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AT&T CORP COMMISSION  
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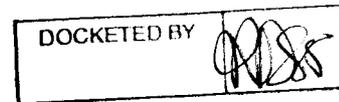
December 28 2009

Ms. Kimberly Battista  
Compliance Section, Utilities Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

Arizona Corporation Commission  
**DOCKETED**

DEC 30 2009

Re:



AT&T and BellSouth Merger- Consumer Benefits Report  
Decision No. 68865, Docket No. T-02428A-06-0203  
T-03016A-06-0203, T-03116A-06-0203, T-03287A-06-0203, T-03346A-06-0203

Dear Ms. Battista:

On behalf of the certificated local and interexchange carriers doing business in Arizona that are subsidiaries of AT&T Inc. (collectively referred to as "AT&T"), the purpose of this letter is to provide the Consumer Benefits Report as required by the Opinion and Orders of this Commission that approved the merger of AT&T Corporation and SBC Communications Inc.,<sup>1</sup> and the merger of AT&T Corporation and BellSouth Corporation.<sup>2</sup>

**Consumer Benefits Report Requirement**

In its *AT&T / SBC AZ Merger Order*, the Commission required that an annual report be filed with the Compliance Section on or before December 31, 2006 and, thereafter for four years following the merger:

<sup>1</sup> *In the Matter of the Joint Notice of Intent by SBC Communications Inc. and AT&T Corporation*, Decision No. 68269, Docket Nos. T-03346A-05-0149, et al ("AT&T / SBC AZ Merger Order").

<sup>2</sup> *In the Matter of the Notice of Intent by AT&T, Inc., Pursuant to A.A.C. R14-2-803 or, Alternatively, for a Limited Waiver of the Commission's Affiliated Interest Rules*, Decision No. 68865, Docket Nos. T-02428A-06-0203, et al. ("AT&T/BellSouth Merger Order").

... detailing any cost savings that have resulted from the Merger and have been passed on to consumers; the Company's efforts to provide stand-alone DSL to the consumers of Arizona; how AT&T Labs has benefited Arizona consumers; the Company's efforts to expand its VOIP offering to Arizona consumers; and any rate reductions or increases that have been implemented by the Company.<sup>3</sup>

In its *AT&T / BellSouth AZ Merger Order*, consistent with Decision No. 68269, the Commission required that the annual report was due no later than December 31, 2006, and thereafter annually for a period of four years:

...that the newly merged company shall include the effects of the BellSouth merger in the Consumer Benefits Report required by Decision No. 68269.<sup>4</sup>

This report provides the required information to the extent that requested information is available.

#### **Cost Savings and Other Benefits Passed on to Arizona Consumers**

During 2009, AT&T has continued to make significant capital investments in its network which provide benefits to Arizona customers through AT&T's provision of high quality, competitively priced telecommunications services. In a continuing effort to address the growing demand for wireless data products and services in Arizona, AT&T added more than 90 new cell sites and upgraded more than 130 cell sites to third-generation ("3G") statewide in 2009. The 2009 expansion effort builds upon the 17 new cell sites and 106 upgrades to 3G that AT&T added in Arizona in 2008. The deployment of the 3G wireless broadband network is part of AT&T's ongoing effort to build the broadband networks that will create jobs and fuel economic growth, and enable our customers to access the content, applications and services that matter to them. The 3G network opens the door to advanced mobile services, devices and feature-rich audio and video content, such as AT&T Video Share, a technology that allows users to share live video during a wireless call. These Arizona investments are part of the \$17 to \$18 billion in total company-wide capital expenditures that AT&T announced in March 2009, with about two-thirds of that investment used to extend and enhance AT&T's wireless and wired broadband network to provide more coverage, speed and capacity. The mergers have resulted in accelerated network infrastructure improvements necessary to offer high quality and competitively priced telecommunications services to consumers in Arizona and worldwide. Expanding access to technology can play an important part in creating greater opportunities for Arizona consumers and businesses.

