

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of Southwestern Bell Telephone           )  
Company, d/b/a AT&T Missouri's Petition                )  
for Relief from its Prior Commitments to Make an        )       Case No. \_\_\_\_\_  
Annual Cost Allocation Manual ("CAM") Filing            )  
And Submit a Surveillance Data Report.                    )

**AT&T MISSOURI'S PETITION FOR RELIEF FROM  
FILING CAM AND SURVEILLANCE DATA REPORT**

AT&T Missouri<sup>1</sup> respectfully seeks<sup>2</sup> relief from outdated accounting commitments it made years ago to the Commission<sup>3</sup> or its Staff when the Company was subject to rate based rate-of-return regulation:

- AT&T Missouri seeks relief from a commitment it made in Case No. TO-94-184, to file annually its Cost Allocation Manual ("CAM") and the attestation letters of its external auditors regarding their annual CAM audit, both of which were required by the FCC at the time. These filings described the Company's affiliates and its transactions with those affiliates. Recognizing that AT&T no longer operates under rate-based, rate-of-return regulation and the prices of its services are no longer subject to cost, the FCC has released AT&T from these antiquated and costly accounting requirements, including the CAM filing requirement. (For similar reasons, the FCC has also released Verizon and Qwest.)
- AT&T Missouri also seeks relief from any requirement it may have to prepare and submit Surveillance Data Reports to Staff. This report provides financial information that Staff previously used to monitor Company earnings and is no longer needed now that AT&T Missouri is no longer subject to rate of return regulation. The Commission has granted similar relief to CenturyTel and Embarq.

As these accounting filings are also no longer used for intrastate ratemaking purposes, AT&T Missouri seeks Commission authorization to cease making a CAM filing at the state level and to cease its submission of the Surveillance Data Report to Staff.

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<sup>1</sup> Southwestern Bell Telephone Company, d/b/a AT&T Missouri, will be referred to in this pleading as "AT&T Missouri."

<sup>2</sup> AT&T Missouri seeks relief pursuant to 4 CSR Sections 240-2.060(4) and 240-2.080.

<sup>3</sup> The Missouri Public Service Commission will be referred to in this pleading as "Commission." The Federal Communications Commission will be referred to as the "FCC."

In support of its petition, AT&T Missouri states:

**Background on Applicant**

1. AT&T Missouri is a Missouri corporation with its principal Missouri office at One AT&T Center, Room 3520, St. Louis, Missouri 63101. It may be contacted at the regular and electronic mail addresses and telephone and facsimile numbers of its attorneys, as set out under the signature block of this Application. AT&T Missouri is authorized to do business in Missouri<sup>4</sup> and its fictitious name is duly registered with the Missouri Secretary of State.<sup>5</sup> AT&T Missouri is a "local exchange telecommunications company" and a "public utility," and is duly authorized to provide "telecommunications service" within the State of Missouri, as each of those phrases is defined in Section 386.020, RSMo 2000.<sup>6</sup>

2. All correspondence, pleadings, orders, decisions, and communications regarding this proceeding should be sent to:

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Leo J. Bub  
Robert J. Gryzmala  
Attorneys for Southwestern Bell Telephone Company  
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3. AT&T Missouri has no final unsatisfied judgments or decisions against it from any state or federal agency or court, which involves retail customer service or rates, which action, judgment or decision has occurred within three (3) years of the date of this Application.

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<sup>4</sup> In accordance with 4 CSR 240-2.060(1) and (G), a certified copy of Southwestern Bell Telephone Company's Certificate of Good Standing from the Missouri Secretary of State was filed with the Commission on August 15, 2007, in Case No. IK-2008-0044.

<sup>5</sup> In accordance with 4 CSR 240-2.060(1)(E) and (G), a copy of the registration of the fictitious name "AT&T Missouri" was filed with the Commission on July 17, 2007, in Case No. TO-2002-185.

<sup>6</sup> Following its June 26, 2007, Order in Case No. TO-2002-185 allowing Southwestern Bell Telephone, L.P., d/b/a AT&T Missouri, to alter its status from a Texas limited partnership to a Missouri corporation, the Commission approved tariff revisions to reflect the new corporate name, Southwestern Bell Telephone Company d/b/a AT&T Missouri. *See, Order Granting Expedited Treatment and Approving Tariffs*, Case No. TO-2002-185, issued June 29, 2007.

