prescribed return of 11.25%,[14] *i.e,* these LECs have relied on projections that result in systematic overearnings. Moreover, the amount by which these LECs have consistently overearned is not explained by random error. Rather the overstatements are statistical outliers. *See id*. Accordingly, consistent with Commission precedent, the Commission should suspend and investigate these LECs' tariffs.

(…continued)
calculation of the revenue requirement.

[12] *Id.*, Rate Development Schedule.

[13] *1997 Annual Access Tariff Filings,* CC Docket No. 97-149, Memorandum Opinion & Order, FCC 97-403, ¶¶ 19-21 (rel. Dec. 1, 1997).

[14] *Represcribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers*, Order, 5 FCC Rcd. 7507 (1990), *petitions for review docketed sub nom., Illinois Bell Telephone Co., et al.* v. *FCC,* No. 91-1020 (D.C. Cir. filed Jan. 11, 1991), *recon*. 6 FCC Rcd. 7193 (1991) ("*1990 ROR Represcription Order*"). The Commission prescribed the authorized overall rate of return on investment of 11.25% with certain buffer zones. *See also* 47 C.F.R. § 65.700. Specifically, rate of return LECs are allowed to earn 0.40 percentage points over the prescribed return on each service category or 0.25 percentage points over the prescribed rate if the return is measured across the entire base.

By suspending and investigating the tariffs, the Commission and other parties will have sufficient time to identify the errors that cause the systematic overearnings. Without a suspension and an investigation, it is not feasible for interested parties or the Commission to identify the specific problems with the LECs' methodologies because the LECs do not submit the data necessary for such an analysis. And even when data are available for review, it is often difficult to determine whether these data have been manipulated to achieve the carriers' intended result. Moreover, carriers have months to prepare tariff filings that must be reviewed by petitioners and the Commission in the space of days.

For these reasons, the Commission should suspend the tariffs of those LECs that have consistently earned returns in excess of the prescribed level over an extended period of time to investigate the source or sources of their forecast errors and determine whether a rate prescription is appropriate.[15]

III. CERTAIN LECS SHOULD BE REQUIRED TO MAKE MID-COURSE ADJUSTMENTS TO ACCOUNT FOR SUBSTANTIAL OVEREARNINGS DURING THE FIRST YEAR OF THE MONITORING PERIOD.

The monitoring reports filed by the rate-of-return carriers for the period ending December 31, 2003, which constitute the first year of the current 2003-2004 monitoring period show that a number of rate-of-return LECs achieved returns that substantially exceed the Commission-prescribed 11.25% rate-of-return. *See* Exhibit C. These LECs therefore should be required to make downward adjustments to their rates for the 2004 period to bring these LECs' overall returns for the 2003-2004 period within the range of 11.25%.

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[15] The following LECs' tariffs should be suspended because they have consistently overearned: ACS of Anchorage, Century of Midwest-Michigan, Century of Ohio, Century of Wisconsin, Gulf/Madison River, SureWest and Fort Mill. *See* Exhibit A.

Small variations in the rate-of-return LECs' returns from the Commission-prescribed level are to be expected due to, among other things, forecast errors and changes in marketplace conditions. But large variations show that the LECs' data are unreliable, and require correction. And that is precisely why the Commission requires interim monitoring reports. As explained by the Commission: "Rate-of-return carriers estimate their costs of providing exchange access services and project their demand for such services. They then file tariffs containing the rates for their access services that they believe reflects, given their estimates of costs and demand, will result in earnings within the prescribed rate of return at the end of the two year monitoring period. During the course of the two-year period, rate of return carriers must review how their *actual costs and demand calculations compare to their earlier projections, and make rate adjustments, if necessary, to ensure that they do not exceed their prescribed rate of return*."[16]

The LECs have never seriously disputed that mid-course corrections are appropriate. In 2002, for example, NECA sought a "mid-course" correction in its revenue requirements in its 2002 annual tariff filing on the grounds that its overall returns would fall below the Commission-prescribed rate-of-return without such an adjustment.[17] By the same logic, and consistent with the Commission's rules, carriers that now report special access return exceeding 11.25% should

[16] *In the Matter of General Communications Inc., Complainant, v. Alaska Communications, Inc. and Alaska Communications Systems, Inc. d/b/a ATU Telecommunications ATU Telecommunications d/b/a Anchorage Telephone Utility,* EB-00-MD-016, Memorandum Opinion and Order, 16 FCC Rcd. 2834, ¶ 5 (2001) ("*GCI v. ACS"*) (emphasis added) *citing* MCI, 59 F.3d at 1415; *see In the Matter of Amendment of Part 65, Interstate Rate of Return Prescription: Procedures and Methodologies to Establish Reporting Requirements, Report and Order*, 1 FCC Rcd. 952, 954, ¶ 10 (1986).

[17] *See, e.g., National Exchange Carrier, Inc. Tariff FCC No. 5, Transmittal No. 952,* WC Docket No. 02-356, Order, DA 02-3100, ¶ 4 (rel. Nov. 8, 2002).

have filed midcourse corrections to ensure that its returns fall within the Commission-prescribed 11.25% rate-of-return.

In the past, carriers have defended not making *downward* adjustments on the ground that they historically experience earnings erosion and that returns will decrease to permissible levels as new data is obtained. But that argument does not withstand scrutiny. Many of these carriers' current overearnings are so large that it is not plausible that such erosion would result in a rate-of-return near 11.25%.

Recent federal court decisions make it even more critical that rate-of-return LECs implement appropriate mid-course adjustments. Under prior Commission precedent and longstanding tradition, ratepayers were at least partially protected from excessive charges because they were allowed to retroactively collect excess earnings from rate-of-return carriers. However, under *ACS of Anchorage, Inc.* v. *FCC*, 290 F.3d 403, 410-412 (D.C.Cir. 2002) ("*ACS* v. *FCC*"), retroactive refunds are no longer available after a tariff is permitted to take effect without suspension because the tariff is then "deemed lawful" pursuant to 47 U.S.C. § 204(a)(3). In these circumstances, ratepayers can only seek relief on a prospective basis and even that relief is available only if some provision in the tariff is subsequently found to be unlawful.[18] Thus, the principle protection that consumers and ratepayers now have against tariffed rates that produce unlawful returns is a strenuous pre-effective tariff review. The Commission must ensure that its rate-of-return prescriptions are enforced as "a means to achieve just and reasonable rates."[19]

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[18] If a tariff has been properly labeled and filed on 15 or 7 days notice and the Commission has not suspended the tariff prior to its effective date, the tariff will be deemed lawful and in almost all instances will insulate the filing carrier from an obligation to pay refunds to customers who were overcharged.

[19] *ACS* v. *FCC*, 290 F.3d at 410 (*citing Nader* v. *FCC*, 520 F.2d 182, 203 (D.C. Cir. 1975)).

Accordingly, the Commission should require NECA and each LEC identified in Exhibit C to file mid-course rate reductions to reflect the fact that their 2003 current monitoring period earnings exceed the Commission's prescribed level. Specifically, the Commission should require these LECs to file rates that will produce the prescribed return for the current period. As a second best solution, the Commission should suspend the tariffs of these carriers to allow for true-ups if rates are later found to be unlawful.

IV. PUERTO RICO TELEPHONE COMPANY AND SUREWEST HAVE OVERSTATED THEIR CORPORATE OPERATIONS EXPENSES.

The corporate operations expenses filed by Puerto Rico Telephone Company and SureWest Telephone Company (formerly Roseville Telephone Company) are significantly overstated. Corporate operations expenses represent general corporate overhead functions, such as executive management, accounting and finance, human resources/personnel, information management, legal support, and other similar administrative support activities.[20] The Commission performed a comprehensive investigation of the reasonableness of these expenses in 1997 and concluded that these costs did "not appear to be costs inherent in providing telecommunications services, but rather may result from managerial priorities and discretionary spending."[21] As a result of this investigation, the Commission capped the corporate expenses at a reasonable per-line amount to keep these expenses from growing out of control for USF funding purposes. Such constraints, however, were not placed on carriers in the development of their access charges. It is now clear that Puerto Rico Telephone Company and SureWest have

[20] Corporate operations expenses are recorded in Account 6710 (Executive and planning) and Account 6720 (General and administrative). *See* 47 C.F.R. §§ 32.6710 and 32.6720.

[21] *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 97-157, ¶ 283 (rel. May 8, 1997).

taken advantage of this gap in the Commission's rules, and have included in their tariffs corporate operations expenses that exceed reasonable levels. Specifically, the corporate operations expense per loop for these LECs greatly exceed the average of other similarly sized LECs. *See* Exhibit D.

The corporate expense per loop analysis in Exhibit D is based on the LECs' NECA USF Submission for 2003, which was filed with the Commission and USAC in October 2003.[22] This NECA submission contains the access lines and corporate operations expense data for all local exchange carriers, and this information was used to derive average total corporate operations expense per loop for carriers in various size categories. Comparisons of the filed carriers' corporate operations expense per loop were made against these averages and the filed data confirm that the corporate overhead expenses filed in the tariffs by Puerto Rico Telephone Company and SureWest continue to exceed the average of similarly sized carriers from 109% to 138%, respectively. *See* Exhibit D. In addition, these carriers' corporate overhead expenses exceed those submitted by the other similarly-sized LECs in the 2004 annual tariff filings by substantial amounts. *See id*.

Moreover, SureWest recently reported earnings of 15.59% in the past year. *See* Exhibit D. These carriers should not be allowed to continue to operate inefficiently to the detriment of their ratepayers, and ultimately consumers. As the Commission has previously held, corporate operations expenses are incurred at the discretion of carriers and reasonable

[22] Industry Analysis Division, Federal Communications Commission, NECA's Overview of the Universal Service Fund, Submission of 2002 Study Results, October 2003, available at http://www.fcc.gov/wcb/iatd/neca.html.

judgment must be demonstrated.[23] The identified LECs have not demonstrated that their inflated corporate operations expenses were prudently incurred and, accordingly, they should not be allowed to include corporate overheads beyond a reasonable threshold in their access charges for the prospective 2004/2005 tariff period. Thus, these LECs' corporate operations expenses should be disallowed or, alternatively, their tariffs should be suspended and placed under investigation.

V. SEVERAL RATE-OF-RETURN LECS UNDERSTATE PROSPECTIVE TRAFFIC SENSITIVE DEMAND AND OVERSTATE LOCAL SWITCHING AND INFORMATION SURCHARGE RATES.

CenturyTel of the Mid-West Michigan/CenturyTel of Michigan ("Century Mid-West"), Gallatin River Communications ("Gallatin River"), SureWest Telephone ("SureWest"), and Iowa Network Services, Inc. (INS) substantially understate the 2004/2005 projected demand used to develop traffic sensitive access rates, resulting in inflated local switching rates and an inflated information surcharge. In the case of the centralized equal access switched transport carrier, INS, their switched transport rates are largely overstated as a result of the understated 2004/2005 demand projections. Accordingly, the Commission should suspend these carriers' tariffs and open an investigation to determine appropriate traffic sensitive demand projections.

That these carriers' demand projections for the 2004/2005 period are vastly understated is evident from their own *actual* demand data for 2000 through 2003. As demonstrated in Exhibit E, a simple linear regression analysis using actual 2000-2003 demand for CenturyTel Mid-West, Gallatin River, SureWest, and INS (taken from these carriers' DMD-1 TRP reports) indicates that the forecast demand relied on by these carriers are understated by at least 30.8

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[23] *Amendment of Part 65, Interstate Rate of Return Prescription: Procedures and Methodologies to establish Reporting Requirements*, CC Docket No. 86-127, ¶¶ 10-12 (rel. Dec. 3, 1996).

million, 29.3 million, 56.5 million, and 45.0 million minutes, respectively. *See* Exhibit E. None of these carriers provides any legitimate justification for assuming that future demand will depart so drastically from that predicted by traditional statistical techniques.

But even aside from the trend analyses, it is clear that the projected demand growth used by these carriers to compute traffic sensitive rates are understated. SureWest, for example, reports a slight decrease in demand for 2003 of –1.62% from 2002. In 2002, SureWest also reports a slight decrease of –1.05% from the year prior. But now SureWest projects a decrease in demand for the 2004/2005 tariff period of –16.51%. SureWest offers no legitimate justification to explain why its future projections depart so radically from the prior years' trend.