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<sup>3</sup> *AT&T / SBC AZ Merger Order* at pp. 16-17.

<sup>4</sup> *AT&T/BellSouth AZ Merger Order* at pp. 11.

AT&T also sought to provide a more robust wireless experience for customers as it entered into a transaction to acquire certain wireless licenses and assets of Verizon-Alltel, including those assets serving rural customers in Gila and Pinal Counties, in which AT&T had a very limited presence. Upon closure of this transaction, the customers in the impacted area will have the benefit of the enlarged in-network calling community offered by AT&T as well as the ability to roll over unused minutes to the next month, access to advanced voice and data network, and an increased availability of international roaming.

In addition to network improvements, AT&T sought opportunities and partnerships which enhance customers' lives beyond communications. For example, in March 2009, AT&T announced a new partnership with Mednet Healthcare Technologies, a provider of cardiac monitoring products. Using AT&T's 3G and Edge wireless network, Mednet's Heartrak External Cardiac Ambulatory Telemetry solution will allow doctors and patients to remotely monitor heart arrhythmia through personal mobile devices. Prior to this collaborative effort, patients using Mednet's heart monitors utilized a toll-free number and had to place their monitoring device near a landline to send a signal to a central monitoring center. Now, patient data will be automatically transmitted over the AT&T wireless network via Bluetooth-enabled mobile devices, which synchronize with the heart monitor to streamline data transfer and automatically record and send real-time patient data to a central monitoring center where physicians can access and review the data. Individuals in Arizona, or elsewhere can receive the benefit from this advancement in telehealth service.

AT&T entered into partnerships in 2009 which will provide new alternatives for electric utilities in Arizona and nationally to provide the benefits of smart grid technology to residential customers. The smart grid technology will result in beneficial cost savings for the electric utility as well as the customer. AT&T in partnership with SmartSynch delivers wireless smart metering to electric utilities, a cost-effective point-to-point model in which each electric meter communicates directly with the utility over the AT&T wireless network, thus avoiding the costs of building a private network. In addition to SmartSynch, AT&T has similar partnerships with Silver Spring to provide wireless communications for smart meter networks, Itron, a smart meter maker, and Cooper Power Systems, a distribution grid equipment maker. The IP-based smart grid model helps customers understand the economics of their consumption patterns, helps enhance reliability and energy efficiency, lowers power-line losses and provide utilities with the ability to remotely automate service, providing cost-savings for the consumer. Point-to-point communications with meters is just one of many technologies that AT&T supports as part of its smart grid initiative. AT&T offers a range of mobility products to the utility industry, including wireless solutions for field service workers, outage detection and remote monitoring. AT&T is also an underlying wireless service provider for the automated metering infrastructure to Kore Telematics in its provision of Automated Metering Services to APS in Arizona, which enables energy conservation and will allow consumers to control their own homes environment remotely.

AT&T supports Arizona communities through our philanthropic giving and volunteerism, as well as ensuring we are doing our part to protect the environment. AT&T employees in Arizona, in conjunction with OASIS, a non-profit group dedicated to enriching the lives of mature adults, conducted one-on-one training sessions with senior citizens to help them better understand how to use their wireless phones, regardless of their carrier. These sessions have been conducted in both Phoenix and Tucson.

