



ORIGINAL

AT&T Nevada
645 E. Plum
PO Box 110
Reno, NV 8



2802

April 12, 2007

Via Overnight Mail

Docket Control Center
ARIZONA CORPORATION COMMISSION
1200 W. Washington Street
Phoenix, AZ 85007

Re: Application of AT&T Communications of the Mountain States, Inc. for a
Maximum Tariff Rate Increase (Docket No. T-02428A-06-0784)

Enclosed please find an original and 13 copies of the individual objections and
responses of AT&T Corporation of the Mountain States, Inc. (AT&T) to Staff's First
Set of Data Requests dated March 26, 2007 in the above-referenced proceeding.

On March 28th, Michael Grant and Pamela Genung agreed to an extension until
April 13, 2007 for AT&T to respond.

Please contact me if you have any questions or need additional information.

Sincerely,

Janice L. Ono
Associate Director - Regulatory

Enclosures

cc: Pamela Genung (*via email and Overnight Mail*)

Arizona Corporation Commission
DOCKETED
APR 13 2007

DOCKETED BY	
-------------	--

AZ CORP COMMISSION
DOCUMENT CONTROL

2007 APR 13 P 12:16

RECEIVED

- Question: In Exhibit 4 of this filing, three tariff pages are included with changes represented on each. Staff is unable to correctly determine which AT&T tariff will be affected by these changes. The AT&T company name is incomplete in the upper left corner on each page. The tariff name, state name, page number, release number, issued date, and effective date are missing from each revised page.
- a. Please provide Staff with revised tariff pages that include the missing information mentioned above in PJG 1-1.
 - b. Please provide Staff with copies of the current tariff pages that are being revised.

Response: The original pages submitted had certain language that appeared in red, which may have been difficult to read on sheets printed on a black and white printer or copier. Attached are revised pages that should be easier to read.

Response to A. See attached document "Attachment RFI PJG1-1(A) Exhibit 4.pdf" – Exhibit 4 tariff sheets Prepaid Phone Service.

Response to B. See attached document "Attachment RFI PJG1-1(B) Current Tariff.pdf" – Current tariff pages for Prepaid Phone Service.

Response to B. See attached document "Attachment RFI PJG1-1(B) Price List.pdf" – Current tariff Price List page for Prepaid Phone Service.

Responsible Person: Paul Nelson
Area Manager - Tariff Administration State Regulatory Operations
AT&T Services, Inc.

Response to RFI No. PJG1-1 (A)

Exhibit 4 Tariff Sheets for Prepaid Phone Service

SECTION 6 - PREPAID PHONE SERVICE (Cont'd)

6.1.1 Rates and Charges

When sold directly by AT&T, price points for AT&T Branded Prepaid Phone Cards are established by AT&T. When sold by retailers, price points for Prepaid Phone Cards are established by the retailer. Prices for cards sold by retailers are prominently displayed on the card or otherwise clearly provided to the customer. Prices for cards sold directly by AT&T are fully disclosed to purchasers prior to and at the time of sale. The price points do not include any sales tax and may not include other fees and charges that may apply to the transaction at point of purchase.

AT&T Branded Prepaid Phone Cards - Minute/Unit based cards are available in various denominations up to 1200 interstate minutes/units per card, or as otherwise specified by AT&T. Dollar based cards are available in various denominations up to \$100.00, or as otherwise specified by AT&T. AT&T Branded Prepaid Cards, as well as recharged minutes or dollar value of service on these cards, will have a maximum per minute interstate price not greater than 25¢ unless purchased from a vending machine or at a terminal or transportation center, in which case the maximum per minute interstate price will not be greater than 99¢. In-state calls made with AT&T Branded Prepaid Phone Cards may be decremented up to a maximum⁽¹⁾ twenty-four minutes/units per minute of talk time. AT&T Branded Prepaid Phone Cards may have an expiration date, as disclosed on the card and/or in the marketing material. AT&T Branded Prepaid Phone Cards may be rechargeable as disclosed on the card and/or in the marketing material. If rechargeable, a recharge convenience fee of up to a maximum of 15% of the recharge amount applies.

