

State of Florida



Public Service Commission
CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

RECEIVED - FPSC
01 DEC -5 AM 10:33
COMMISSION CLERK

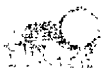
DATE: DECEMBER 5, 2001
TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)
FROM: DIVISION OF COMPETITIVE SERVICES (BUYS, KENNEDY) ^{REK} DRB ~~DRB~~
DIVISION OF LEGAL SERVICES (B. KEATING) ^{BLK}
RE: DOCKET NO. 010858-TI - INVESTIGATION AND DETERMINATION OF APPROPRIATE METHOD FOR REFUNDING PAYPHONE SURCHARGES, PLUS INTEREST, APPLIED TO CALLS MADE FROM NON-PAYPHONES BY AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC. D/B/A CONNECT 'N SAVE AND D/B/A LUCKY DOG PHONE CO. AND D/B/A ACC BUSINESS.
AGENDA: 12/17/01 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE
CRITICAL DATES: NONE
SPECIAL INSTRUCTIONS: NONE
FILE NAME AND LOCATION: S:\PSC\CMP\WP\010858.RCM

CASE BACKGROUND

In January 2000, the Commission received a consumer complaint wherein the complainant was billed for payphone surcharges for intrastate calls made from a non-payphone. The calls were placed from telephones at the Florida Department of Agriculture using a calling card issued by AT&T of the Southern States, Inc. (AT&T).

Subsequently, staff notified AT&T and requested that AT&T investigate the incident and determine if there are any systemic problems that might be causing the improper billing. At that time, AT&T was unable to provide any answers as to why the payphone

DOCUMENT NUMBER-DATE
15207 DEC-5
FPSC-COMMISSION CLERK



DOCKET NO. 010858-TI
DATE: December 5, 2001

surcharge was improperly applied to non-payphone calls using an AT&T calling card.

In June 2000, while AT&T was still investigating, staff sent inquiries to Sprint to determine if any actions by Sprint may be causing non-payphone lines to appear to AT&T as payphone lines. Sprint concluded that its systems were operating appropriately.

In August 2000, staff attempted to determine the extent of the payphone surcharge problem for employees using AT&T calling cards at the Department of Agriculture. At staff's request, the Agency's management forwarded an agency-wide e-mail asking the employees to review their telephone bills to determine if they were billed a payphone surcharge on calls made from non-payphones using an AT&T calling card. During the next three months, staff received seven e-mail responses confirming that the customers were billed for payphone surcharges even though they did not make calls from a payphone. Employees at the Department of Agriculture were not billed the payphone surcharge on AT&T calling card calls made from telephones at other locations, other than actual payphones wherein the charge would be appropriate.

In addition to the Department of Agriculture's employees, two other customers were billed a payphone surcharge when making AT&T calling card calls from locations other than the Department of Agriculture's facilities. One of these customers was assessed payphone surcharges on AT&T calling card calls made from a rental property at St. George Island and the other customer had placed calls at another State agency's facilities.

On December 4, 2000, staff sent a letter of inquiry to AT&T requesting that the company provide staff with the specific information necessary so that staff could prepare a recommendation for a refund (Attachment A). On December 29, 2000, AT&T responded and indicated that the billing errors were caused by one of the screen codes (503) being incorrectly set (Attachment B). AT&T indicated that the error was corrected in July of 2000. However, at that time, AT&T was still reviewing data to determine how many calls may have been affected.

During the ensuing months, AT&T continued its investigation of the payphone surcharge billing issue. AT&T solicited the assistance of Sprint and, together, the entities performed test calls at the Department of Agriculture, the Public Service Commission, and other State agencies. On November 8, 2001, AT&T

DOCKET NO. 010858-TI
DATE: December 5, 2001

submitted its proposal (redacted version) regarding the refund of the apparent overcharges (Attachment C).

The Commission is vested with jurisdiction over this matter pursuant to Sections 364.601 and 364.337, Florida Statutes. Accordingly, staff believes the following recommendations are appropriate.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission accept the settlement offer proposed by AT&T to resolve the imposition of payphone surcharges on intrastate calls made from non-payphones during the calendar years 1998, 1999, and 2000?