AT&T also demonstrated its commitment to Arizona communities through its philanthropic support of several community events and organizations. AT&T's philanthropic programs have focused nationally and in Arizona on strengthening student success, high school retention and workforce readiness to combat the high dropout rates for high school students and the need for future workers to be prepared to compete in a rapidly changing, global marketplace. AT&T contributed \$35,000 to the Techathon program servicing the Boys and Girls Clubs in Arizona. Techathon is a statewide technology program for all Arizona Club members ages 6 to 18. It engages young people from traditionally underserved communities in meaningful science, technology, engineering and mathematics activities designed to help young people succeed in academics and the workforce. The AT&T Foundation contributed \$75,000 to the Congressional Hispanic Caucus Institute's Ready to Lead ("R2L") Program. R2L provides Latino high school students with the tools and training they need to prepare for post-secondary education. Last year AT&T launched AT&T Aspire, a \$100 million multi-year high school success and workforce readiness initiative, and one of the largest-ever corporate commitments to address these areas. In Arizona the Aspire program included \$3.6 million in success grants to seventeen high schools and non-profit organizations, continued participation with job shadowing events through Junior Achievement so that students can see firsthand the job skills they will need to be successful, support for dropout prevention summits through America's Promise and underwriting research entitled, "On the Front Lines of Schools" that explores the high school dropout crisis and ways to address it. As a continuation of the four-year commitment to Tempe Union High School District announced in 2008, AT&T provided a grant of \$74,375 in 2009. This grant supports the Summer Bridge program which targets at risk students with deficiencies in math, reading and writing skills that could impact their ability to complete high school successfully.

AT&T is committed to environmental sustainability and launched new initiatives in 2009. AT&T supports the recycling of cell phones at nearly 40 AT&T-owned retail locations and community locations in Arizona and through on-line efforts, in which we offer customers the ability to request that a free prepaid mailing envelope be mailed to them at home. Consumers play an important role in reducing waste and AT&T offers wireless users two ways to recycle. Through AT&T's recycling program customers are encouraged to bring unwanted wireless phones, Personal Data Assistants and accessories, regardless of the manufacturer, to AT&T-owned stores for recycling or they can download the free prepaid shipping labels from [www.att.com/recyclewireless](http://www.att.com/recyclewireless). Our recycling initiatives help protect the environment and support important charitable causes. AT&T estimates that with this national recycling initiative it will collect roughly

14 million wireless devices by the end of 2011, keeping more than 920 tons of primary materials and more than 13 tons of toxic waste out of landfills. These recycling efforts continue to support Cell Phones for Soldiers (“CPFS”), a non-profit organization that uses the proceeds from recycling used wireless phones to buy phone cards for military families.

The integration of the networks resulting from the mergers has produced better route performance, better network management tools and a richer feature set for managed service products for Arizona customers. AT&T is thus better able to deliver innovative products and services to consumers, streamlined customer care and greater convenience in buying communications and entertainment services. While AT&T has realized these efficiencies from the mergers, the savings directly related to a specific state are not quantifiable. AT&T, therefore, cannot identify any specific cost savings that resulted in Arizona which were passed on to Arizona residents in the form of reduced rates for regulated services.

#### **Provision of DSL Service on a Stand-Alone Basis**

AT&T is not a facilities-based, incumbent local exchange carrier in Arizona. In order to provide DSL service, a carrier must provide the service using DSL over a landline based distribution network which AT&T does not have. Thus, AT&T does not offer DSL service to Arizona customers. However, AT&T provides Wi-Fi, a wire-free way to connect to the internet. AT&T continued to expand and enhance its Wi-Fi service with more than 616 hotspots throughout Arizona which allow Arizona customers to connect to the internet. Wi-Fi hotspot locations are broadly dispersed and are located throughout Arizona in airports, convention centers, hotels, resorts and retail stores such as Starbucks and Barnes and Noble. In addition, AT&T has more than 70,000 hot spots in 89 countries around the world which Arizona customers could access as they travel. A complete listing of the AT&T Wi-Fi locations is available at [www.attwifi.com](http://www.attwifi.com).