SmarTalk Prepaid Phone Cards and Prepaid Phone Cards where service is provided by ConQuest - Minute/Unit based cards are available in various denominations up to 1200 interstate minutes/units per card, and Dollar based cards are available in various denominations up to \$100.00, or as otherwise specified. These cards will have a maximum per minute interstate price, exclusive of surcharges, not greater than \$0.25 unless purchased from a vending machine or at a terminal or transportation center, in which case the maximum per minute interstate price, exclusive of surcharges, will not be greater than 99¢. The following charges will be applied against calls made with a PenniesRule! SmarTalk Prepaid Phone Card: a 79¢ first minute surcharge for calls within the U.S., and a weekly fee of 12¢ beginning 7 days after first use. The following charges will be applied against calls made with a Habla a Mexico SmarTalk Prepaid Phone Card: a weekly maintenance fee of 95¢ after the first call is made, a 30% communication fee of the total value of the call, after each call, and calls more than 15 minutes are charged 50¢.

(T)

(R)

(N)

|

(N)

Note 1: See Price List for current rates.

SECTION 6 - PREPAID PHONE SERVICE (Cont'd)

6.1.1 Rates and Charges (Cont'd)

A first minute surcharge of up to \$3.00 will apply to World Touch (T)
SmarTalk Prepaid Phone Cards. SmarTalk and Prepaid Phone Cards (T)
where service is provided by ConQuest are not rechargeable unless
otherwise expressly stated on the card or packaging. If
rechargeable, a recharge convenience fee of up to a maximum of 15%
of the recharge amount applies. SmarTalk Prepaid Phone Cards and
Prepaid Phone Cards where service is provided by ConQuest may have
an expiration date as disclosed on the card and/or in the marketing
material. In-state calls made with cards purchased from a vending (T)
machine or at a terminal or transportation center will be
decremented one minute/unit for each minute of talk time. All (T)
other SmarTalk and Prepaid Phone Cards where service is provided by (T)
ConQuest may be decremented up to a maximum⁽¹⁾ twenty-four (C)
minutes/units of talk time for in-state calls.

Directory Assistance is available only through the AT&T Prepaid
Phone Service platform and is only available for domestic directory
assistance requests. Directory assistance requests will have a
maximum⁽¹⁾ of not greater than 180 minutes/units for Minute/Unit
based cards or \$9.00 for dollar based cards per request. An
announcement will provide the charge for directory assistance prior
to connecting the call.

The U.S. Public Payphone Surcharge applies when a Prepaid Phone
Card is used to place a call from a U.S. public or semi-public
payphone.

Note 1: See Price List for current rates.

SECTION 6 PREPAID PHONE SERVICE

6.1.1 Rates and Charges

In-state calls made with AT&T Branded Prepaid Phone Cards-

- decremented up to five minutes/units per minute of talk time (R)

In-state calls made with SmarTalk Prepaid Phone Cards and Prepaid Phone Cards where service is provided by ConQuest-

- decremented up to five minutes/units per minute of talk time (I)

Directory assistance requests-

minute/unit based cards not to exceed 40 minutes/units (T)

dollar based cards \$5.00

Response to RFI No. PJG1-1 (B)

Current Tariff Pages for Prepaid Phone Service

SECTION 6 - PREPAID PHONE SERVICE (Cont'd)

(T)

6.1.1 Rates and Charges

When sold directly by AT&T, price points for AT&T Branded Prepaid Phone Cards are established by AT&T. When sold by retailers, price points for Prepaid Phone Cards are established by the retailer. Prices for cards sold by retailers are prominently displayed on the card or otherwise clearly provided to the customer. Prices for cards sold directly by AT&T are fully disclosed to purchasers prior to and at the time of sale. The price points do not include any sales tax and may not include other fees and charges that may apply to the transaction at point of purchase.