RECOMMENDATION: Yes. The Commission should accept AT&T's proposed settlement offer to contribute \$135,000 to the State General Revenue Fund to resolve the imposition of payphone surcharges on intrastate calls made from non-payphones during the calendar years 1998, 1999, and 2000. The contribution should be received by the Commission within ten business days from the issuance date of the Commission's Order and should identify the docket number and company name. The Commission should forward the contribution to the Office of the Comptroller for deposit in the State General Revenue Fund. **(Buys, Kennedy, B. Keating)**

STAFF ANALYSIS: Pursuant to staff's request, AT&T conducted an investigation into several consumer complaints regarding the addition of a payphone surcharge on intrastate calls made from telephones that were not payphones. As a result of its investigation, AT&T concluded that the application of the payphone surcharge was caused by two problems, a 503 screen code and the passing of incorrect digits or the incorrect LEC assignments of screening codes to the line.

AT&T concluded that the payphone surcharge problem was isolated to the geographic area of Tallahassee and St. George Island. Only calls made in Sprint's and GT Com's service territories appeared to be affected.

Staff reviewed the Division of Consumer Affairs' customer complaint data base. In its review, staff determined that the complaints, filed by customers using AT&T calling cards, were limited to customers who made calls in Sprint's and GT Com's operating areas. Further, staff determined that the affected calls were placed from telephones located at a limited number of State agencies and at rental property on St. George Island.

AT&T has reimbursed all of the customers that filed complaints with the Commission. Staff is not aware of any outstanding complaints involving payphone surcharges assessed on non-payphone calls.

In its settlement proposal, AT&T has offered to:

- Make a voluntary contribution of \$135,000 to the State of Florida General Revenue Fund. The amount includes applicable interest through December 31, 2001.
- Resolve any further complaints or inquiries associated with the imposition of the payphone surcharge at non-payphones the Commission may receive. The complaint would be handled through the standard complaint resolution process.
- Cooperate with the Commission in the event such complaints prove to be continuing or suggestive of other problems.
- Continue to notify the affected LEC when AT&T identifies locations with screen code problems so that the screen code records can be investigated and corrected.

AT&T acknowledges that the preferred method of payment would be to refund the affected customers. However, AT&T has indicated that in this particular situation, such a refund is impractical, excessively burdensome, and prohibitively expensive. AT&T also indicated that a rate reduction would also be impractical and complicated to implement. It appears that AT&T has corrected the problems causing the improper payphone surcharges and has refunded all customers that filed complaints with the Commission.

Therefore, staff recommends that the Commission should accept AT&T's proposed settlement offer to contribute \$135,000 to the State General Revenue Fund to resolve the imposition of payphone surcharges on intrastate calls made from non-payphones during the calendar years 1998, 1999, and 2000. The contribution should be received by the Commission within ten business days from the issuance date of the Commission's Order and should identify the docket number and company name. The Commission should forward the contribution to the Office of the Comptroller for deposit in the State General Revenue Fund.

DOCKET NO. 010858-TI
DATE: December 5, 2001

ISSUE 2: Should this docket be closed?

RECOMMENDATION: If no person, whose substantial interests are affected by the proposed agency action files a protest of the Commission's decision on Issue 1 within the 21 day protest period, the Commission's order will become final upon issuance of a consummating order. This docket should remain open pending the receipt of the \$135,000 contribution. Upon receipt of the \$135,000 contribution, it should be forwarded to the Office of the Comptroller for deposit in the State General Revenue Fund, and this docket should be closed administratively. **(B. Keating)**

STAFF ANALYSIS: If no person, whose substantial interests are affected by the proposed agency action files a protest of the Commission's decision on Issue 1 within the 21 day protest period, the Commission's order will become final upon issuance of a consummating order. This docket should remain open pending the receipt of the \$135,000 contribution. Upon receipt of the \$135,000 contribution, it should be forwarded to the Office of the Comptroller for deposit in the State General Revenue Fund, and this docket should be closed administratively.