It is critical that the Commission address these understatements in this proceeding because these carriers have made a habit out of understating demand. For example, CenturyTel Mid-West and INS all understated demand in the 2002/2003 tariff period, by 12.5%, and 6.8%, respectively. *See* Exhibit E. The Commission should thus suspend these carriers' tariffs and open an investigation into appropriate traffic sensitive demand projections.

VI. SEVERAL RATE-OF-RETURN CARRIERS HAVE FILED EXCESSIVE CASH WORKING CAPITAL REQUIREMENTS.

SureWest, TUECA, Fort Mill, ACS of Anchorage, CenturyTel Mid-West Michigan, Lancaster, Gulf and Rock Hill have employed excessive net lag periods, and as a result their cash working capital ("CWC") revenue requirements are inflated, in total, by $3,980,000, and their interstate revenue requirements are inflated, in total, by $689,000. *See* Exhibit F-1.[24] The net

[24] CWC is the amount of investor-supplied funds required to pay operating expenses incurred in providing services prior to the receipt of revenues for such services. CWC is generally computed by determining the revenue lag and the expense lag and then multiplying the difference by the carrier's average daily operating expenses. Revenue lag is the average number of days between (continued…)

lag periods used by TUECA, Fort Mill, ACS of Anchorage, CenturyTel Mid-West Michigan, Lancaster, Gulf and Rock Hill reflect unsupported departures from those of similarly situated LECs. SureWest has filed a net lag period determined from its cost studies of 46 days that significantly exceeds that of any similarly situated LECs.[25] For example, AT&T's survey of other LECs CWC found a 16 day or less lag period to be representative. *See* Exhibit F-2.

Because these LECs have departed from the 15-day standard, TUECA, Fort Mill, ACS of Anchorage, CenturyTel Mid-West Michigan, Lancaster, Gulf and Rock Hill were required to determine their net lag period by conducting a lead-lag study.[26] In such a study, these LECs must supply accurate data that are representative of current operations and adequately explain and justify their proposed lag periods. Neither TUECA, Fort Mill, ACS Anchorage, CenturyTel Mid-West Michigan, Lancaster, Gulf nor Rock Hill has provided a lag study, nor any other supporting documentation to explain why it should be entitled to a net lag that exceeds the

(…continued)
the date a service is provided and the date the associated revenues are collected. Expense lag is the average number of days between the date a service is provisioned and the date the expenses associated with those services are paid. The difference between revenue lag and expense lag is referred to as the net lag.

[25] SureWest's D&J and lead-lag study indicate a net of 26 days, *See* 2004 Annual Access Tariff Filing, Transmittal 9, filed June 24, 2004, D&J. AT&T calculates a net of 46 days and the impact of SureWest's excess as follows: projected total cash expense (excluding depreciation) was divided by 365 days to determine its average daily cash requirements. The daily cash figure was then divided into its projected CWC requirement to compute its net lag. A comparison of the results of employing the derived net lag versus the 15-day standard lag shows that SureWest's interstate revenue requirement is inflated by approximately $255,000.

[26] *See 1997 Annual Access Tariff Filings*, Memorandum Opinion and Order, CC Docket 97-149, 13 FCC Rcd. 3815, ¶¶ 221-224 (rel. June 27, 1997).

standard 15-day lag. SureWest did provide a study, but it is hopelessly inadequate and error-ridden.[27]

The Commission has, in the past, suspended and investigated LEC tariffs relying on similar overstated net lag periods that were unsupported by a lead lag study.[28] Similarly, the Commission should suspend and investigate TUECA's, Fort Mill's, ACS of Anchorage's, CenturyTel Mid-West Michigan's, Lancaster's, Gulf's Rock Hill's, and SureWest's tariffs that reflect their current CWC revenue requirements and direct those LECs either to justify the excessive CWC amounts or to reduce them to appropriate levels.

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[27] *See* n.30, *supra.*

[28] *See, e.g., 1997 Annual Access Tariff Filings,* 12 FCC Rcd 11417, ¶¶ 62-66 (1997).

CONCLUSION

For the reasons stated above, the Commission should suspend for one day and investigate the tariff revisions filed by all LECs detailed in Appendix A and impose an accounting order.

Respectfully submitted,

AT&T Corp.

By: /s/ Judy Sello

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June 28, 2004

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of June, 2004, I caused true and correct copies of the forgoing Petition of AT&T Corp. to be served on all parties by telecopier and mailing, postage prepaid to their addresses listed on the attached service list.

Dated: June 28, 2004
Washington, D.C.

/s/ Peter Andros
Peter Andros

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APPENDIX A

TARIFFS WHICH THE COMMISSION SHOULD SUSPEND AND INVESTIGATE

RATE-OF-RETURN LEC TARIFFS

COMPANY	TARIFF NO.	TRANSMITTAL NO.
ACS OF ANCHORAGE	1	22
CENTURYTEL (CTOC)	1	37
ILLINOIS CONSOLIDATED	2	122
IOWA NETWORK SERVICES, INC.	1	22
FORT MILL (JSI)	1	97
LANCASTER (JSI)	1	97
ROCK HILL (JSI)	1	97
GALLATIN RIVER COMMUNICATIONS (MADISON RIVER)	1	18
GULF TELEPHONE (MADISON RIVER)	1	18
MINNESOTA INDEPENDENT EQUAL ACCESS CORP. (MIEAC)	1	18
PUERTO RICO	1	57
SUREWEST	1	9
CENTURYTEL (TUECA)	2	182

NOTE: The above rate-of-return LEC tariffs should be suspended for one day.

Exhibit A

Minnesota Independent Equal Access Corp.
Switched Transport Demand Actuals vs Forecast

	a	b
Ln	MIEAC T-18# Year	Calendar Actuals (MOUs)
1	2000	363,514,892
2	2001	451,042,165
3	2002	489,632,393
4	2003	482,139,620

	c	d		e	f^	g=(L7e-L6f)/L6f
	MIEAC Transmittal No.	Tariff Period		Tariff Period Forecast	Tariff Period Actuals	Percent Decrease
5	T-12	2000/2001	~	410,937,303	407,278,529	
6	Letter^	2002/2003	#	452,842,726	485,886,007	
7	T-18	2004/2005	*	289,283,772		-40.5%

MIEAC Transmittal No. 18, filed June 24, 2004, DMD-4 TRP
^L5=(L1b+L2b)/2, L6=(L3b+L4b)/2
~Rate Development Schedule, Transmittal No. 12, filed June 26, 2000
* Rate Development Schedule, Transmittal No. 18, filed June 24, 2004

Source: DMD-1, Page 3 of 3, Total Chargeable Switching MOUs

Exhibit A-2

Minnesota Independent Equal Access Corp.
Originating Rates vs. Terminating Rates

a		b	c
Ln		Tandem Switching Rates	Transport Rates
L1	Originating Rate	$0.0037	$0.0099
L2	Terminating Rate	$0.0024	$0.0008
L3	Percent Originating Rate exceeds Terminating Rate ((L1-L2)/L2)*100	54%	1138%

* Rates from Transmittal No. 18, Description and Justification, P. 8.

Exhibit B

Overview of Statistical Process on Overearnings

AT&T conducted three analyses of the relationship between LEC projected rates of return and LEC actual rates of return. These analyses, outlined below, indicate that ACS of Anchorage, Inc.; CenturyTel of Midwest-Michigan/CenturyTel of Michigan; CenturyTel of Ohio; CenturyTel of Wisconsin; Fort Mill Telephone Company; Gulf Telephone Company (filed by Madison River) and SureWest Telephone consistently produced rates of return that exceeded the targeted rate of return.

AT&T first graphed the differences between the projected annual rates of return and the actual rate of return reported by the LEC. A simple visual look at the data clearly indicates that certain LECs, including NECA (and others, see Exhibit A) consistently generated rates of return that exceed 11.25%. The visual test is also used to determine whether additional statistical tests are necessary. The additional tests outlined below, test whether it is likely that the projected revenue requirement would consistently achieve returns greater than 11.25%.

The first test is intended to evaluate whether a LEC's rate of return projections are unbiased. An unbiased process would be expected to produce returns that are both above and below the target return, which is 11.25%. The initial test evaluates the likelihood that a set of forecasts would be expected to consistently exceed or under estimate an actual level. Of the LECs analyzed four under forecast their switched rate of return over all periods for which data was available and two under forecast their special rate of return over all periods.[1] This data indicates that some LECs produced returns that exceeded the

[1] AT&T used the final data from FCC Form 492 where available to obtain the returns for each period when the LEC provided each year's return. Where the data was not provided by year AT&T derived the annual data**.** Specifically, the returns for the odd years were taken from the 492 reports filed on or about March

target rate of return in more years than chance would reasonably allow. The probability that a LEC would set its rates to exceed the target rate 10 periods in a row is (1/2)^10. For example, CenturyTel of Wisconsin exceeded its traffic sensitive target rate of return in all 8 years that AT&T studied. The probability that an unbiased process, that is, one that would project rates of return on the average at the 11.25% target is only $(½)^8$, or 0.39%.

To better understand whether the forecasts are biased and to derive an estimate of the expected bias AT&T also tested the difference of the means. Specifically, AT&T looked at the differences between the actual rates of return and the targeted rate. In the absence of bias these differences should not statistically differ from zero. The test hypothesis is that the average difference between two means is zero. The t-statistic calculated from the sample data can then be compared to the critical values of the one-tailed t-distribution at the 90% and 95% confidence levels.[2] If the calculated t-statistic

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31st of each even year, e.g., 1999 returns were taken from the report filed in 2000. The even year return data were calculated based on the difference between the operating revenues, expenses and average net investment on the final Form 492 (which includes two years' data) and the report that contains only the annual data.

[2]The t-test is performed on the differences between the observed rates of return and the target return, these differences are denoted d_i. The average of the differences, D, and then the standard deviation of the average, s_D, is found. The standard deviation of the average differences is found by first calculating the standard deviation of the differences,

$s_d = \sqrt{\sum(di - D) / (n-1)}$,

and then calculating the corresponding standard deviation of the average of the differences, s_D,

$s_D = s_d/\sqrt{n}$,

The t-statistic is calculated using the formula,

$t = D / s_D$.

This statistic is compared to the statistical t-distribution with degrees of freedom equal to the number of observation minus 1.

exceeds a critical value, then bias is likely with probability of the confidence level. As shown in Attachment A, AT&T has calculated t-statistics that exceed these critical values for several LECs. This indicates that these LECs have a systematic upward bias in their projection process.

The t-tests provide a formal statistical confirmation of the visual view that some LECs consistently develop projected returns that exceed the authorized level Further the t-test strengthens the evidence resulting from the simple test on the direction (over or under) of the projected rates of return.

Demonstration of Projection Bias
Rate of Return Companies
Traffic Sensitive Switched Access

	Test 1			Test 2				
A Company	B # of Observations	C # of Observations < 11.25%	D Probability of (# Observed in Column C) or Less < 0	E Average Rate of Return	F Standard Deviation of the Average Rate of Return	G Calculated t-statistic	H Critical t-statistic at 95% Confidence Level	I Significant Outlier
CenturyTel of Midwest-Michigan/Michigan	6	0	1.56%	31.23%	0.011337	17.624492	2.015	Yes
CenturyTel of Ohio	7	0	0.78%	20.38%	0.021652	4.217330	1.943	Yes
CenturyTel of Wisconsin	8	1	3.52%	25.99%	0.043063	3.421740	1.895	Yes
Gulf Telephone	4	0	6.25%	17.42%	0.024990	2.467953	2.353	Yes
ACS of Anchorage	6	0	1.56%	32.33%	0.055542	3.795637	2.015	Yes
Fort Mill	6	1	10.94%	32.05%	0.063827	3.258792	2.015	Yes

NOTE: Column D is the probability that the number of actual observations less than 0, or less than that number are all less than 0.
For example, for Century Tel of Wisconsin, the number of observations less than 0 is 1. The probability that 1 or less observations are less than 0, for an unbiased process, is given by the equation:

$$\Pr(1 \text{ or less observations} < 0) = \sum_{i=0}^{1} \binom{8}{i} (0.5)^8 = (½)^8 \{ 1 + 8) = 9 / 256 = 0.0352.$$

Column E is the simple average of a LEC's rate of return. The average is derived by simply summing the Switched Access return identified for each observation and dividing by the number of observations.