(T)

(D)

(D)

AT&T Branded Prepaid Phone Cards - Minute/Unit based cards are available in various denominations up to 1200 interstate minutes/units per card, or as otherwise specified by AT&T. Dollar based cards are available in various denominations up to \$100.00, or as otherwise specified by AT&T. AT&T Branded Prepaid Cards, as well as recharged minutes or dollar value of service on these cards, will have a maximum per minute interstate price not greater than 25¢ unless purchased from a vending machine or at a terminal or transportation center, in which case the maximum per minute interstate price will not be greater than 99¢. In-state calls made with AT&T Branded Prepaid Phone Cards may be decremented up to a maximum⁽¹⁾ twenty-four minutes/units per minute of talk time. AT&T Branded Prepaid Phone Cards may have an expiration date, as disclosed on the card and/or in the marketing material. AT&T Branded Prepaid Phone Cards may be rechargeable as disclosed on the card and/or in the marketing material. If rechargeable, a recharge convenience fee of up to a maximum of 15% of the recharge amount applies.

(T)

(T)

(T)

SmarTalk Prepaid Phone Cards and Prepaid Phone Cards where service is provided by ConQuest - Minute/Unit based cards are available in various denominations ranging up to 1200 interstate minutes/units per card, and Dollar based cards are available in various denominations up to \$100.00, or as otherwise specified. These cards will have a maximum per minute interstate price not greater than \$1.99. The following charges will be applied against calls made with a PenniesRule! SmarTalk Prepaid Phone Card: a 79¢ first minute surcharge for calls within the U.S., and a weekly fee of 12¢ beginning 7 days after first use. The following charges will be applied against calls made with a Habla a Mexico SmarTalk Prepaid Phone Card: a weekly maintenance fee of 95¢ after the first call is made, a 30% communication fee of the total value of the call, after each call, and calls more than 15 minutes are charged 50¢.

(T)

(T)

(T)

Note 1: See Price List for current rates.

SECTION 6 - PREPAID PHONE SERVICE (Cont'd)

(T)

6.1.1 Rates and Charges (Cont'd)

A first minute surcharge of up to \$3.00 will apply to SmarTalk World Touch prepaid cards. SmarTalk and Prepaid Phone Cards and Prepaid Phone Cards where service is provided by ConQuest are not rechargeable unless otherwise expressly stated on the card or packaging. If rechargeable, a recharge convenience fee of up to a maximum of 15% of the recharge amount applies. SmarTalk Prepaid Phone Cards and Prepaid Phone Cards where service is provided by ConQuest may have an expiration date as disclosed on the card and/or in the marketing material. In-state calls made with these cards will be decremented a maximum⁽¹⁾ of three minutes/unit for each minute of talk time.

(T)

(T)

(T)

(T)

Directory Assistance is available only through the AT&T Prepaid Phone Service platform and is only available for domestic directory assistance requests. Directory assistance requests will have a maximum⁽¹⁾ of not greater than 180 minutes/units for Minute/Unit based cards or \$9.00 for dollar based cards per request. An announcement will provide the charge for directory assistance prior to connecting the call.

(T)

(T)

The U.S. Public Payphone Surcharge applies when a Prepaid Phone Card is used to place a call from a U.S. public or semi-public payphone.

(T)

(T)

Note 1: See Price List for current rates.

Response to RFI No. PJG1-1 (B)

Current Price List Pages for Prepaid Phone Service

SECTION 6 PREPAID PHONE SERVICE

(T)

6.1.1 Rates and Charges

In-state calls made with AT&T Branded Prepaid Phone Cards-

- decremented up to eight minutes/units per minute of talk time

In-state calls made with SmarTalk Prepaid Phone Cards and Prepaid
Phone Cards where service is provided by ConQuest-

(T)

(T)

- decremented one minute/unit for each minute of talk time

Directory assistance requests-

minute/unit based cards not greater than 40 minutes/units

(R)

dollar based cards \$5.00

(I)

Question: In AT&T's Application, on page 3, footnote 6 makes reference to the "older AT&T cards that had a one-to-one ratio for minutes and decrements for all in-state calls". Please provide the number of customers or cards that are currently impacted by this reference.

