AT&T

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November 3, 2000

BY HAND DELIVERY

David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: *Universal Service*
Docket No. 97-00888

Dear Mr. Waddell:

Enclosed are an original and thirteen copies of Comments of AT&T on Revised Revenue Benchmarks and Updated Access Line Counts filed by BellSouth and United in the above-captioned proceeding.

Thank you for your assistance in this matter. If you have any questions, please do not hesitate to call me.

Sincerely,

Jim Lamoureux

Jim Lamoureux

Encls.

cc: Richard Collier, Esq.

POSTED 11-3-00

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

	)	
In Re: Universal Service	)	DOCKET NO. 97-00888
Proceeding	)	
	)	

COMMENTS OF AT&T ON REVISED REVENUE
BENCHMARKS AND UPDATED ACCESS LINE COUNTS

On October 26, 2000, the Tennessee Regulatory Authority ("TRA") issued a Notice of Filing of Comments in the above-captioned matter, allowing the parties to file comments on the revised revenue benchmarks and updated access line counts filed on October 24, 2000, by BellSouth and United Telephone-Southeast. AT&T Communications of the South Central States, Inc. ("AT&T") submits the following comments:

Access Line Counts

In its September 22, 2000, Order, the Authority directed BellSouth and United Telephone-Southeast to provide the latest available monthly access line counts by wire center. In response to that order, BellSouth and United provided their most recent total residential access line counts, inclusive of primary and additional residential lines, by wire center. This information is required to determine the average revenue per residential access line by wire center, and AT&T does not dispute the accuracy of the information submitted by BellSouth and United. However, if it is the intent of the Authority to run the HAI Model with the most current line count information, the data provided by BellSouth and United is not sufficient for this purpose. If the Authority intends to update the model, it should require BellSouth and United to provide current information on the following categories of lines: total lines, business lines, residential lines, special access lines, and public lines in each wire center. The model requires all of this information, not simply total primary residential lines. Assuming the TRA requested line count information in order to run the HAI Model with the most current and accurate information, AT&T suggests that the TRA direct BellSouth and United to submit the above line count information.

Revenues

In determining which revenues to consider in calculating Tennessee's universal service needs, the Authority has overlooked an important source of available revenues. As the Authority notes in its September 22 order, (Order, page 3) the subsidy is being calculated based on a "sum of the negatives" basis without taking into consideration the wire centers where revenues exceeded costs. In other words, the TRA's method for determining the size of a fund adds the deficits of all wire centers where costs exceeded revenues, but does not subtract the surplus amounts from wire centers that generate revenues in excess of costs. This process will actually ignore relevant revenue sources that are available to not only the ILEC but also to CLECs, and will result in an excessive total universal service fund. To remedy this, the Authority should consider both the deficits and the surpluses.

Such "netting" of wire centers is clearly appropriate in the absence of robust competition in the local exchange market (as currently is the case in Tennessee) and would result in reducing the size of the fund. The Federal State Joint Board on Universal Service effectively supports this approach in its Second Recommended Decision released on November 25, 1998, where it recommended that given the current extent of local competition, it is appropriate to determine costs on a study level basis rather than on a wire center basis.

The inclusion of revenue from wire centers that provide a positive contribution is also consistent with the Tennessee universal service statute. TCA 65-5-207(b) requires the Authority to "determine ***all*** current sources of support for universal service and their associated amounts[.]" (Emphasis added). The intent of the statute is clearly to consider all sources of revenues in assessing the universal service needs of Tennessee. Moreover, in its September 22, 2000, order, the TRA stated that it is appropriate to include revenue from additional residential lines and non-recurring charges, because these are revenues that a potential market entrant could expect to receive:

> While the Authority's May 20, 1998 Order on Phase I did not specifically identify non-recurring charges, it clearly stated that revenues from virtually all residential services should be included. These revenues represent charges that a company assesses its customers for installation services and subsequent changes to service; therefore, these revenues would be considered portable. . . . Additionally, a potential competitor could expect that some of its residential customers would order additional lines. (Order, p. 9)

Likewise Yellow Page revenues are now excluded, because "competing firms cannot reasonably expect to capture yellow page revenues that flow to the incumbent LEC." The same rationale applies to those wire centers where revenues exceed costs. Because potential market entrants can expect to receive revenues from those wire centers, the Authority should consider them in determining the universal service needs for Tennessee.

Respectfully submitted,

Jim Lamoureux by BB

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November 3, 2000

CERTIFICATE OF SERVICE

I hereby certify that on November 3, 2000, a copy of AT&T's Comments was served on the following parties of record, via U.S. Mail, postage pre-paid, addressed as follows:

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