#### **AT&T Labs**

AT&T Labs provides a critical role in bringing innovative solutions to AT&T customers in the form of new services, enhanced and improved operational systems, flexibility and network speed. A key benefit of the merger is the increased level of research and innovation and the resulting new services that are developed by AT&T Labs. The AT&T Labs development teams have been at the forefront of the technological revolution in bringing an IP network that offers a high level of quality and reliability, world-class, highly scalable Internet-based services and operational systems that enhance and drive down the cost of AT&T’s own business processes and those of AT&T’s customers. New projects recently developed include the Intelligent Optical Network which enables faster network restoration in the event of failure or disaster. Switches in the network have a comprehensive map of all available routes, allowing them to reroute traffic in the event of a failure. The Intelligent Optical Network will also dramatically

reduce provisioning time for new high-speed circuits. Recent enhancements to AT&T Managed Services Portal for Hosting customers include trouble-ticket summaries, bills online for clients, additional performance reports, self-service tools for customers which vastly improves the performance of the platform to deliver key real-time reports to all hosting customers.

Advancing the capacity of fiber-optic connections is vital to the continued growth of the Internet and IP-based services and applications. AT&T researchers completed a record breaking fiber capacity test in conjunction with Corning Inc. and NEC Corporation of America which advances the development of 100 Gigabit technologies, which are expected to be finalized and ready for deployment within the next few years. As traffic from wireless and wired broadband devices continues to grow, communications providers must continually innovate to expand and enhance the capability of core networking technologies to meet customers' needs.

### **Expansion of VOIP Offerings**

AT&T continues to update and enhance its VoIP offerings to enable enterprise customers a more robust and complete solution to their telecommunications needs. Additional features available for enterprise VoIP customers include AT&T Voice DNA-Site Survivability, an option which provides customers with continuity of service in the event of a failure in their connectivity to the network, by routing off-site calls over the public switched telephone network. AT&T enhanced the implementation of AT&T IP Flexible Reach to give customers optional project management, site readiness surveys and on-site installation services. AT&T also successfully completed interoperability testing of four IP contact center vendors—Aspect, Avaya, Genesys and Nortel, with AT&T IP Toll-Free services. Interoperability certification allows customers using solutions from a variety of suppliers to adoption session initiated protocol (“SIP”) based services faster, avoiding any disruption to their contact center applications. AT&T BoIp Service has an increased maximum concurrent call throughput, allowing up to 1,000 concurrent calls over a T3 connection.

### **Post-Merger Rate Reductions and Increases**

Since merger close, AT&T has implemented intrastate tariff changes for Arizona residential and business consumers resulting in both rate increases and rate decreases, depending on the service offering. Attached as Exhibit 1 is an Excel spreadsheet detailing those changes.

### Conclusion

In summary, the merger has provided benefits to consumers in Arizona and throughout the world and made the new AT&T a strong competitor in an increasingly competitive marketplace. If you need any additional information, please feel free to contact me.

Sincerely,

*Sharon L. Mullin*

*by JLO w/ permission*

cc (delivered): Commissioner Kristin K. Mayes, Chairman  
Commissioner Sandra D. Kennedy  
Commissioner Paul Newman  
Commissioner Gary Pierce  
Commissioner Bob Stump  
Steve Olea, Director, Utilities Division