Response: Prepaid Card is a non-subscriber service. Millions of cards are sold annually by AT&T. One individual or company may purchase multiple cards during a year. Also, the cards do not have expiration dates. Some cards that were sold have never been used and therefore may have discarded or destroyed. As such it is impossible to determine the number of customers and cards that are covered by the grandfathered language quoted above.

All cards that do not have the higher in-state rates disclosed on the packaging or card itself will continue to have a one-to-one ratio on in-state calls for all minutes contained on the card at the time of purchase.

Responsible Person: Michael J. Jagacki
Director – Sales Operations
Consumer Distribution
AT&T Operations, Inc.

Question: In AT&T's Application, on page 4, line 3, footnote 8 indicates that the Interactive Voice Response ("IVR") will advise customers that AT&T's recharge minutes are now subject to higher in-state rates. Please explain whether the IVR system is able to recognize and provide a response to any other languages besides English. If the IVR can recognize and respond to other languages besides English, please specify which languages.

Response: The Prepaid Phone Cards are printed in specific languages (primarily English and Spanish) based on the targeted customer base. When a customer calls the 800 number listed on the particular card purchased, the customer has the option for English or, if the card is printed in another language, for that non-English language (e.g., Japanese or Spanish).

Responsible Person: Nada Carrigan
Senior Product Marketing Manager
Consumer Marketing
AT&T Operations, Inc.

Question: Are the SmarTalk Prepaid Phone Cards and Prepaid Phone Cards marketed to a specific nationality or nationalities of customers? If so, please identify those groups.

Response: The vast majority of cards are not marketed to specific nationalities. Some cards, *i.e.* the SmarTalk "Habla a Mexico" card, are marketed to Hispanic nationalities.

Responsible Person: Michael J. Jagacki
Director – Sales Operations
Consumer Distribution
AT&T Operations, Inc.

Question: In AT&T's Application, on page 4, lines 11-12, AT&T has stated that the total revenue impact will actually be an overall revenue reduction. Please provide the amount of the overall revenue reduction that AT&T expects to encounter if the increase is approved by the ACC. Please provide calculations and data used in arriving at your conclusion.

Response: This application is not being filed for the purpose of increasing total revenues, instead it being filed to more closely standardize the price points and the maximum rates for the AT&T branded cards and ConQuest and SmarTalk cards. Thus, no precise amount has been calculated by AT&T regarding the impact of increasing the maximum rate of SmarTalk to 24 decrements and a price point of 5 decrements for in-state calls in Arizona while at the same time reducing the price point of AT&T branded cards down to 5 decrements for in-state calls in Arizona. However, the above statement is accurate because over 99.9% of AT&T Prepaid Card revenue comes from AT&T branded cards (as opposed to the SmarTalk and ConQuest cards).

Thus, assuming a \$100.00 of average revenue from the two types prepaid cards based on the percentages of deployment of the two cards, the following calculations illustrate the net impact to AT&T of the rate changes:

Revenue from AT&T cards:	$\$100 \times 99.9\% = \99.90
Revenue from SmarTalk & ConQuest cards:	$\$100 \times 0.1\% = \0.10
AT&T card reduction from 8 to 5 minutes:	Equals a 37.5% price decrease
ST and CQ increase from 1 to 3 minutes:	Equals a 300% price increase
$\$99.90$ reduced by 37.5% =	\$62.44
$\$.10$ increased by 300% =	\$.30
Total revenue reduced from \$100.00 to \$62.74	

Responsible Person: Michael J. Jagacki
Director - Sales Operations
Consumer Distribution
AT&T Operations, Inc.