DOCKET NO. 010858-TI
DATE: December 5, 2001

STATE OF FLORIDA

Attachment A

Commissioners:
J. TERRY DEASON, CHAIRMAN
E. LEON JACOBS, JR.
LILA A. JABER
BRAULIO L. BAEZ



DIVISION OF COMPETITIVE SERVICES
WALTER D'HAESELEER
DIRECTOR
(850) 413-6600

Public Service Commission

December 4, 2000

Ms. Rhonda P. Merritt
AT&T Communications of the Southern States, Inc.
101 North Monroe Street, Suite 700
Tallahassee, Florida 32301-1546

Re: Misapplication of Charges

Dear Ms. Merritt:

This correspondence is a follow-up to our conversation regarding the misapplication of pay phone surcharges to calls placed from telephone stations that are not pay phones. For clarification, AT&T's misapplication of a pay phone surcharge under the circumstances discussed in this correspondence are unrelated to the issue of a pay phone surcharge that is applied by AT&T to collect calls from pay phones.

You have indicated that AT&T has initiated action to identify all telephone numbers that have been erroneously categorized as pay phones in its database(s). You have also indicated that AT&T is prepared to issue refunds to customers that were erroneously billed the pay phone surcharge for calling card calls from non-pay phone stations. In its effort to prepare a recommendation for Commission review, staff will need specific information. Therefore, please provide the following information:

1. Describe the process used to identify the telephone numbers in AT&T's database(s) that have been erroneously identified as pay phones.
2. At what point in time (month/year) did AT&T begin charging a pay phone surcharge on calls made from stations that are not pay phones? When did AT&T cease charging a pay phone surcharge on calls made from stations that are not pay phones?
3. How many calls were erroneously billed the pay phone surcharge and what is the total amount overcharged?
4. How many customers were affected?

Ms. Rhonda P. Merritt
Page 2
December 4, 2000

5. What method does AT&T propose to reimburse customers who have been erroneously billed the pay phone surcharge? When will the reimbursements take place?

6. How will AT&T ensure that erroneous billing of pay phone surcharges on calls made from non-pay phone stations will not happen in the future? Please provide sufficient detail of the processes AT&T has implemented to preclude reoccurrence.

7. Did AT&T identify any calls, other than calls made using an AT&T calling card, where the pay phone surcharge was erroneously applied? If so, please describe and include them, separately identified, in the data requested in Items 3 and 4.

Upon receipt of the data requested above, staff will open a docket and proceed to make interest calculations. Unless another agreement is reached between staff and AT&T, the interest calculations will be made using the midpoint of the time period where pay phone charges first began to the point where AT&T proposes to reimburse customers. In determining the reimbursement schedule, AT&T should allow approximately two months for the Commission's process (Agenda/Order).

Because AT&T has been aware of this problem for some time, staff is of the opinion that late December 2000, is sufficient time for AT&T to provide a complete response to the questions above. Therefore, please provide the requested data no later than December 29, 2000. Should you have any questions, I can be reached at 850-413-6584.

Sincerely,



Ray Kennedy -
Bureau of Service Quality

DOCKET NO. 010858-TI
DATE: December 5, 2001

Attachment B

LAW OFFICES
MESSER, CAPARELLO & SELF
A PROFESSIONAL ASSOCIATION

215 SOUTH MONROE STREET, SUITE 701
POST OFFICE BOX 1876
TALLAHASSEE, FLORIDA 32302-1876
TELEPHONE: (850) 222-0720
TELECOPIER: (850) 224-4359
INTERNET: www.lawfla.com

2000 DEC 29 PM 3:10
LAW OFFICES
COMPETITIVE SERVICES

December 29, 2000

BY HAND DELIVERY

Mr. Ray Kennedy
Division of Competitive Services
Room 270, Gunter Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Dear Ray,

I have been asked by AT&T to respond to your letter of December 4, 2000, regarding the application of the payphone surcharge to calls that did not originate from a pay telephone. In response to your specific questions, we have at this time the following information.

1. Describe the process used to identify the telephone numbers in AT&T's database(s) that have been erroneously identified as payphones.

RESPONSE: The billing of the surcharge is dependent upon two issues. First, the LEC must pass to AT&T the appropriate OLI (originating line information) digits. If the OLI digits are present, the AT&T switch makes no further inquiries and processes the call on the basis of the OLI digits. Second, if the OLI digits are not present, then the switch looks at the screen code information that is also passed from the LEC. AT&T has determined that one of the screen codes (503) was incorrectly set in the AT&T database, which resulted in the surcharge being applied to calling card calls in error. This 503 screen code error was identified and corrected in July 2000. If both the OLI digits and the screen code are present, AT&T processes the call on the basis of the OLI digits, even if there is a difference between the OLI digits and the screen code.