Demonstration of Projection Bias
Rate of Return Companies
Special Access

	Test 1			Test 2				
A Company	B # of Observations	C # of Obs. < 11.25%	D Probability of (C) or less Obs < 0	E Average Rate of Return	F Standard Deviation of the Average Rate of Return	G Calculated t-statistic	H Critical t-statistic at 95% Confidence Level	I Significant Outlier
CenturyTel of Midwest-Michigan/Michigan	6	0	1.56%	32.23%	0.024368	8.611075	2.015	Yes
CenturyTel of Ohio	7	1	6.25%	28.11%	0.080963	2.082255	1.943	Yes
CenturyTel of Wisconsin	8	0	0.39%	19.41%	0.026689	3.056049	1.895	Yes
ACS of Anchorage	6	1	10.94%	15.59%	0.016445	2.641076	2.015	Yes
SureWest	8	2	14.45%	14.46%	0.011419	2.814277	1.895	Yes
Fort Mill	6	1	10.94%	27.91%	0.062246	2.676496	2.015	Yes

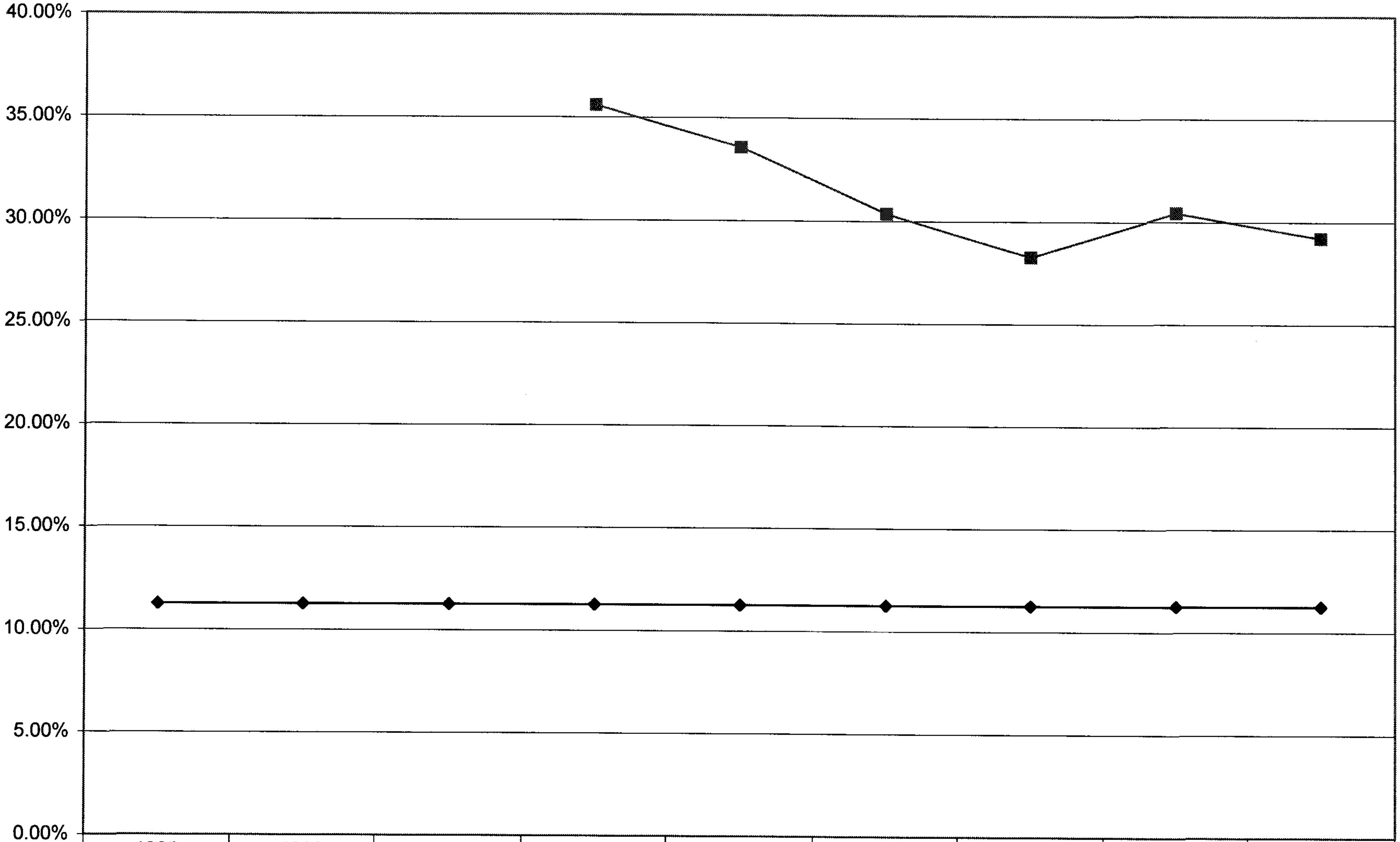
NOTE: Column D is the probability that the number of actual observations less than 0, or less than that number are all less than 0.
For example, for SureWest-Roseville, the number of observations less than 0 is 2. The probability that 2 or less observations are less than 0, for an unbiased process, is given by the equation:

$$\Pr(2 \text{ or less observations} < 0) = \sum_{i=0}^{2} \binom{8}{i} (0.5)^8 = (½)^8 \{ 1 + 8 + 28) = 37 / 256 = 0.1445.$$

Column E is the simple average of a LEC's rate of return. The average is derived by simply summing the Special Access return identified for each observation and dividing by the number of observations.

CenturyTel of Midwest-Michigan/Michigan Rate-of-Return

(FCC form 492 data)

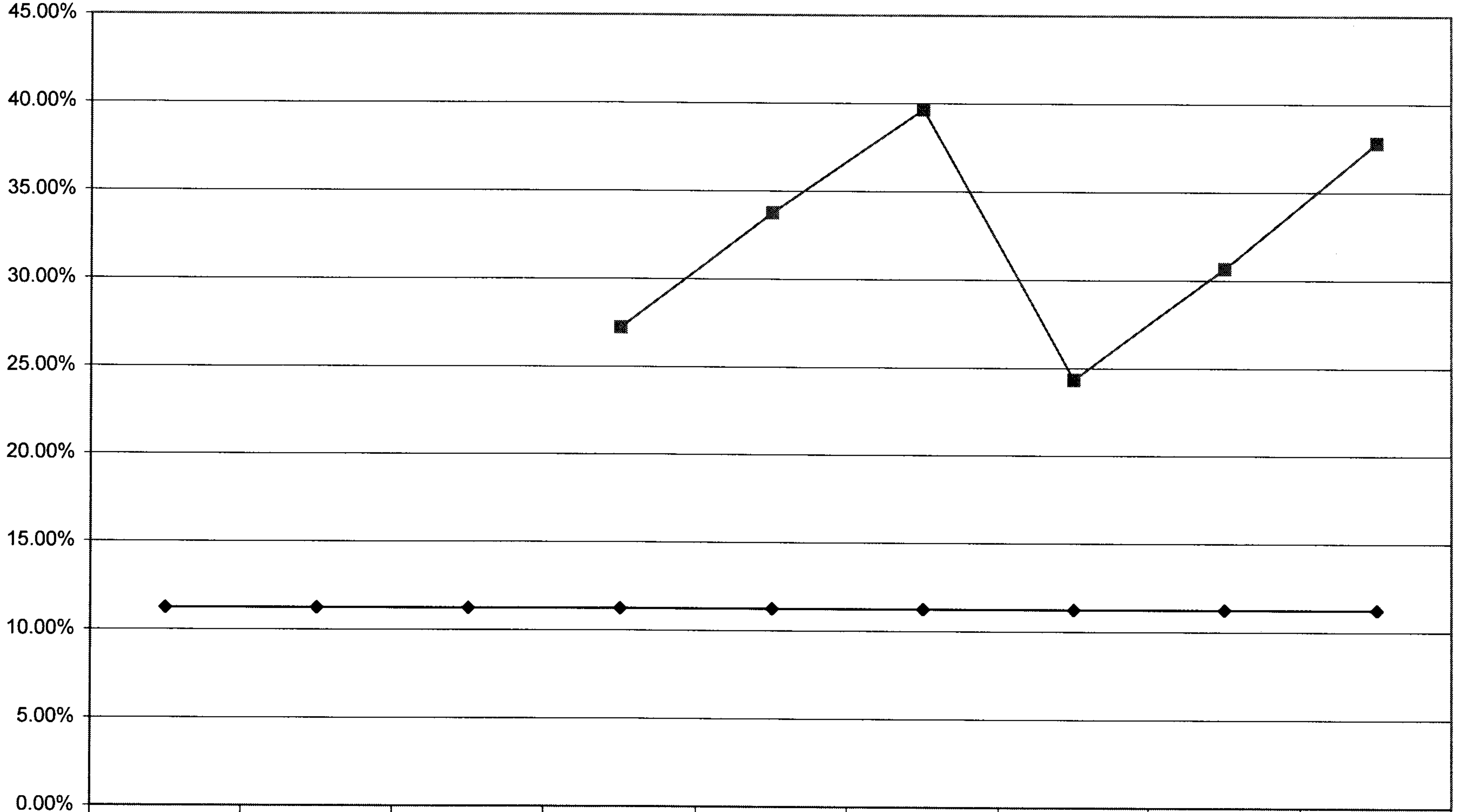


	1995	1996		1997-1998*	1999	2000	2001	2002	2003*
Traffic Sensitive				35.58%	33.55%	30.35%	28.27%	30.43%	29.21%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** 1997-1998 from Cumulative Rate of Return on 1998 Form 492.**

CenturyTel of Midwest-Michigan/Michigan Rate-of-Return

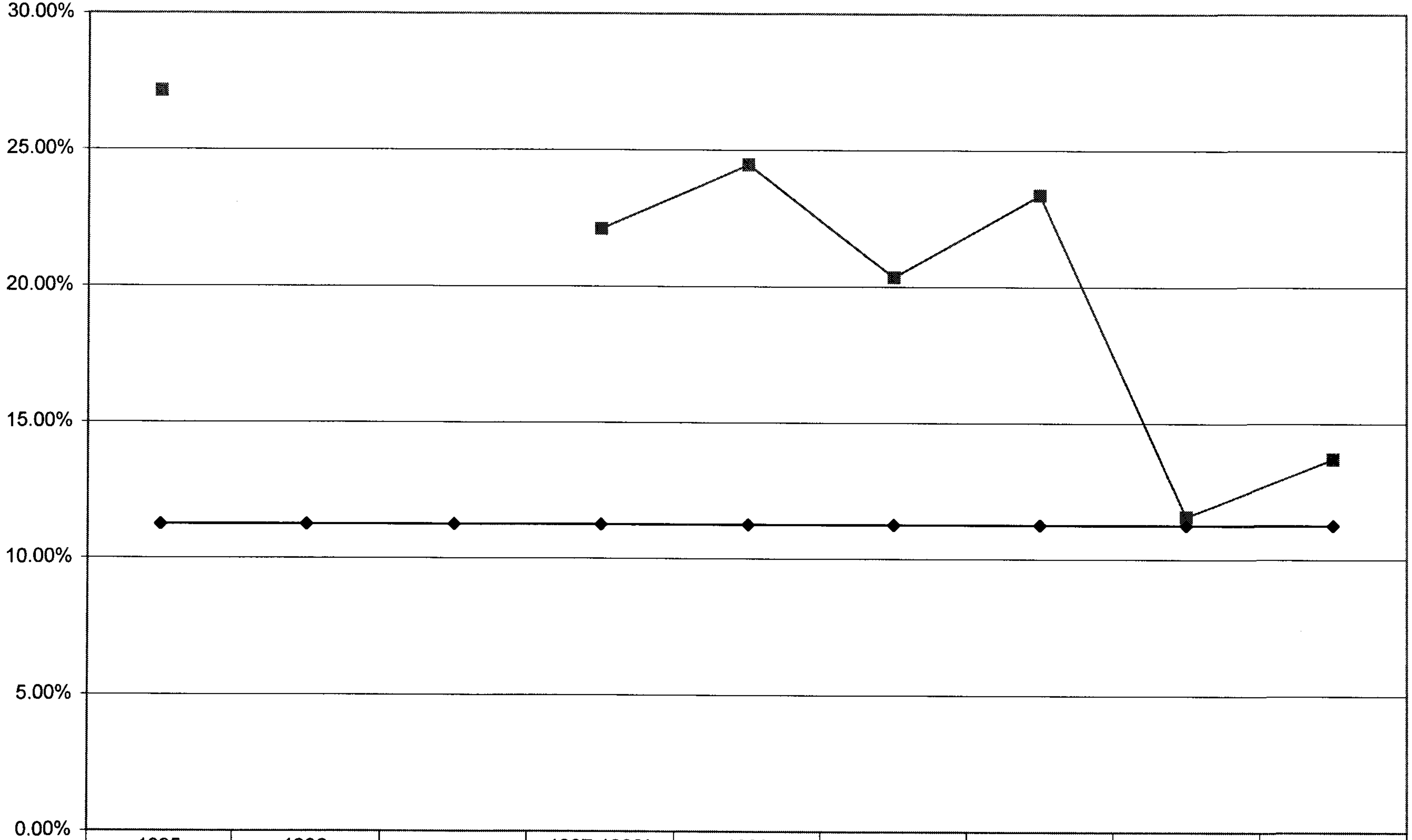
(FCC form 492 data)