- Question: Is there a cost based justification for the rate increase to the SmarTalk cards? (*i.e.*, is the rate increase necessary to account for a change in your costs)? If yes, please describe the change in your costs. Provide calculations and data to support your cost justification.
- Objection: The requested information is confidential and therefore AT&T produces the information subject to the terms of the Protective Agreement executed by the parties. The information that AT&T is claiming as confidential is identified as follows: “***XXXX***”.
- Response: In June 2006, the Federal Communications Commission ruled that Enhanced Prepaid Phone Service should be treated as a basic telecommunication service as opposed to an information service. As such, the service is subject to jurisdictional access charges. In Arizona, intrastate access rates charged by many local service providers, particularly rural telephone companies and competitive local exchange carriers, are significantly higher than the average interstate access rates. In particular, the blended average intra-state access rate charged to AT&T for its prepaid card traffic by Arizona local exchange carriers is over ***confidential*** per minute. This is compared to a blended cost of approximately ***confidential*** per inter-state minute. Thus, the proposed decrement level of 5 decrements is aimed at recovering a portion of the margin lost on the card for in-state calling versus interstate calling due to the higher in-state access rates.

Responsible Person: Michael J. Jagacki
Director – Sales Operations
Consumer Distribution
AT&T Operations, Inc.

INFORMATION ON THIS PAGE HAS BEEN REDACTED

Question: On the first tariff page in Exhibit 4, identified as Section 6 - Prepaid Phone Service (Cont'd), at 6.1.1 Rates and Charges, in the third paragraph new language is being added as indicated in the right margin. The language identified states "the following charges will be applied against calls made with a PenniesRule! SmarTalk Prepaid Phone Card: a 79 cents first minute surcharge for calls within the U.S., and a weekly fee of 12 cents beginning 7 days after use." Please further explain how the language identified as new is different from the current language in Section 6, page 2, at 6.1.1 Rates and Charges in AT&T's Telecommunications Services Tariff, if this is the correct tariff that changes are being made.

Response: Exhibit 4, Section 6 Sheet 2 Release 5 shows, "The following charges will be applied against calls made with a PenniesRule! SmarTalk Prepaid Phone Card: a 79¢ first minute surcharge for calls within the U.S., and a weekly fee of 12¢ beginning 7 days after first use," in paragraph 3, as new language. The margin designation was marking the wrong sentence. Nothing was added to or changed in this sentence. The new designation was meant for the sentence above that originally read: "These cards will have a maximum per minute interstate price not greater than \$1.99. New language was added which made the sentence read: "These cards will have a maximum per minute interstate price, exclusive of surcharges, not greater than \$0.25 unless purchased from a vending machine or at a terminal or transportation center, in which case the maximum per minute interstate price, exclusive of surcharges, will not be greater that \$0.99.

Responsible Person: Paul Nelson
Area Manager - Tariff Administration State Regulatory Operations
AT&T Services, Inc.

Question: On the second tariff page in Exhibit 4, identified as Section 6 - Prepaid Phone Service (Cont'd), at 6.1.1 Rates and Charges (Cont'd), in the first paragraph a new sentence is being added that states, "in-state calls made with cards purchased from a vending machine or at a terminal or transportation center will be decremented one minute/unit for each minute of talk time." Please clarify whether the one minute/unit for each minute of talk time is in addition to the five minutes/units per minute of talk time as indicated on the third tariff page in Exhibit 4, identified as Section 6 - Prepaid Phone Service, at 6.1.1 Rates and Charges, if the SmarTalk Prepaid Phone Card or Prepaid Phone Card is purchased from a vending machine or at a terminal or transportation center.

Response: The simple answer to the question is no. The 5:1 decrement is not added to the 1:1. We are not applying the multi-decremented in-state rates on any cards sold through a vending machine or at a terminal or transportation center. So vended cards will continue to be decremented at 1:1 and the in-state 5:1 decrement applies to all other cards. This distinction is stated on page 2 of the tariff.

The rationale for the distinction for cards sold at vending machines and transportation centers is that such cards are typically priced at levels substantially higher than similar cards sold at stores (such as Sam's or at a grocery store counter). Thus, given AT&T's margin on those cards it is not necessary to insist upon the 5:1 decrement for in-state calls.

Responsible Person: Michael J. Jagacki
Director - Sales Operations
Consumer Distribution
AT&T Operations, Inc.