2. (a) At what point in time (month/year) did AT&T begin charging a payphone surcharge on calls made from stations that are not payphones? (b) When did AT&T cease charging a payphone surcharge on calls made from stations that are not payphones?

RESPONSE (a): AT&T was able to start assessing the payphone surcharge beginning in October 1997. However, not all ILECs were able to immediately begin billing the surcharge,

Mr. Ray Kennedy
December 29, 2000
Page 2

and some ILECs had problems with the Flex ANI being implemented or implemented consistently, which means the surcharge would not have been added. We are aware of Flex ANI implementation issues as recently as the Spring of 1999.

RESPONSE (b): AT&T bills calls based upon the originating LEC's OLI digits if they are present or, if not present, then upon screen code information provided by the LEC. If the LEC information is inaccurate, that is the only information AT&T has to bill the call. AT&T does attempt to look at the data to look for potential anomalies and advise the LECs when AT&T has identified potential issues. However, aside from the 503 screening code that was corrected in July 2000, which was an AT&T error, AT&T has no way of independently determining whether the LEC OLI digit or screening code information is accurate unless there is a customer complaint or the LEC advises us of an error.

3. How many calls were erroneously billed the payphone surcharge and what is the total amount overcharged?

RESPONSE: AT&T is still in the process of attempting to identify available information and calculate how many calls may have been affected. This process is complicated by the fact that the call detail information is available only for the last year. We anticipate having an estimate of the potential traffic by January 5, 2001.

4. How many customers were affected?

RESPONSE: It is not possible to determine the number of customers, since we have not yet been able to determine the number of potentially affected messages.

5. What methods does AT&T propose to reimburse customers who have been erroneously billed the payphone surcharge? When will the reimbursement take place?

RESPONSE: Until we have been able to determine the number of potentially affected messages, it will not be possible to propose a reimbursement method.

6. How will AT&T ensure the erroneous billing of payphone surcharges on calls made from non-payphone stations will not happen in the future? Please provide sufficient detail of the processes AT&T has implemented to preclude reoccurrence.

RESPONSE: In terms of the AT&T systems, we believe that with the correction of the 503 screening code that the AT&T databases are accurate. However, ultimately, the accuracy of the billing of the payphone surcharge will depend upon the accuracy of the LEC databases and their passing the correct information to other carriers through the OLI digits and the screening code information.

Mr. Ray Kennedy
December 29, 2000
Page 3

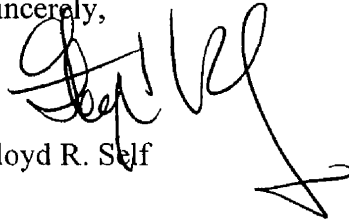
7. Did AT&T identify any calls, other than calls made using an AT&T calling card, where the payphone surcharge was erroneously applied? If so, please describe and include them, separately identified, in the data requested in Items 3 and 4.

RESPONSE: The payphone surcharge is levied on any call where the OLI digits or, where OLI digits are not passed, the operator screening indicates that the call is a payphone call. This would include any operator assisted call or any 8YY call. In investigating this issue, we are including all potential calls in our response to questions 3 and 4 above.

Rhonda and I would like to meet with you in early January, 2001 to further discuss our data collection and the refund issue. We expect to see you at the January 2nd Agenda Conference, and we can set up a firm meeting time at that time.

Please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Floyd R. Self", with a long, sweeping underline that extends to the right.

Floyd R. Self

FRS/amb
cc: Rhonda Merritt

LAW OFFICES
MESSER, CAPARELLO & SELF
A PROFESSIONAL ASSOCIATION

215 SOUTH MONROE STREET, SUITE 701
POST OFFICE BOX 1876
TALLAHASSEE, FLORIDA 32302-1876
TELEPHONE: (850) 222-0720
TELECOPIER: (850) 224-4359
INTERNET: www.lawfla.com

November 8, 2001

CONFIDENTIAL & PROPRIETARY

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 Revised Proposal to Resolve Past Imposition of Payphone Surcharge from Non-payphones

Dear Mr. Kennedy:

On June 15, 2001, I wrote to you with a proposal to resolve several complaints from customers that were being charged by AT&T the payphone surcharge for calls that were not made from payphones. My June 15th letter fully explained the background to this situation. As my letter indicates, there were two separate issues raised by these complaints, first, the 503 screen code problem and, second, potential problems with the passing of incorrect OLI digits or the incorrect LEC assignment of screening codes to the line.