	1995	1996		1997-1998*	1999	2000	2001	2002	2003*
Special Access				27.22%	33.76%	39.64%	24.33%	30.66%	37.79%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** 1997-1998 from Cumulative Rate of Return on 1998 Form 492.**

CenturyTel of Ohio Rate-of-Return
(FCC form 492 data)

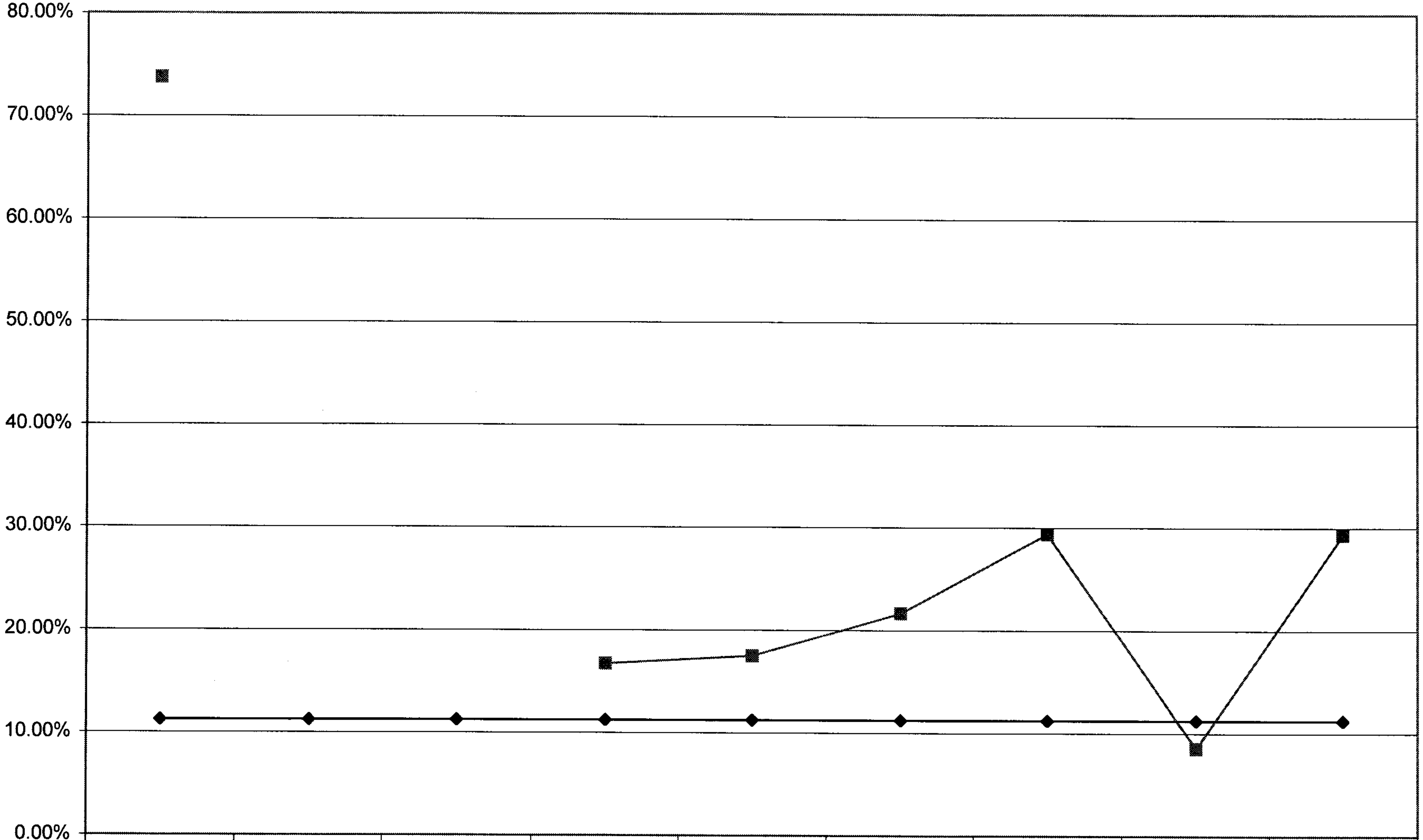


	1995	1996		1997-1998*	1999	2000	2001	2002	2003*
Traffic Sensitive	27.15%			22.11%	24.46%	20.34%	23.36%	11.56%	13.69%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** 1997-1998 from Cumulative Rate of Return on 1998 Form 492.**

CenturyTel of Ohio Rate-of-Return

(FCC form 492 data)

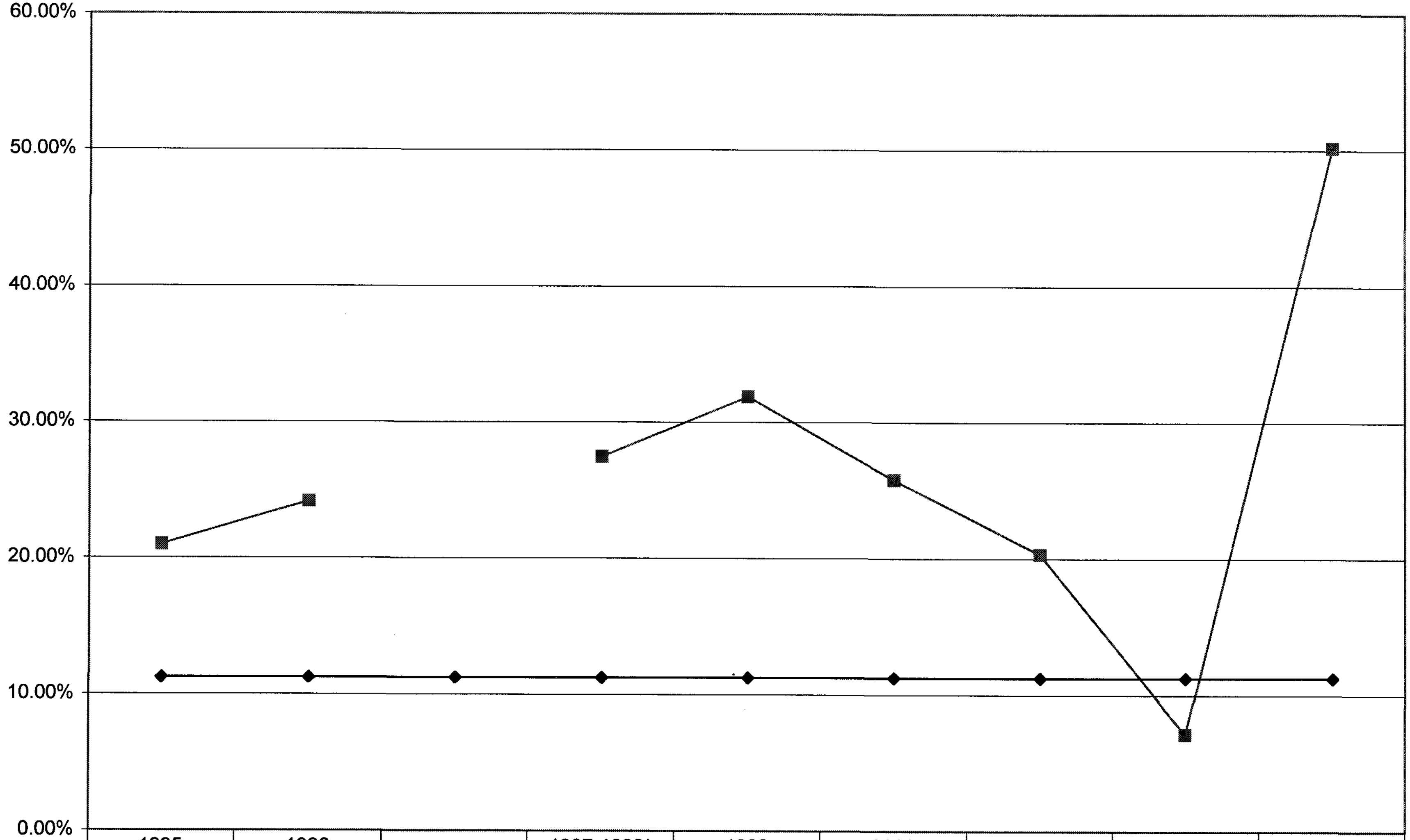


	1995	1996		1997-1998*	1999	2000	2001	2002	2003*
Special Access	73.74%			16.70%	17.48%	21.64%	29.36%	8.54%	29.30%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** 1997-1998 from Cumulative Rate of Return on 1998 Form 492.**

CenturyTel of Wisconsin Rate-of-Return

(FCC form 492 data)