Question: Please explain how the Company believes its proposed rate increase compares to those of similar services offered by its competitors. List three companies that are your competitors in Arizona. For each of the competitors identify the services that are comparable to your services in which the Company proposes to increase the rates. Also, furnish the source(s)/information of each in making this comparison (i.e. URL address, link or print computer document(s)).

Response: AT&T markets and sells its prepaid cards primarily through national retailers. We do not know who our major competitors are in Arizona. However, nationwide, the companies that appear to sell the most prepaid phone cards and thus AT&T's competitors are Verizon, Sprint, and IDT.

Based on sales volumes, AT&T believes that its cards are priced very competitively; however, it has not compiled data on the rates charged for other carriers for prepaid phone cards in Arizona. Also, the rates charged for the cards of the same carrier may vary depending on the retailer who sells the card.

Responsible Person: Michael J. Jagacki
Director – Sales Operations
Consumer Distribution
AT&T Operations, Inc.

Question: Please explain if the services impacted by the rate increase are being enhanced with new or additional features.

Response: No.

Responsible Person: Michael J. Jagacki
Director – Sales Operations
Consumer Distribution
AT&T Operations, Inc.

Question: Please explain when the maximum and current rate per minute of talk time for in-state calls made with SmarTalk Prepaid Phone Cards and Prepaid Phone Cards were previously increased.

Response: Subsequent to the FCC's June 2006 order (effective 10/31/06), original tariffs were filed for AT&T branded prepaid phone cards and for the SmarTalk and ConQuest Prepaid Phone Cards. Thus, the subject filing contains the first maximum rate and price changes since the original tariff sheets were filed. See, the response to PJG1-12 that lists the initial rates that became effective 10/31/06 and proposed maximum rates and prices that are the subject of this filing.

Responsible Person: Michael J. Jagacki
Director – Sales Operations
Consumer Distribution
AT&T Operations, Inc.

Question: Please confirm or correct the existing Actual and Maximum rate per minute of talk time for in-state calls made with SmarTalk Prepaid Phone Cards and Prepaid Phone Cards that the Company proposes to increase.

Response: See chart as follows:

Plan	Existing Maximum Rate	Proposed New Maximum Rate	Existing Price	Proposed New Price
AT&T branded prepaid cards	24 decrements	24 decrements	Up to 8 decrements	Up to 5 decrements
SmarTalk and cards where service is provided by ConQuest	3 decrements	24 decrements	1 decrements	Up to 5 decrements

Responsible Person: Michael J. Jagacki
Director – Sales Operations
Consumer Distribution
AT&T Operations, Inc.

Question: For each service with an associated per minute of talk time rate for in-state calls made with SmarTalk Prepaid Phone Cards and Prepaid Phone Cards that the Company proposes to increase, please provide:

- the number of customers impacted (please provide a reasonable range or estimate)
- the total annualized revenue associated with all customers under the existing current and maximum rates (please provide a reasonable range or estimate)
- the total annualized revenue associated with all customers under the proposed current and maximum rates (please provide a reasonable range or estimate)

Response: Prepaid Cards are a non-subscriber service. As such, AT&T does not know how many customers are impacted by this action. However, less than one-tenth of one percent of all domestic prepaid card calls are made on SmarTalk and ConQuest prepaid cards. The total annualized revenue from Arizona in-state calls made with SmarTalk and ConQuest cards is less than \$1,000.00 under the current rate structure. Also see responses to RFI No. PJG1-2 and RFI No. PJG1-5.

Responsible Person: Michael J. Jagacki
Director – Sales Operations
Consumer Distribution
AT&T Operations, Inc.

Question: Please explain if the expected effect of this filing on the Company's Arizona revenues is less than 1 percent, from 1 to 5 percent, etc.

Response: The effect of this filing on revenue is less than 1%.

Responsible Person: Michael J. Jagacki
Director – Sales Operations
Consumer Distribution
AT&T Operations, Inc.