AT&T Missouri has one pending lawsuit from end-user customers involving retail customer service or rates.<sup>7</sup>

4. AT&T Missouri does not have any annual report or assessment fees that are overdue in Missouri.

#### **Request for Relief of the CAM Filing**

5. Incumbent local telephone exchange companies (“ILECs”) traditionally operated as regulated monopolies subject to rate-of-return rate regulation at both the federal and state levels. Under rate-of-return regulation, rates were targeted to levels that allowed carriers to recover their costs and earn a specific return on their regulated investment. Because the same local network facilities were used to provide both interstate and intrastate services, as well as both regulated and non regulated services, the FCC developed rules to standardize rate-of-return regulation. These rules assigned or allocated the common costs to build and maintain the network, and the revenue derived from the array of services offered over the network, by type of cost, type of service (regulated or non regulated), jurisdiction (intrastate or interstate), and service categories.<sup>8</sup>

6. As a result of the FCC subsequently permitting post-divestiture AT&T and the Regional Bell Operating Companies to offer “enhanced” or “information” services, which were treated as “non regulated,” the FCC adopted Part 64 of its rules to allocate costs among regulated and non-regulated services.<sup>9</sup> Under the FCC’s Part 64 Rules, the carriers were required to file

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<sup>7</sup> *Barry Road Associates, Inc. d/b/a Minsky’s Pizza, et al. v. Southwestern Bell Telephone Company, d/b/a AT&T Missouri, et al.*, Case No. 1016CV02438, Jackson County Circuit Court.

<sup>8</sup> *See Separations of Costs of Regulated Telephone Service from Costs of Non Regulated Activities; Amendment of Part 31, the Uniform System of Accounts for Class A and Class B Telephone Companies to Allow Non Regulated Activities and to Provide for Transactions Between Telephone Companies and their Affiliates*, CC Docket No. 86-111, *Report and Order*, 2 FCC Rcd. 1298, 1299-1300, paras 1,10 (1987) (“*Joint Cost Order*”), *Petition for Review denied, Southwestern Bell Corp. v. FCC*, 896 F2nd 1378 (D.C. Circuit 1990).

<sup>9</sup> *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. §160 from Enforcement of Certain of the Commission’s Cost Assignment Rules*, WC Docket Nos. 07-21, 05-342, *Memorandum Opinion and Order*, 23 FCC Rcd. 7302 (2008) (*AT&T Cost Assignment Forbearance Order*), at 1300, para 10.

Cost Allocation Manuals (“CAMs”), which identified and described their companies’ affiliates and the transactions between the carrier and each of its affiliates.

7. In the case established by the Missouri Commission to review “whether SWBT’s procedures for affiliate transactions were adequate, and to establish a method of reviewing SWBT’s affiliate transactions within a rate case format to see if SWBT was following the approved procedures,” SWBT agreed to file annually, as public documents, with the Missouri Commission “a copy of SWBT’s Cost Allocation Manual (CAM) which identifies and describes transactions between SWBT and affiliates,” and “attestation letters of the external auditors regarding their annual CAM audit.”<sup>10</sup> After making this commitment, AT&T Missouri provided the Commission each year with a copy of the Company’s annual FCC CAM filing.

8. In January 2007, AT&T Inc. filed a petition for forbearance with the FCC from enforcement of the FCC’s cost assignment rules,<sup>11</sup> including the requirement to file Cost Allocation Manuals under Part 64 Subpart I of the FCC rules.<sup>12</sup> AT&T explained that because its interstate rates under price cap regulation were no longer based on costs, the FCC had no use for the information provided by the cost assignment rules and, thus, the continued burden of providing this information was not justified.<sup>13</sup> As the FCC had previously explained, “price cap regulation severs the direct link between regulated costs and prices.”<sup>14</sup>

9. After evaluating AT&T’s Petition, the FCC agreed. In its Memorandum, Opinion and Order granting relief, the FCC stated:

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<sup>10</sup> *In the Matter of the Investigation of Southwestern Bell Telephone Company’s Affiliate Transactions*, Case No. TO-94-184, *Order Closing Case*, issued January 27, 1998, pp. 1-2. See also *In the Matter of the Investigation of Southwestern Bell Telephone Company’s Affiliate Transactions*, Case No. TO-94-184, *Order Addressing Proposed Rule and Establishing Dockets*, issued April 3, 1996, p. 1 (“the docket was established to ensure that SWB’s affiliate transactions are subject to proper review in any future general rate proceeding.”); Report on Affiliate Transaction Meeting held on December 25 and 26, 1997 in St. Louis filed by SWBT, MoPSC Staff and OPC, at p. 7.