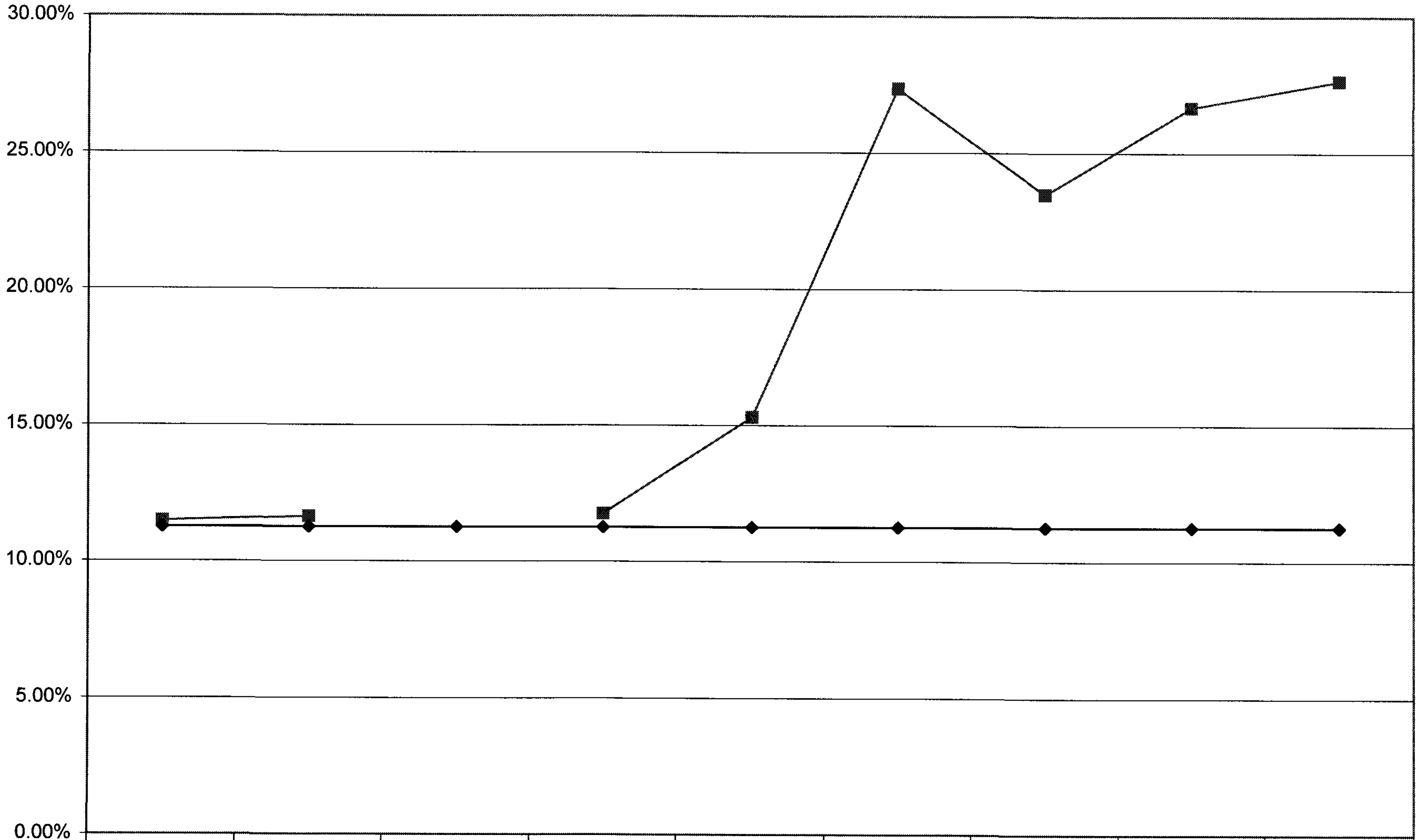
	1995	1996		1997-1998*	1999	2000	2001	2002	2003*
Traffic Sensitive	20.99%	24.16%		27.46%	31.87%	25.77%	20.30%	7.14%	50.19%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** 1997-1998 from Cumulative Rate of Return n 1998 Form 492.**

Exhibit B-9

CenturyTel of Wisconsin Rate-of-Return

(FCC form 492 data)



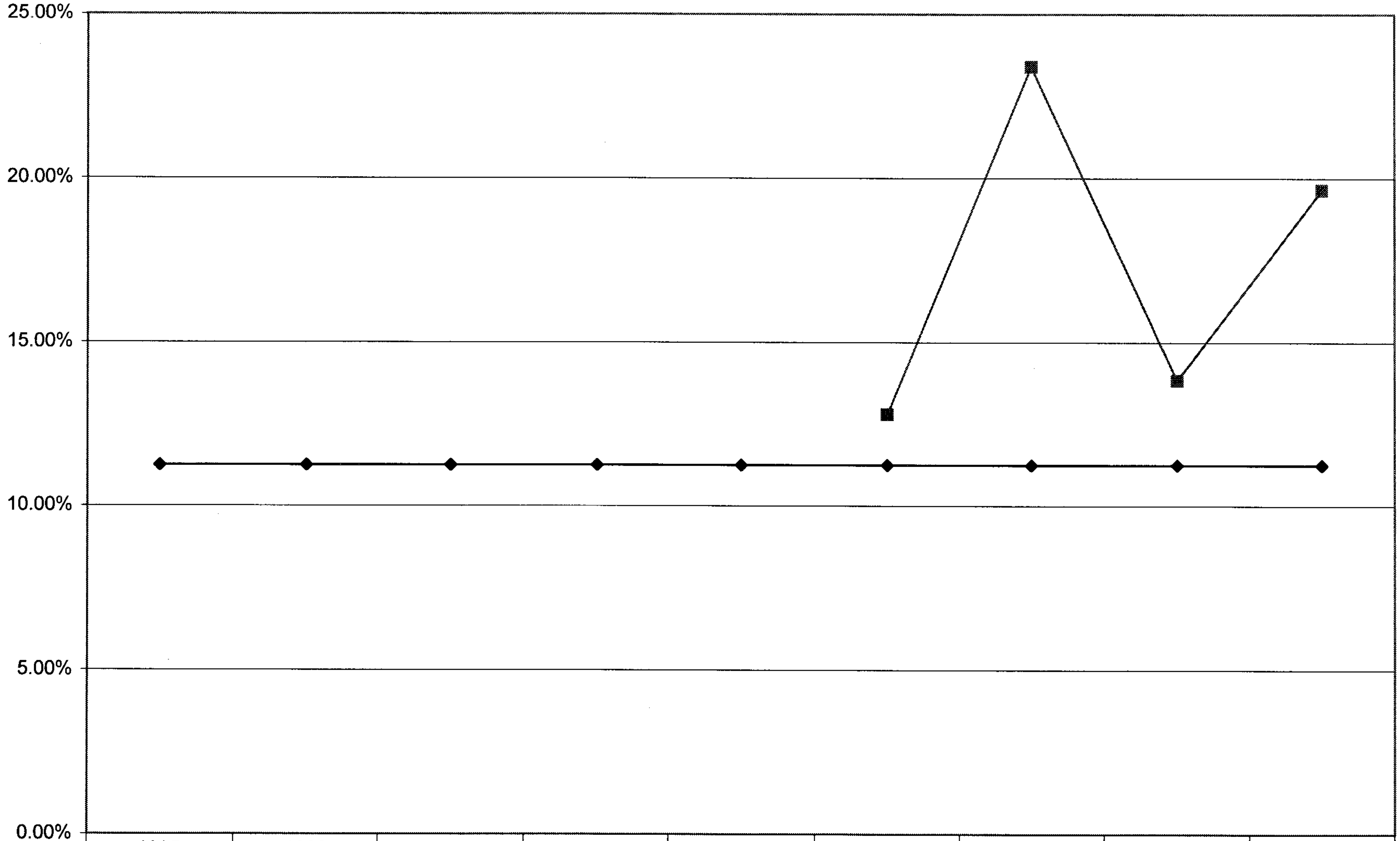
	1995	1996		1997-1998*	1999	2000	2001	2002	2003*
Special Access	11.47%	11.63%		11.75%	15.29%	27.34%	23.47%	26.66%	27.64%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** 1997-1998 from Cumulative Rate of Return on 1998 Form 492.**

Exhibit B-10

Gulf Telephone Rate-of-Return

(FCC form 492 data)



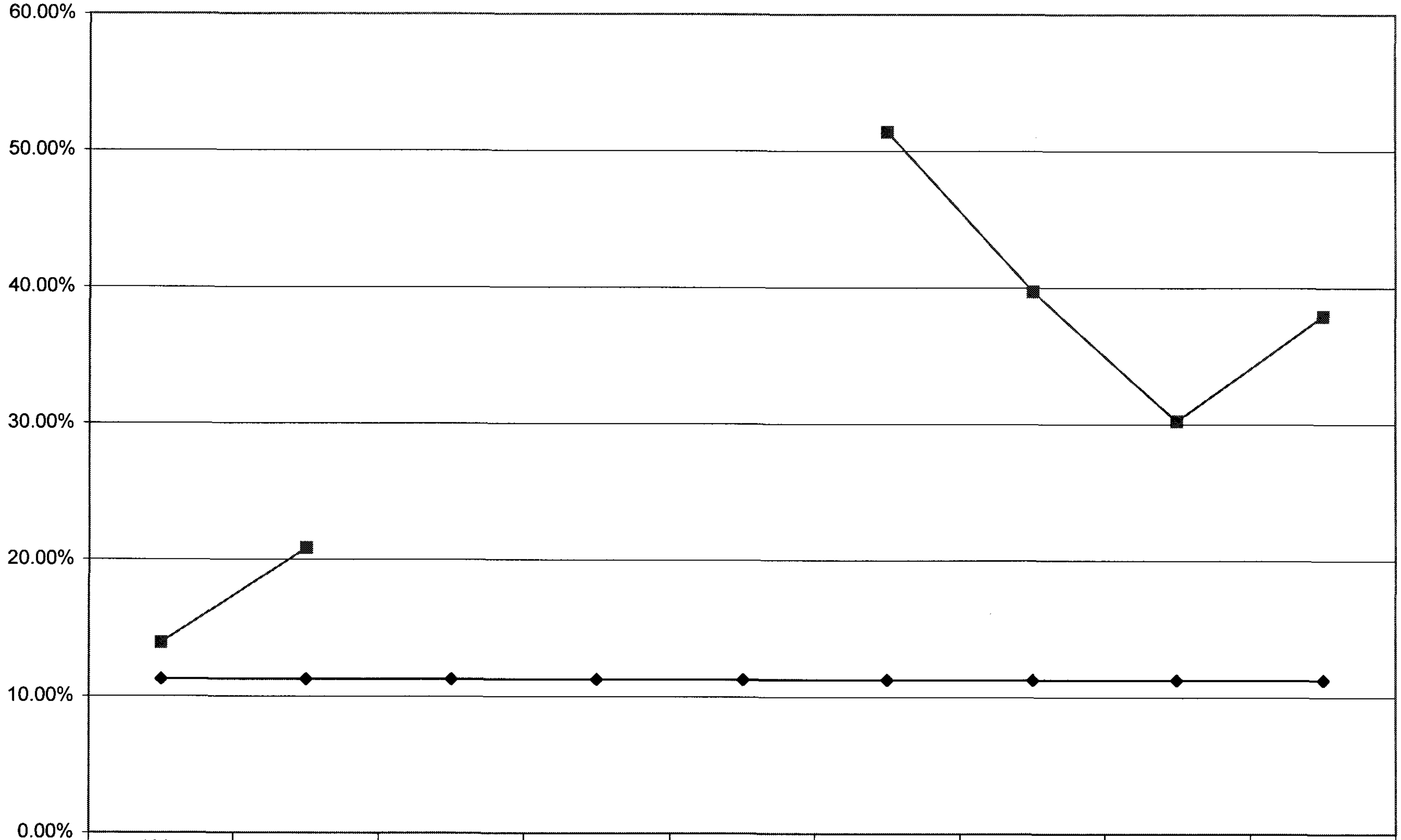
	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Traffic Sensitive						12.79%	23.40%	13.84%	19.64%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** Preliminary 492 Form**