Question: Is the proposed rate increase per minute of talk time for in-state calls made with SmarTalk Prepaid Phone Cards and Prepaid Phone Cards in Arizona the same charge as those charged by the Company in other states? If not, please explain. Is the proposed rate increase per minute of talk time for in-state calls made with SmarTalk Prepaid Phone Cards and Prepaid Phone Cards in Arizona a nationwide change? If not, please explain.

Response: No. While some states stayed at 1:1 decrement if intrastate access rates charged by local service providers in those states were closely equivalent to the average interstate access rates charged by local service providers nationwide, in other states, the decrements rates for in-state calls changed from 1:3, 1:5, or 1:8 for states where the intrastate access fees were higher than interstate access fees. Specifically, the current decrement levels are as follows:

- Eight units for each minute of talk time for the following states: Missouri, New Mexico, North Dakota, and South Dakota.
- Five units for each minute of talk time for the following states: Alaska, Arizona, Colorado, Florida, Idaho, Iowa, Minnesota, Montana, New Hampshire, North Carolina, Oklahoma, Pennsylvania, Texas, Vermont, Virginia, Washington, and Wyoming.
- Three units for each minute of talk time for the following states: Alabama, Arkansas, California, Connecticut, Delaware, Georgia, Hawaii, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Mississippi, Nebraska, New Jersey, Nevada, New York, Ohio, Oregon, Puerto Rico, South Carolina, Tennessee, Utah, West Virginia, and Wisconsin.
- One unit for each minute of talk time for the following states: Illinois, Indiana, Massachusetts, Rhode Island, U.S. Virgin Islands, and Washington DC.

Responsible Person: Paul Nelson
Area Manager - Tariff Administration State Regulatory Operations
AT&T Services, Inc.

Question: How much annual customer revenue does the Company estimate that it will derive from the proposed rate increase?

Response: AT&T estimates that it may derive less than \$4,000 in additional revenue from the proposed price increase for the SmarTalk and ConQuest cards assuming that current usage of the SmarTalk and ConQuest cards remains constant. This additional revenue projection does not reflect the simultaneous revenue decrease associated with reducing the current decrement ratio for AT&T branded cards down from 8:1 to 5:1. The overall impact of both price changes identified in its application is a revenue decrease.

Responsible Person: Michael J. Jagacki
Director – Sales Operations
Consumer Distribution
AT&T Operations, Inc.

Question: In which States does the Company have the proposed rate increase implemented?
For States in which the Company has the proposed rate increase implemented, please provide the dates when those tariffs were approved.

Response: Please see as follows:

1. AK-No state tariff;
2. AL- effective 1/10/07(detariffed) ¹;
3. AR-effective 1/10/07;
4. AZ-pending;
5. CA-effective 1/10/07;
6. CO-effective 1/10/07(detariffed) ¹;
7. CT-effective 1/10/07;
8. DE-effective 1/10/07;
9. FL-effective 2/13/07;
10. GA-not increased to new levels;
11. HI-effective 1/10/07;
12. IA-effective 1/10/07; (detariffed) ¹;
13. ID-effective 1/10/07; IL-effective 1/10/07;
14. IN-effective 1/10/07;
15. KS-effective 1/10/07;
16. LA-effective 3/24/07;
17. MA-effective 1/10/07;
18. MD-effective 1/10/07;
19. ME-effective 2/23/07 retro-active to 10/31/06;
20. MI-effective 1/10/07;
21. MN-effective 1/10/07;
22. MO- No rate change;
23. MT-effective 1/10/07;
24. NC-effective 1/10/07 (Detariffed) ¹;
25. ND-effective 1/10/07;
26. NE-effective 1/10/07;
27. NH-effective 1/10/07;
28. NJ-effective 1/10/07;
29. NM-1/10/07; NV-1/10/07(Detariffed) ¹;
30. NY-effective 1/10/07;
31. OH-No rate change;
32. OK-effective 1/10/07;
33. OR-effective 1/10/07(Detariffed) ¹;
34. PA-effective 1/10/07;
35. PR-effective 1/10/07;
36. RI-effective 1/10/07;
37. SC-effective 2/19/07;
38. SD-effective 1/10/07;
39. TN-effective 3/18/07;
40. TX-1/10/07;
41. UT-effective 1/10/07;
42. VA-No rate change;