<sup>11</sup> *Petition of AT&T Inc. for Forbearance Under 47 U.S.C. §160(c) from Enforcement of Certain of the Commission’s Cost Assignment Rules*, WC Docket Nos. 07-21, filed January 25, 2008 (“AT&T FCC Petition”).

<sup>12</sup> 47 C.F.R. 64.903.

<sup>13</sup> AT&T FCC Petition at p. 3.

<sup>14</sup> *AT&T Cost Assignment Forbearance Order*, para. 8, citing *FCC Computer III Remand Order*.

The Cost Assignment Rules were developed at a time when the incumbent LECs' interstate rates and many of their intrastate rates were set under rate-based, cost-of-service regulation. The rules therefore are quite detailed designed to parallel the level of detail and the cost-of-service calculations that LECs performed to develop their rates for interstate access services. Although not required to do so, many state commissions followed these rules for intrastate ratemaking purposes. Since that time, however, our ratemaking methods and those of our state counterparts have evolved considerably. As the commission has recognized, this evolution has greatly reduced incumbent LECs' incentives to overstate the cost of their tariffed telecommunications services.<sup>15</sup>

10. Under the test the FCC is required to follow under 47 U.S.C. Section 160(a) for evaluating a forbearance request from any statutory provision or regulation,<sup>16</sup> the FCC concluded that "there is no current, federal need for the Cost Assignment Rules, as they apply to AT&T, to ensure that charges and practices are just, reasonable, and not unjustly or unreasonably discriminatory; to protect consumers; and to ensure the public interest."<sup>17</sup>

11. AT&T Missouri will continue to maintain adequate accounting data for ongoing regulatory oversight at both the federal and state levels. In granting AT&T's request for forbearance, the FCC noted it was not seeking to eliminate the FCC's Uniform System Of Accounts ("USOA") set out in Part 32 of the FCC Rules (the USOA is a financial accounting system that discloses the results of operational and financial events in a manner that enables both the companies' management and regulatory agencies to assess those results):

AT&T generally has not sought relief from the Part 32 USOA requirements. AT&T states, for example, that its petition will not affect its accounting for revenues but only deals with the assignment of costs (expense and investment), and its revenue can be identified by jurisdiction through the Part 32 accounts. Thus, this USOA account data will continue to be maintained and available to the Commission on request.<sup>18</sup>

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<sup>15</sup> *AT&T Cost Assignment Forbearance Order*, para 17 (internal citations omitted).

<sup>16</sup> Under Section 47 U.S.C. Section 160(a), the FCC is required to forbear from any statutory provision or regulation if it determines that (1) enforcement of the regulation is not necessary to ensure that charges and practices are just, reasonable, and not unjustly or unreasonably discriminatory; (2) enforcement of the regulation is not necessary to protect consumers; and (3) forbearance is consistent with the public interest. In making such determinations, the commission must also consider "whether forbearance from enforcing the provision or regulation will promote competitive market conditions." 47 U.S.C. Section 160(b).

<sup>17</sup> *AT&T Cost Assignment Forbearance Order*, para 11.

<sup>18</sup> *AT&T Cost Assignment Forbearance Order*, para 21.

In addition, the FCC expressly conditioned its forbearance on the provision by AT&T of useable data on request by the FCC for its use in rulemakings, adjudications or for other regulatory purposes and to the extent that such data was requested, it required AT&T to provide useable information on a timely basis:

Further, we require – both costs and revenue – of its accounting system in the absence of the Cost Assignment Rules to ensure that accounting data requested by the Commission in the future will be available and reliable.<sup>19</sup>

12. At the state level, there similarly is no need for the CAM. AT&T Missouri is subject to GAAP accounting requirements and has not been subject to rate-of-return-base regulation since 1997, when it became a price cap regulated company.<sup>20</sup> And over time, AT&T Missouri has transitioned to a fully competitive telecommunications company.<sup>21</sup> AT&T Missouri's retail prices have not been tied to regulated costs for well over a decade. The CAM is used neither by the Commission nor its Staff in their regulation of AT&T Missouri. As the CAM is no longer maintained, no purpose is served from a requirement to file a copy of the CAM or its attestation audit with the Commission. To the extent the Commission requires accounting data, the safeguards put in place by the FCC will maintain the Commission's "ability to obtain accounting

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<sup>19</sup> *Id.*, para 21.

