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August 2, 2001

BY HAND DELIVERY

Mr. Ray Kennedy
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RE: Docket No. 010858-TI, Investigation of Operator Service Provider Surcharges;
AT&T Proposed Resolution of Payphone Surcharge from Non-payphones

Dear Mr. Kennedy:

On June 15, 2001, I wrote to you on behalf of AT&T regarding the application of the payphone surcharge to calls that apparently were not made from payphones, and to present AT&T's proposed resolution of this matter. Since that time, AT&T has continued to investigate both the causes of this issue as well as the assumptions underlying the methodology and calculation of the proposed settlement amount. On the basis of these inquiries, we believe that we may have overestimated the magnitude of this problem and the amount that may have been collected in error. For example, to date, we have found evidence that these surcharges may have been collected in only a very limited geographic area of the state. If this preliminary data proves to be true, then the potential amounts that should be refunded would be materially smaller than that reported in my June 15th letter.

The investigation into these matters is presently continuing. However, because of summer vacations and staff reassignments, I am unable to provide you with a more complete report regarding our investigation. However, on the basis of the information we have reviewed, it is necessary at this time that the offer of settlement made to the Commission on June 15, 2001, be temporarily suspended pending the results of our further investigations. If I am unable to provide a complete report to you by the end of August, then at that time I shall at least update you on our progress as well as report to you on when a final report can be provided.

AT&T certainly appreciates that it is important to bring this matter to a resolution as quickly as possible. However, because of the size of the original offer of settlement and the potential variance of that amount with what appears to be a more accurate evaluation of the problem, we

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believe it is necessary to take this extraordinary step at this time. I will be happy to further answer any questions you may have when I return to the office on August 13; if in the interim, you need to get in contact with me or if you have information on any additional customers who should receive an immediate refund, please call my secretary or send me an email. Thank you for your patience in this matter.

Sincerely,



fr Floyd R. Self, Counsel for
AT&T Communications of the Southern States, Inc.

Cc: Ms. Rhonda Merritt
Jim Lamoureux, Esq.
Division of Records and Reporting