Arizona Docket No. T-02428A-06-0784
Arizona Corporation Commission
Request No. 1
RFI No. PJG1-17 (con't)

- 43. VT-effective 1/10/07;
- 44. WA-effective 1/10/07(detariffed) ¹;
- 45. Washington DC-no state tariff
- 46. WI-effective 1/10/07;
- 47. WV-effective 1/10/07;
- 48. WY-effective 1/10/07

Note 1: Detariffed states covered under the Consumer Service Guide.

Responsible Person: Paul Nelson
Area Manager - Tariff Administration State Regulatory Operations
AT&T Services, Inc.

Question: In which States, other than Arizona, does AT&T have tariffs pending for the proposed rate increase?

Response: There are no state tariffs pending, other than Arizona.

Responsible Person: Paul Nelson
Area Manager - Tariff Administration State Regulatory Operations
AT&T Services, Inc.

Question: Is AT&T in full compliance with all Commission's Decisions, reporting requirements (i.e. Annual Report, filing of Diversification Activities and Plans, Accident Reports, etc.), and addressed all Consumer inquiries and/or complaints in the Utilities Division?

Response: For 2006, AT&T Communications of the Mountain States, Inc. is filing its annual reports on April 13, 2007, and is thus current with all known reporting obligations. There are no outstanding consumer inquiries or consumer complaints pending at the Utilities Division.

Responsible Person: Janice Ono
Associate Director – State Regulatory
AT&T Services, Inc.

Question: Is AT&T in "Good Standing" with the Corporations Division of the Arizona Corporation Commission?

Response: Yes

Responsible Person: Janice Ono
Associate Director – State Regulatory
AT&T Services, Inc.

Question: Please indicate AT&T's fair value rate base, the value of all assets under Arizona's jurisdiction.

Objection: The requested information is confidential and therefore AT&T produces the information subject to the terms of the Protective Agreement executed by the parties. The information that AT&T is claiming as confidential is identified as follows: "***XXXX***".

Response: AT&T Communications of the Mountain States, Inc., does not keep records of the "fair value rate base" of its assets that it uses to provide telecommunications services in Arizona. Therefore, the information, as requested, does not exist and is not readily available for production. However, AT&T does keep track, as required for tax reporting purposes, the book value of its assets (*i.e.*, the original cost of assets, accumulated depreciation, etc.) in Arizona. These asset values are booked and, as necessary, restated to fair value to comply with FASB No. 144 and FASB No. 141.

As of December 31, 2006, the gross total state plant investment and total state accumulated depreciation balances are *** confidential*** and ***confidential***, respectively.

Responsible Person: James F. Dionne
Chief Financial Officer
AT&T Communications of the Mountain States, Inc.

Question: Did you provide 60 days notice to affected customers of the proposed tariff changes as required in R14-2-504 (B) (2.)?

Response: Yes, at least 60 days notice was provided for the proposed tariff changes. The actual identity of the users of this non-subscriber service is not known. Therefore, a tombstone notice was published on January 5, 2007. See Margaret M. Anderson's affidavit filed with the Commission on January 23, 2007. Also, potential buyers of the card are notified of pricing at the point of sale.

Responsible Person: Nada Carrigan
Senior Product Marketing Manager
Consumer Marketing
AT&T Operations, Inc.

Question: Please indicate whether AT&T currently has a performance bond in Arizona. If so, what is the amount of the performance bond?

Response: AT&T Communications of the Mountain State, Inc. secured Bond No. 104656728 in the amount of \$200,000 on December 13, 2005. In addition, TCG Phoenix secured bond no. 104656729 in the amount of \$200,000 on December 13, 2005.

Responsible Person: Sharon L. Mullin
Director-External Affairs
AT&T Services, Inc.