<sup>20</sup> *See Report and Order*, Case No. TO-97-397, effective September 26, 1997 (granting price cap status). Under price caps, prices for switched access and basic local telecommunications service were frozen until January 1, 2000. Thereafter, the maximum allowable prices to be charged for switched access and basic local telecommunications services were changed annually by the change in the telephone service component of the Consumer Price Index ("CPI-TS") for the preceding 12 months. Price cap companies were also permitted to raise rates on non basic services by a maximum of 8% for each of the following 12 months.

<sup>21</sup> In Case No. TO-2001-467, the Commission granted AT&T Missouri competitive classification under Section 392.245 for residential services in the Harvester and St. Charles exchanges, business services in St. Louis and Kansas City, and LIDB CCS/SS7 in all exchanges. In Case No. TO-2006-0093, effective September 28, 2005, the Commission granted AT&T Missouri competitive classification under the "30-day-track" of subsection 392.245.5 RSMo for business services in 45 exchanges and for residential services in 26 exchanges. In Case No. TO-2006-0102, effective October 29, 2006, the Commission granted AT&T Missouri competitive under the "60-day track" of Section 392.245.5 RSMo in 30 exchanges and for residential services in 51 exchanges. And in Case No. TO-2009-0063, the Commission in an order effective November 26, 2008, determined that AT&T Missouri met the standard to be classified as a competitive company under Section 392.245.5(7).

information that may be necessary in the future.”<sup>22</sup> AT&T Missouri has consulted Staff and believes it is supportive of this request. Accordingly, the Commission should relieve AT&T Missouri of its prior commitment to make these CAM filings.

### **Request for Relief of the Surveillance Data Report**

13. AT&T Missouri also seeks relief from any requirement it may have to prepare and submit Surveillance Data Reports to Staff. These reports provide financial information that Staff previously used to monitor Company earnings. AT&T Missouri knows of no state statute or Commission rule or order requiring AT&T Missouri to submit Surveillance Data Reports. While AT&T Missouri is unsure of the origin of this practice, it believes its continued submission of these reports dates back to a commitment it made to Staff over thirty years ago when AT&T Missouri began submitting them on a monthly basis. As the level of regulation of AT&T Missouri’s services has changed over time, Staff has decreased the frequency of the report so that AT&T Missouri currently submits it on an annual basis.

14. As AT&T Missouri is no longer subject to rate or return based regulation and is now a competitive company, no need is served by AT&T Missouri continuing to gather and submit this information to Staff. In a similar case in which CenturyTel and Embarq sought relief from the continued provision of the same types of reports, Staff recommended that the reports be discontinued:

... the Staff finds the reports uninformative and believes they can be discontinued without any deterioration in oversight or degradation of customer service. The Staff sees no reason for CenturyTel of Missouri, LLC and Embarq Missouri, Inc. to continue to collect and retain the information contained in the reports in the unlikely event that the information will become useful.<sup>23</sup>

15. Based on Staff’s recommendation, the MoPSC relieved CenturyTel and Embarq from the requirement to submit Surveillance Data Reports:

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<sup>22</sup> AT&T Cost Assignment Forbearance Order, para 21.

<sup>23</sup> Staff Response, filed August 27, 2009 in Case No. TO-2010-0042, at p. 1.

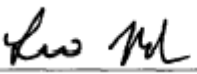
No statute or Commission rule requires these reports to be filed. CenturyTel and Embarq are now competitive telecommunications companies. Thus, the Commission no longer has any need to gather, and to require CenturyTel and Embarq to provide, the surveillance data reports.<sup>24</sup>

16. As AT&T Missouri is also a competitive telecommunications company, there should similarly be no need to require AT&T Missouri to continue providing the Surveillance Data Report. AT&T Missouri has consulted Staff and believes Staff is supportive of this request.

WHEREFORE, AT&T Missouri, having demonstrated good cause, respectfully requests the Commission to issue an order relieving AT&T Missouri of its prior commitments to file annually with the Commission a copy of the Company's CAM and its auditor's attestation letters regarding the CAM, and to provide the Surveillance Data Report to Staff.

Respectfully submitted,

SOUTHWESTERN BELL TELEPHONE COMPANY,  
D/B/A AT&T MISSOURI

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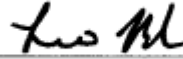
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<sup>24</sup> In the Matter of the Request of CenturyTel of Missouri, LLC, and Embarq Missouri, Inc. for Relief from Submission of Surveillance Data Reports, Case No. TO-2010-0042, Order Granting Relief from Submission of Surveillance Data Reports, issued September 16, 2009 at p. 2.

**CERTIFICATE OF SERVICE**

Copies of this document were served on the following parties by e-mail on May 4, 2010.



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