The process leading up to the June 15th settlement proposal resolved several questions but did not fully resolve, to our satisfaction, the questions surrounding the second problem. Since June 15th, we have continued to analyze the non-503 screen code issue. In our further investigation, we reviewed the test call data from our earlier investigation, we contacted the local exchange companies for assistance in further investigating the complaints as well as any potential systemic issues in the various recording and billing systems, we have called the customers identified to us as having received the payphone surcharge at nonpayphone locations, and we performed additional test calls.

The data made available to us indicates that there were only 9 customers who reported being charged the payphone surcharge when not using a payphone, totaling less

DOCUMENT NUMBER-DATE

14218 NOV-80

CONFIDENTIAL & PROPRIETARY

than 100 calls. In our further investigation, we have not been able to identify any further customers with such a problem or any other complaints that would indicate this type of problem.

On the basis of these further investigations, AT&T believes that the offer of settlement made on June 15, 2001, grossly overestimates the effect of the 503 screen code problem and the impact on customers not associated with the 503 screen code. Accordingly, AT&T believes that it is fair and appropriate to present the Commission with a revised offer of settlement to resolve this situation.

In the June 15, 2001, offer of settlement, AT&T presented call data from its systems regarding the potential call volumes involved with these two problems. Our further analysis of this data indicates that at most approximately [REDACTED] of the calls made in 1998, 1999, and the first half of 2000 were potentially affected by the 503 screen code problem. Table 5 below provides a summary of the 503 screen code calls and associated revenues. Table 5 essentially represents [REDACTED] of the calls and revenues presented in Table 3 in my June 15th letter, with the further revision to include only the first two quarters worth of data for 2000. The first two quarters worth of data for 2000 was presented in Table 2 in my June 15th letter, since the 503 screen code was fixed mid-year.

Table 5: 503 Screen Code Forecast for 1998, 1999, and 2000

	Total Calls	Business Calls	Consumer Calls	Total Surcharges	Business Surcharges	Consumer Surcharges
1998	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1999	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2000	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Totals	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Taking the data in Chart 5 and factoring in interest through the end of December 2001, results in the following interest calculation:

Table 6: Surcharges Plus Interest

	Total Surcharges Before Interest	Surcharges Plus Interest Through Dec. 31, 2001
1998	[REDACTED]	[REDACTED]
1999	[REDACTED]	[REDACTED]
2000	[REDACTED]	[REDACTED]
Totals	[REDACTED]	[REDACTED]

Mr. Ray Kennedy
November 8, 2001
Page 3

CONFIDENTIAL & PROPRIETARY

AT&T wishes to emphasize that the assumptions underlying this calculation have been construed to the benefit of the customers. Thus, AT&T believes that these amounts probably overstate the amount of the surcharges that might be associated with the 503 screen code problem. However, in fairness, we have undertaken this analysis to ensure that any potential amounts associated with the 503 screen code problem have been accounted for.

In connection with the payphone surcharge problem not associated with the 503 screen code issue, all of the information available suggests that the problem experienced by those who complained was very limited and very isolated, both in geographic scope and time. The only two places in the entire state where customers experienced this problem were Tallahassee and St. George Island prior to 2001. From our discussions with the local exchange companies as well as internal AT&T discussions, the affected locations have long since been corrected. In addition, we have contacted the affected customers to make direct refunds, which have been completed or which are in process. Further, from our discussions with some of the customers, they have not experienced any other such surcharge billings from those locations or any other location. To confirm this information, we have conducted additional test calls – those completed indicate no further surcharges, and we will advise the Commission when the remaining data is in. In short, there is simply no evidence to indicate a widespread or continuing problem beyond that which these individual customers reported.

In view of the lack of any evidence that the problem complained of in Tallahassee and St. George Island is any larger than that actually complained of, and recognizing that we are in the process of issues credits and refunds, we believe it would be inappropriate to offer a specific refund associated with this issue. However, in recognition that there is a remote possibility that someone may have experienced such a problem and did not make a complaint, AT&T is not opposed to a nominal amount for settlement purposes. For example, the total number calls for which we have complaints is less than 100. At \$.30 per call, that is less than \$30.00. Assuming that there were 10,000 calls, and there is no such evidence, that would still be only \$3,000.