**** Final 492 Form**

ACS of Anchorage Rate-of-Return

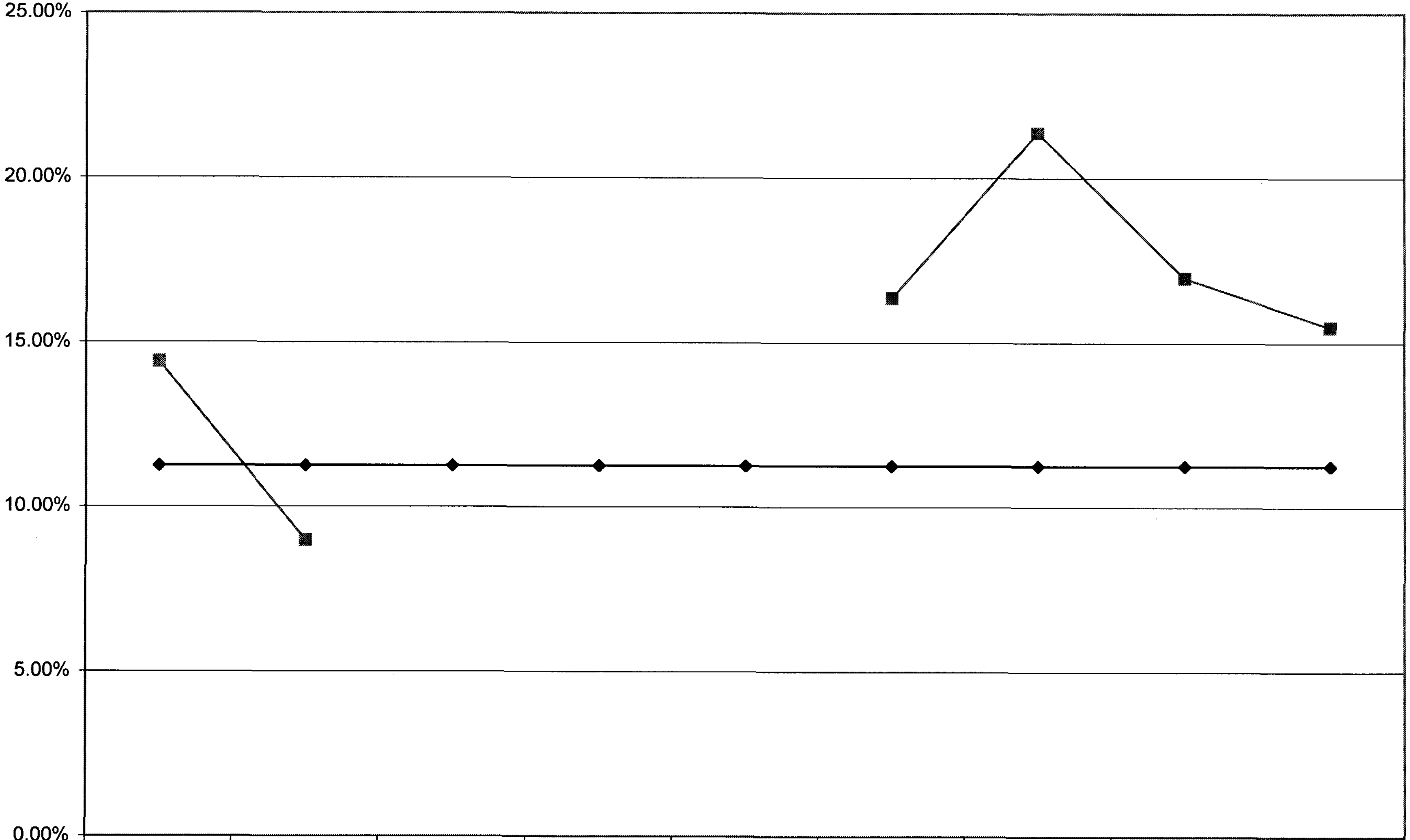
(FCC form 492 data)



	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Traffic Sensitive	13.90%	20.83%				51.39%	39.72%	30.23%	37.92%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** Preliminary 492 Form**
**** Final 492 Form**

ACS of Anchorage Rate-of-Return
(FCC form 492 data)

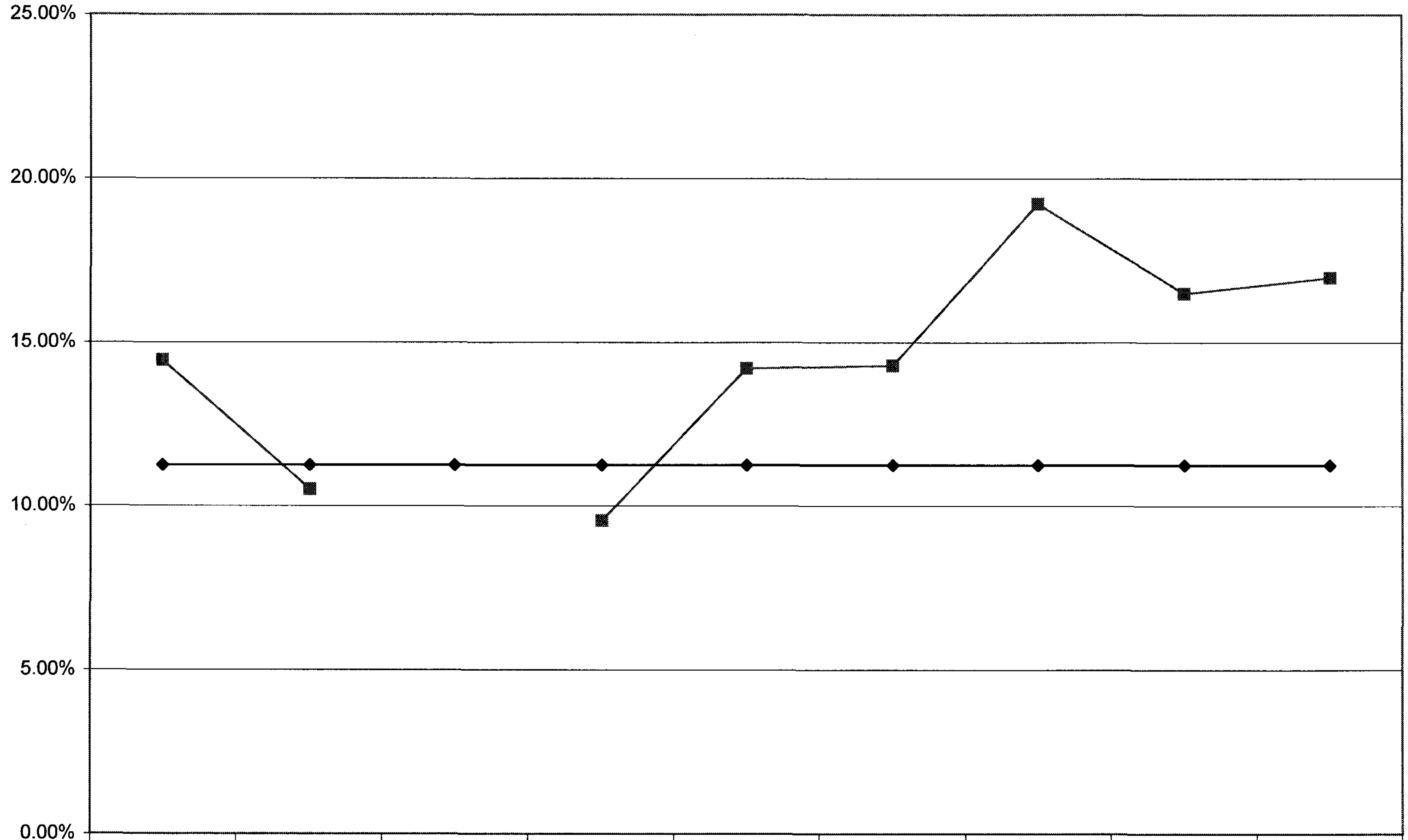


	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Special Access	14.41%	8.97%				16.36%	21.37%	16.97%	15.48%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** Preliminary 492 Form**
**** Final 492 Form**

SureWest Rate-of-Return

(FCC form 492 data)



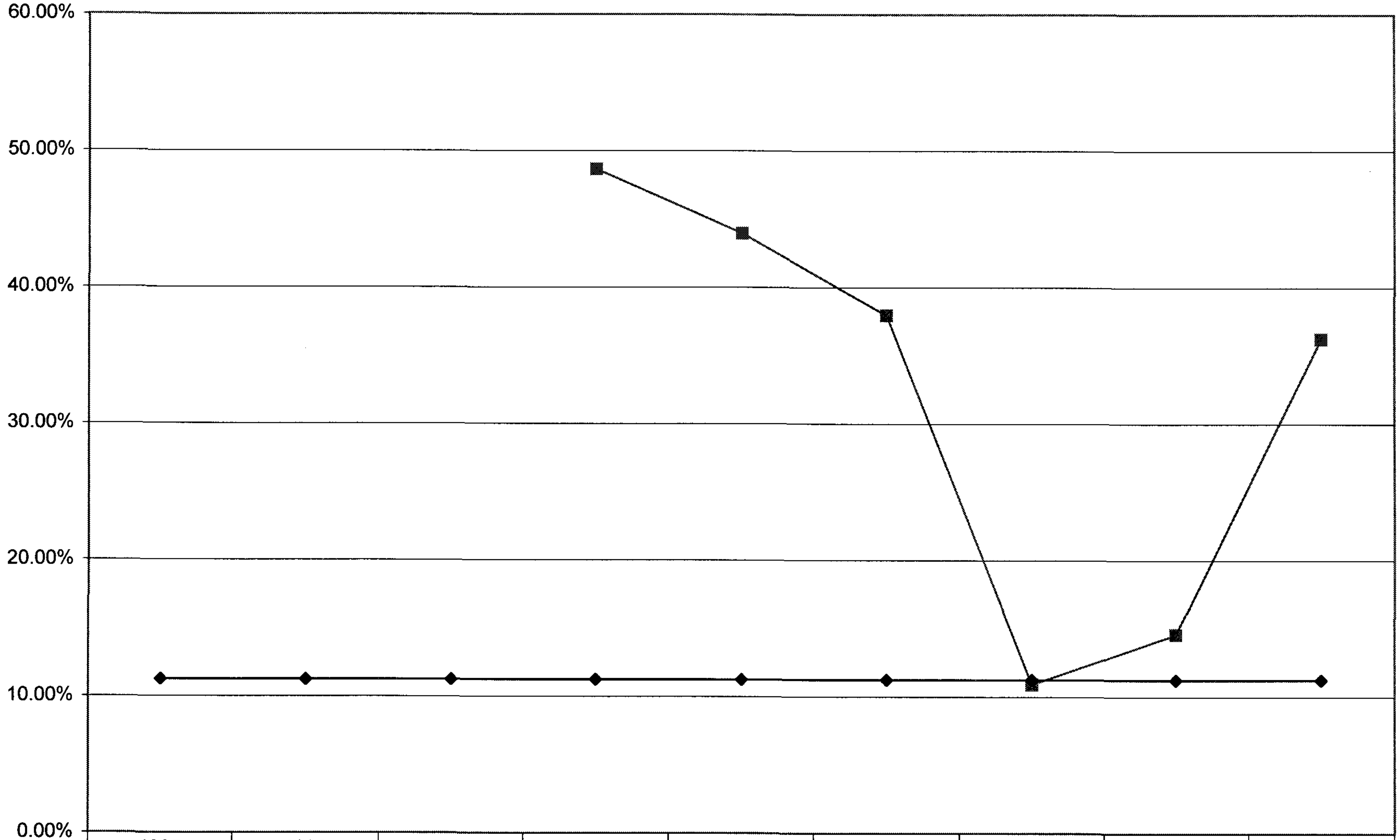
	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Special Access	14.45%	10.51%		9.55%	14.21%	14.29%	19.23%	16.49%	16.98%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** Preliminary 492 Form**

**** Final 492 Form**

Fort Mill Rate-of-Return

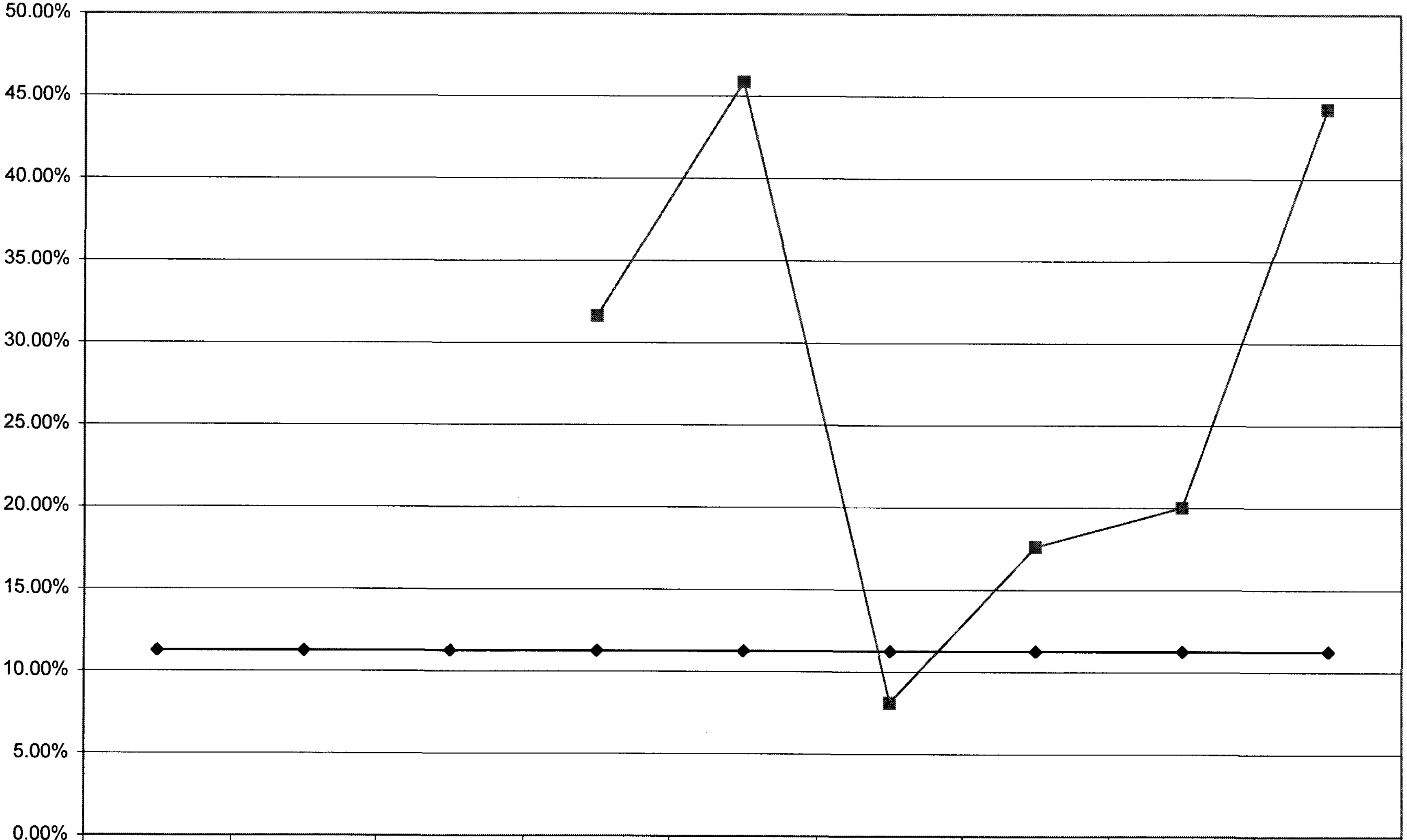
(FCC form 492 data)



	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Traffic Sensitive				48.64%	43.96%	37.96%	10.91%	14.57%	36.26%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** Preliminary 492 Form**
**** Final 492 Form**

Fort Mill Rate-of-Return
(FCC form 492 data)



	1995	1996	1997	1998	1999	2000	2001	2002	2003*
Special Access				31.62%	45.86%	8.14%	17.60%	20.00%	44.24%
Target	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%	11.25%

*** Preliminary 492 Form**
**** Final 492 Form**

Exhibit C

Exhibit C

2003 Period Rate-of-Return Over Earnings

(Dollar Amounts in Thousands)

March 2004 FCC Form 492 Data Results

A	B	C	D	E	F = C + E	G	H
Company Name/Group or Consultant	Special Access Rate-of-Return %	Special Access Over Earning $s with 35% Federal Income Tax Gross-up	Traffic Sensitive Rate-of-Return %	Traffic Sensitive Over Earning $s with 35% Federal Income Tax Gross-up	Sub-Total of Overearnings in Specials and Traffic Sensitive Baskets	March Total Rate-of-Return % (including Common Line)	March Total Over Earning $s (including Common Line) with 35% Federal Income Tax Gross-up
Telephone Utilities Exchange Carrier Association (TUE	53.69%	$14,331	20.27%	$7,378	$21,709	17.91%	$21,709
CenturyTel of Midwest Michigan\Michigan	37.79%	$713	29.21%	$1,170	$1,883	16.48%	$1,883
CenturyTel of Ohio *	29.30%	$1,700	13.69%	$167	$1,867	17.10%	$1,895
CenturyTel of Wisconsin	27.64%	$1,523	50.19%	$957	$2,480	24.26%	$2,480
Gallatin River	25.67%	$1,243	8.58%	$0	$1,243	14.50%	$1,243
Gulf Telephone	31.84%	$1,218	19.64%	$539	$1,757	17.37%	$1,756
Illinois Consolidated**	10.23%	$0	20.93%	$478	$478	10.84%	$478
ACS of Anchorage**	15.48%	$620	37.92%	$2,969	$3,589	19.12%	$4,217
SureWest Telephone	16.98%	$1,742	23.42%	$1,155	$2,897	15.59%	$3,207
Fortmill	44.24%	$418	36.26%	$129	$547	18.55%	$627
Lancaster	5.74%	$0	27.55%	$276	$276	14.14%	$335
Rock Hill	23.23%	$559	14.14%	$113	$672	14.88%	$858
TOTAL					$39,398		$40,688

* Carrier has their own Common Line Rate

** Data derived from carriers TRP, ERN-1 2003, & COS-1(H) 2003

Exhibit D

Exhibit D

Comparison of Corporate Operations Expense

Companies with more than 100,000 Access Lines

Ln	SAR ID	ST	SAR ABBR	a Cat 1.3 Lps	b Tot Company Corp Op Exp	c=b/a Tot Comp Corp Ops per Loop	d As Filed 2004/2005 Tot Company Corp Op Exp	e=d/a 2004/2005 Tot Comp Corp Ops per Loop	f=(L1d-L15c)/L15c Percent Difference fm Average
1	**633201**	**PR**	**PUERTO RICO TEL CO**	**1,110,145**	**108,279,321**	**97.54**	**156,034,558**	**$140.55**	**108.79%**
100K to 350,000 Access Lines:									
1	442109	TX	TXU COMMUNICATIONS	124,135	$19,996,982	$161.09	$22,789,419	$183.59	172.71%
2	**542334**	**CA**	**ROSEVILLE TEL CO**	**134,361**	**$17,233,716**	**$128.26**	**$21,508,833**	**$160.08**	**137.80%**
3	**633200**	**PR**	**P R T C - CENTRAL**	**179,520**	**$17,787,737**	**$99.08**	**$26,619,002**	**$148.28**	**120.26%**
4	230474	NC	CONCORD TEL CO	119,273	$8,790,880	$73.70	$12,105,378	$101.49	
5	613000	AK	ACS OF ANCHORAGE	170,100	$12,368,922	$72.72	$12,169,717	$71.54	
6	522408	WA	CENTURYTEL-WASHINGTO	183,869	$10,906,447	$59.32	$11,128,990	$60.53	
7	421151	MO	SPECTRA COMM. GROUP	130,658	$7,492,115	$57.34		NECA Participant	
8	223037	GA	ALLTEL GEORGIA COMM.	341,914	$19,215,056	$56.20	$19,744,928	$57.75	
9	401691	AR	ALLTEL ARKANSAS INC	109,505	$5,935,819	$54.21	$5,355,710	$48.91	
10	401142	AR	CENTURYTEL NW-AR-RUS	113,820	$5,858,374	$51.47		NECA Participant	
11	300666	OH	WESTERN RESERVE TEL	189,781	$9,555,582	$50.35	$8,819,080	$46.47	
12	300665	OH	ALLTEL OHIO INC.	137,487	$6,592,964	$47.95		NECA Participant	
13	170176	PA	ALLTEL PENNSYLVANIA	241,455	$11,279,365	$46.71	$11,972,605	$49.59	
14	230476	NC	ALLTEL CAROLINA-NO	235,711	$9,330,935	$39.59	$9,449,585	$40.09	
15			**Average Corp Ops Exp/Loop**	**2,411,589**	**$162,344,894**	**$67.32**			

Source: 2003 NECA USF Submission released October 1, 2003 for 2002 Data

Exhibit E

Exhibit E-1

CenturyTel of MW-Michigan/CenturyTel of Michigan
Local Switching Demand Actuals vs Forecast

				a	b		c=(L1a+L2a)/2, etc.	d		e=d-c	f=e/c
Ln	Transmittal No.	Date Filed	Year	Calendar Actuals (000)	Yr/Yr Growth	Tariff Period	Tariff Period Actuals	Tariff Period Forecast		Forecast vs Actuals Difference	Percent Difference
1	T-9	6/16/00	1999	159,490,786							
2			2000	166,435,409	4.35%	2000/2001	169,107,096	175,627,745		6,520,649	3.86%
3	T-175	6/17/02	2001	171,778,783	3.21%	2001/2002	190,282,282	181,727,447	*	(8,554,835)	-4.50%
4			2002	208,785,780	21.54%	2002/2003	214,651,868	187,827,149		(26,824,719)	-12.50%
5	T-37	06/24/04	2003	220,517,956	5.62%	2003/2004	231,105,549	204,305,141	*	(26,800,408)	-11.60%
6			2004T>	241,693,142	9.60%	2004/2005	251,655,873	220,783,133		(30,872,740)	-12.27%
7			2005T>	261,618,605	8.24%						

* Ave of 98/99 & 01/02 tariff period forecasts for 99/00; Ave of 00/01 and 02/03 for 01/02; Ave of 02/03 & 04/05 for 03/04

Source: DMD-1, Page 3 of 3, Total Chargeable Switching MOUs

Exhibit E-2

Gallatin River Communications
Local Switching Demand Actuals vs Forecast

				a	b		c=(L1a+L2a)/2, etc.	d		e=d-c	f=e/c
Ln	Transmittal No.	Date Filed	Year	Calendar Actuals	Yr/Yr Growth	Tariff Period	Tariff Period Actuals	Tariff Period Forecast		Forecast vs Actuals Difference	Percent Difference
1	T-1	6/16/00									
2			2000	192,570,590		2000/2001	192,356,106	187,563,623		(4,792,483)	-2.49%
3	T-7	6/17/02	2001	192,141,621	-0.22%	2001/2002	197,921,634	189,852,622	*	(8,069,012)	-4.08%
4			2002	203,701,646	6.02%	2002/2003	188,359,739	192,141,621		3,781,882	2.01%
5	T-18	6/16/04	2003	173,017,832	-15.06%	2003/2004	175,800,596	169,548,789	*	(6,251,808)	-3.56%
6			2004T>	178,583,360	3.22%	2004/2005	176,228,448	146,955,956		(29,272,492)	-16.61%
7			2005T>	173,873,535	-2.64%						

* Average of 2000/2001 and 2002/2003 tariff period forecasts for 2001/2002 and average of 2002/2003 and 2004/2005 for 2003/2004
> Forecast based on 2000 to 2003 actuals

Source: DMD-1, Page 3 of 3, Total Chargeable Switching MOUs

Exhibit E-3

SureWest Telephone (f/k/a Roseville Telephone)
Local Switching Demand Actuals vs Forecast

Ln	Transmittal No.	Date Filed	Year	a Calendar Actuals (000)	b Yr/Yr Growth	Tariff Period	c=(L1a+L2a)/2, etc. Tariff Period Actuals	d Tariff Period Forecast	e=d-c Forecast vs Actuals Difference	f=e/c Percent Difference
1	T-71	6/16/00								
2	T-81	6/18/01	2000	328,697		2000/2001	336,579	303,777	(32,802)	-9.75%
3	T-92	6/17/02	2001	344,460	4.80%	2001/2002	342,659	375,355	32,697	9.54%
4	T-100	6/16/03	2002	340,857	-1.05%	2002/2003	338,096	331,293	(6,803)	-2.01%
5	T-9	6/24/04	2003	335,335	-1.62%	2003/2004	338,375	322,497	(15,878)	-4.69%
6			2004T>	341,415	1.81%	2004/2005	342,231	285,730	(56,501)	-16.51%
7			2005T>	343,046	0.48%					

Source: DMD-1, Page 3 of 3, Total Chargeable Switching MOUs

Exhibit E-4

Iowa Network Services, Inc.
Switched Transport Demand Actuals vs Forecast

				a	b		c=(L1a+L2a)/2, etc.	d		e=d-c	f=e/c
Ln	Transmittal No.	Date Filed	Year	Calendar Actuals	Yr/Yr Growth	Tariff Period	Tariff Period Actuals	Tariff Period Forecast		Forecast vs Actuals Difference	Percent Difference
1	T-18	6/16/00									
2			2000	647,280,301		2000/2001	703,574,772	667,878,634		(35,696,138)	-5.07%
3	Letter^	6/16/02	2001	759,869,242	17.39%	2001/2002	765,387,936	714,280,408	*	(51,107,529)	-6.68%
4			2002	770,906,630	1.45%	2002/2003	801,097,024	760,682,181		(40,414,843)	-5.04%
5	T-22	6/24/04	2003	831,287,417	7.83%	2003/2004	862,193,999	856,381,984	#	(5,812,015)	-0.67%
6			2004T>	893,100,582	7.44%	2004/2005	921,253,518	876,231,538		(45,021,980)	-4.89%
7			2005T>	949,406,455	6.30%						