Accordingly, for settlement purposes only, AT&T would propose to make a total settlement of both matters for \$135,000. As was indicated in the June 15th proposal, AT&T would propose that the settlement amount would be undertaken in a one time, lump sum payment to the State of Florida as directed by the Commission. Based upon this approach and Commission approval of this plan in December 2001, AT&T is assuming that such payment would occur in January 2002 when the Commission's order approving the settlement would become final. In view of the particular facts associated with this matter, we believe no other fines or penalties are appropriate.

As we indicated in the June 15th letter, AT&T recognizes that the Commission's preferred method of returning revenues to customers is by a direct refund to the

Mr. Ray Kennedy
November 8, 2001
Page 4

CONFIDENTIAL & PROPRIETARY

customers affected. In this particular situation, such a refund is impractical, excessively burdensome, and prohibitively expensive. The detailed call information back to 1998 is not available, so it is not possible to identify the customers that originated these calls except for those that have already been resolved. Moreover, assuming the specific customers could be identified, many of these customers would need to be refunded back through the applicable local exchange company that billed them in the first place. Such LEC billing would require special processes to identify and credit the customers; based on our prior experience such a refund could cost more than the amount to be returned. In addition, given the fact that some of these calls were made as early as early 1998, the process of actually finding each person becomes more problematic. We know from prior direct refunds that upwards of 50% of the money would not be returnable to the affected customers because they have moved, changed their numbers, or are otherwise no longer reachable. Therefore, AT&T believes that the most appropriate means of resolving this matter quickly and without any further delay would be by the lump sum payment outlined above.

Likewise, under these circumstances a prospective rate reduction also is impractical and complicated to implement. Because of the changing nature of the payphone market, in this situation it is not possible to reliably predict future call volumes in a manner that could ensure the complete discharge of the settlement amount in the time predicted. Moreover, the data on compensable calls is always in arrears, and it would not be possible to reliably track call volumes and the discharge of the settlement amount. The result would most likely be an under-refund or an over-refund. The data presently available indicates that if AT&T eliminated the payphone surcharge that it would take in the range of 2 years or more, depending upon the refund approach, to discharge the settlement amount, without factoring in any additional interest for such a lengthy refund period. These problems with a direct refund present an element of uncertainty that is or should be unacceptable to all involved.

AT&T believes that this amount should more than account for any variance in the forecast data as well as the application of interest. In addition, because of the further investigations, we know that the 503 screen problem has been resolved and corrected for a considerable period of time, thus requiring no further action. As for the non-503 problem, this problem has also been fully corrected and resolved, both as to the systems and the customers. If in the future the Commission receives any further complaints or inquires associated with the imposition of the payphone surcharge at nonpayphones, AT&T would propose to handle this through the usual complaint resolution process. As I indicated in my June 15th letter, when we identify locations with screen code problems, AT&T notifies the affected LECs so that the screen code records can be investigated and corrected. AT&T pledges to continue this process and cooperate with the Commission in the event such complaints prove continuing or suggestive of other problems.

AT&T makes this offer solely in connection with its effort to settle and resolve this investigation, and it may not be used for any other purpose. AT&T does not admit to any wrongdoing, and submission of this proposal and its acceptance by the Commission

Mr. Ray Kennedy
November 8, 2001
Page 5

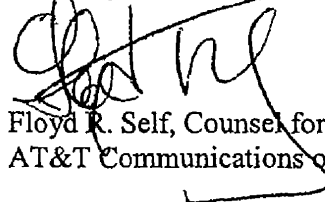
CONFIDENTIAL & PROPRIETARY

shall not be construed as any admission of liability on the part of AT&T or any of its agents, employees, officers, or affiliates. AT&T fully reserves all of its rights, positions, and arguments if this proposal is not accepted and approved by the Commission and incorporated into a final order in accordance with its terms. On the basis of this offer, AT&T withdraws its offer of June 15, 2001.

This proposal shall be valid and binding upon AT&T only to the extent it is adopted in its entirety as presented to the Commission. If this proposal is accepted by the Commission, then AT&T shall not request reconsideration or appeal of the order of the Commission approving this proposal in accordance with its terms.

If you wish to further discuss this matter or require any additional information, please let me know.

Sincerely,



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

Cc: Mr. Jim Endres
Division of Records and Reporting