^Proposed no changes to existing tariff, filed DMD-1 TRP projected increases
* Average of 2000/2001 and 2002/2003 tariff period forecasts for 2001/2002
# DMD-4 TRP, Transmittal No. 22, filed June 24, 2004
> Forecast based on 2000 to 2003 actuals

Source: DMD-1, Page 3 of 3, Total Chargeable Switching MOUs

Exhibit F

2004 AT&T CALCULATION OF REVENUE REQUIREMENT OVERSTATEMENT DUE TO OVERSTATEMENT OF CASH WORKING CAPITAL (CWC) REQUIREMENTS

A	B	C	D	E	F	G	H	I	J
COMPANY	TOTAL INTERSTATE EXPENSES(1)	DEPRECIATION & AMORTIZATION (2)	DAILY EXPENSES (3) (B - C) / 365	FILED CWC (4)	COMPUTED LAG DAYS (5) E / D	AT&T CALCULATED CWC @ 15 DAYS (6) D x 15	EXCESS CWC E - G	EFFECT ON INTERSTATE INCOME (7) H x .1125	EFFECT ON INTERSTATE REV. REQ. (8) I x 1.538462 (9)
SureWest Telephone	$27,612,030	$10,085,932	$48,017	$2,198,127	46	$720,251	$1,477,876	$166,261	$255,786
Fort Mill Telephone Co. (JSI)	$5,365,777	$1,011,725	$11,929	$276,630	23	$178,934	$97,696	$10,991	$16,909
ACS of Anchorage, Inc.	$21,264,540	$9,120,182	$33,272	$723,435	22	$499,083	$224,352	$25,240	$38,830
CenturyTel Midwest-Michigan, Inc.	$17,312,136	$6,846,775	$28,672	$641,235	22	$430,083	$211,152	$23,755	$36,545
Lancaster Telephone Co. (JSI)	$6,151,355	$1,490,406	$12,770	$271,597	21	$191,546	$80,051	$9,006	$13,855
Gulf Telephone Co. (Madison River)	$11,044,930	$3,776,846	$19,913	$423,136	21	$298,688	$124,448	$14,000	$21,539
Rock Hill Telephone Co. (JSI)	$11,811,351	$3,323,838	$23,253	$460,481	20	$348,802	$111,679	$12,564	$19,329
Telephone Utilities Exchange Carrier Assoc. (TUECA)									
CenturyTel of Cowiche, Inc.	$321,141	$69,544	$689	$12,583	18	$10,340	$2,243	$252	$388
CenturyTel of Minnesota, Inc	$6,469,683	$2,694,919	$10,342	$309,144	30	$155,127	$154,017	$17,327	$26,657
CenturyTel of Midwest-Kendall, LLC	$10,606,380	$4,902,671	$15,627	$420,229	27	$234,399	$185,830	$20,906	$32,163
CenturyTel of Midwest-Wisconsin, LLC (Casco)	$201,560	$78,919	$336	$6,843	20	$5,040	$1,803	$203	$312
CenturyTel of Eagle, Inc.	$16,214,881	$6,414,385	$26,851	$734,327	27	$402,760	$331,567	$37,301	$57,387
CenturyTel of Montana, Inc	$8,017,657	$3,187,533	$13,233	$411,519	31	$198,498	$213,021	$23,965	$36,869
CenturyTel of Midwest-Wisconsin, LLC (NW Tel)	$10,521,416	$4,210,136	$17,291	$345,295	20	$259,368	$85,927	$9,667	$14,872
CenturyTel of Midwest-Wisconsin, LLC (Platteville)	$1,696,591	$735,289	$2,634	$81,845	31	$39,506	$42,339	$4,763	$7,328
CenturyTel of Midwest-Wisconsin, LLC (Thorp)	$328,499	$78,640	$685	$15,351	22	$10,268	$5,083	$572	$880
CenturyTel of Midwest-Wisconsin, LLC (Cencom)	$4,673,246	$2,047,239	$7,195	$197,280	27	$107,918	$89,362	$10,053	$15,466
CenturyTel of Washington, Inc	$22,823,651	$9,265,508	$37,146	$1,103,116	30	$557,184	$545,932	$61,417	$94,488
						Total =	$3,984,378		$689,604

NOTES:
(1) See Col. B - TRP, COS(P), Column E, Line 300, Total Interstate
(2) See Col. C - TRP, COS(P), Column E, Line 190, Total Interstate
(3) Daily Expenses = (Total Interstate Expenses - Depreciation and Amortization) / 365 Days
(4) See Cost Support, Part 69 (Prospective), Cash Working Capital, Total Interstate
(5) Company Filed CWC / Daily Expenses = LEC's Proposed Lead/Lag
(6) Standard Cash Working Capital Allowance = *Daily Expenses* * 15 Days
(7) Effect on Interstate Income = Excess CWC * LEC's Return at 11.25% rate of return
(8) Effect on Interstate Revenue Requirement = LEC's Return * Gross Up Factor for Federal Income Taxes (35%)
(9) Gross Up Factor = 1 + (0.35 / (1 - 0.35))

SOURCES:
Col. B - TRP, COS(P), Col E, Line 300, Total Interstate
Col. C - TRP, COS(P), Col E, Line 190, Total Interstate
Col. E - Cost Support, Part 69 (Prospective), Cash Working Capital, Total Interstate

Exhibit F-2

2004 AT&T CALCULATION OF RATE OF RETURN REVENUE REQUIREMENT OVERSTATEMENT DUE TO OVERSTATEMENT OF CASH WORKING CAPITAL (CWC) REQUIREMENTS

	A	B	C	D	E	F
	COMPANY	TOTAL INTERSTATE EXPENSES(1)	DEPRECIATION & AMORTIZATION (2)	DAILY EXPENSES (3) (B - C) / 365	COMPANY FILED CWC (4)	COMP LAG DAYS (5) E / D
1	SureWest Telephone	$27,612,030	$10,085,932	$48,017	$2,198,127	46
2	Fort Mill Telephone Co. (JSI)	$5,365,777	$1,011,725	$11,929	$276,630	23
3	ACS of Anchorage, Inc.	$21,264,540	$9,120,182	$33,272	$723,435	22
4	CenturyTel Midwest-Michigan, Inc.	$17,312,136	$6,846,775	$28,672	$641,235	22
5	Lancaster Telephone Co. (JSI)	$6,151,355	$1,490,406	$12,770	$271,597	21
6	Gulf Telephone Co. (Madison River)	$11,044,930	$3,776,846	$19,913	$423,136	21
7	Rock Hill Telephone Co. (JSI)	$11,811,351	$3,323,838	$23,253	$460,481	20
	Telephone Utilities Exchange Carrier Assoc. (TUECA)					
8	CenturyTel of Cowiche, Inc.	$321,141	$69,544	$689	$12,583	18
9	CenturyTel of Minnesota, Inc	$6,469,683	$2,694,919	$10,342	$309,144	30
10	CenturyTel of Midwest-Kendall, LLC	$10,606,380	$4,902,671	$15,627	$420,229	27
11	CenturyTel of Midwest-Wisconsin, LLC (Casco)	$201,560	$78,919	$336	$6,843	20
12	CenturyTel of Eagle, Inc.	$16,214,881	$6,414,385	$26,851	$734,327	27
13	CenturyTel of Montana, Inc	$8,017,657	$3,187,533	$13,233	$411,519	31
14	CenturyTel of Midwest-Wisconsin, LLC (NW Tel)	$10,521,416	$4,210,136	$17,291	$345,295	20
15	CenturyTel of Midwest-Wisconsin, LLC (Platteville)	$1,696,591	$735,289	$2,634	$81,845	31
16	CenturyTel of Midwest-Wisconsin, LLC (Thorp)	$328,499	$78,640	$685	$15,351	22
17	CenturyTel of Midwest-Wisconsin, LLC (Cencom)	$4,673,246	$2,047,239	$7,195	$197,280	27
18	CenturyTel of Washington, Inc	$22,823,651	$9,265,508	$37,146	$1,103,116	30
19	ALLTEL ALABAMA, INC. (Alltel)	$4,552,582	$1,497,011	$8,371	$134,088	16
20	ALLTEL ARKANSAS, INC. (Alltel)	$18,473,877	$6,121,346	$33,843	$517,329	15
21	ALLTEL CAROLINA, INC. (Alltel)	$32,232,443	$10,345,683	$59,964	$949,801	16
22	ALLTEL FLORIDA, INC. (Alltel)	$12,591,358	$4,356,372	$22,562	$342,974	15
23	ALLTEL GEORGIA PROPERTIES (Alltel)	$79,844,669	$26,137,803	$147,142	$2,304,073	16
24	ALLTEL KENTUCKY, INC. (Alltel)	$4,259,921	$904,264	$9,194	$143,610	16
25	ALLTEL MISSISSIPPI, INC. (Alltel)	$2,099,315	$862,422	$3,389	$50,936	15
26	ALLTEL MISSOURI, INC. (Alltel)	$9,168,801	$2,834,545	$17,354	$269,582	16
27	ALLTEL NEW YORK, INC. (Alltel)	$13,937,235	$2,953,445	$30,093	$470,504	16
28	ALLTEL Ohio (Alltel)	$18,925,417	$6,070,673	$35,218	$527,340	15
29	ALLTEL OKLAHOMA PROPERTIES (Alltel)	$3,476,038	$961,672	$6,889	$107,655	16
30	ALLTEL PENNSYLVANIA, INC. (Alltel)	$30,460,411	$8,458,102	$60,280	$922,085	15
31	ALLTEL SOUTH CAROLINA, INC. (Alltel)	$8,252,675	$3,189,022	$13,873	$213,517	15
32	SUGAR LAND TELEPHONE CO. (Alltel)	$12,883,405	$3,712,999	$25,124	$382,625	15
33	TEXAS ALLTEL, INC. (Alltel)	$5,299,355	$1,732,212	$9,773	$160,137	16
34	WESTERN RESERVE TELEPHONE COMPANY (Alltel)	$29,355,653	$9,951,391	$53,162	$825,806	16
35	El Paso Telephone Co. (GVNW)	$653,508	$171,195	$1,321	$21,139	16
36	Alhambra-Grantfork Telephone Co. (GVNW)	$359,918	$129,638	$631	$10,151	16
37	Consolidated Communications of Fort Bend Co. (Consolidated)	$9,770,910	$2,810,311	$19,070	$310,644	16
38	Warwick Valley Telehpone Co. (JSI)	$5,993,853	$1,728,510	$11,686	$173,239	15
39	CenturyTel of Gem State, Inc. (TUECA)	$93,971	$31,321	$172	$2,725	16
40	Illinois Consolidated Telephone Co.	$24,123,286	$5,266,512	$51,662	$843,603	16
41	Moultrie Independent Telephone Co.	$855,909	$89,494	$2,100	$28,030	13
42	Gallatin River Communications, LLC (Madison River)	$12,376,782	$2,983,560	$25,735	$325,530	13
43	Puerto Rico Telephone	$184,495,337	$66,826,528	$322,380	$4,450,074	14
44	Minnesota Independent Equal Access Corporation (MIEAC)	$4,750,015	$2,631,246	$5,805	$68,000	12

NOTES:
(1) See Col. B - TRP, COS(P), Column E, Line 300, Total Interstate
(2) See Col. C - TRP, COS(P), Column E, Line 190, Total Interstate
(3) Daily Expenses = (Total Interstate Expenses - Depreciation and Amortization) / 365 Days
(4) See Cost Support, Part 69 (Prospective), Cash Working Capital, Total Interstate
(5) Company Filed CWC / Daily Expenses = LEC's Proposed Lead/Lag

SOURCES:
Col. B - TRP, COS(P), Col E, Line 300, Total Interstate
Col. C - TRP, COS(P), Col E, Line 190, Total Interstate
Col. E - Cost Support, Part 69 (Prospective), Cash Working Capital, Total Interstate