**AT&T and TCG 2009 ARIZONA TARIFF FILINGS (Exhibit 1a)**

File Date	Advice Number	Docket Number	Service	Rate Reduction	Rate Increase	Tariff Changes
January 6, 2009	Advice No. 626	T-02428A-09-0003	This filing increases the Monthly Recurring Charge for the following plans: Call Plan Unlimited, Call Plan Unlimited Plus, Call Plan Unlimited with 3 Feature Package Enhanced, Call Plan Unlimited with 2 Feature Package Enhanced, Call Plan Deluxe, AT&T One Rate Local Plan, and additional lines for AT&T One Rate Multi-Line Unlimited Plan.		X	
January 8, 2009	Advice No. 627	T-02428A-09-0006	This filing increases several calling card rates. It also decreases the per minute rate for Customer Dialed AT&T CID/891 Card Calls.	X	X	
January 28, 2009	Advice No. 628	T-02428A-09-0028	This filing modifies the service name of AT&T One Rate Calling Card Special Offer, removes expired promotion, and clarifies language.			X
January 29, 2009	Advice No. 629	T-02428A-09-0031	This filing adds Force Majeure language.			X
February 23, 2009	Advice No. 630	T-02428A-09-0085	This filing introduces ABN Premier Bundle			X
March 2, 2009	Advice No. 631	T-02428A-09-0094	Increases for All In One Service intrastate LD rates.		X	
March 2, 2009	Advice No. 632	T-02428A-09-0093	Rate changes for the following pricing plans: AT&T One Rate Off-Peak II, AT&T One Rate Off-Peak V, AT&T One Rate 10¢. Also changed name to AT&T One Rate XA; AT&T Seven Cents, Delete AT&T Cash Back 12¢ Offer since there are no customers on plan.	X	X	X
March 3, 2009	Advice No. 633	T-02428A-09-0099	This filing changes the names of AT&T 5¢ Evenings Plan to AT&T Evenings, AT&T 5¢ Nights to AT&T Nights, and AT&T 5¢ eWeekends to AT&T eWeekends. It also changes rates for the following Optional Calling Plans: AT&T One Rate® Global Plan, One Rate® Global Plan, AT&T Evenings, AT&T One Rate® 7¢ Plan, AT&T One Rate® 5¢ Plan, AT&T One Rate® Weekends, AT&T One Rate® 7¢ Special Offer, AT&T One Rate® Plan, AT&T eWeekends, and AT&T Nights.	X	X	X
March 6, 2009	Advice No. T-09-01	T-03016A-97-0463	This filing extends an AERS promotion to waive non-recurring charges until June 30, 2009.			X
April 2, 2009	Advice No. 634	T-02428A-09-0165	This filing introduces the AT&T Business Network Express local service description and pricing in the Local Exchange Service tariff. It also introduces the AT&T Business Network Express intrastate service description and pricing in the Custom Network Services tariff.			X
April 22, 2009	Advice No. 635	T-02428A-09-0196	This filing increases rates for AT&T Regional Frame Relay Service and AT&T Regional ATM Service.		X	
May 1, 2009	Advice No. 636	T-02428A-09-0207	This filing increases rates for AT&T Business Network Service.		X	

**AT&T and TCG 2009 ARIZONA TARIFF FILINGS (Exhibit 1a)**

File Date	Advice Number	Docket Number	Service	Rate Reduction	Rate Increase	Tariff Changes
May 1, 2009	Advice No. 637	T-02428A-09-0208	This filing decreases rates for AT&T One Rate® 5¢ Plan.	X		
May 1, 2009	Advice No. 638	T-02428A-09-0209	This filing makes minor typographical corrections in both tariffs.			X
May 4, 2009	Advice No. 639	T-02428A-09-0213	This filing makes clarifying language changes and changes rates for AT&T Personal Network Plan.	X	X	
June 2, 2009	Advice No. 640	T-02428A-09-0287	The purpose of this filing is to remove outdated language for a Commercial Long Distance plan that is no longer offered.			X
June 15, 2009	Advice No. 641	T-02428A-09-0316	The purpose of this filing is to clean-up the tariff by removing outdated references.			X
July 2, 2009	Advice No. 642	T-02428A-09-0344	This filing introduces AT&T One Rate® Plus Plan. It also changes the name of AT&T International AnyWhere Plan to AT&T AnyWhere Plan and makes clarifying language changes. This filing also changes rates for AT&T Simple Minutes, IntraLATA Overlay I Plan and IntraLATA Overlay II Plan.		X	X
August 3, 2009	Advice No. 643	T-02428A-09-0380	This filing increases the per minute usage rates of AT&T CIID/891, Local Exchange Carrier Card, Commercial Calling Card, and Operator Assistance.		X	
September 1, 2009	Advice No. 644	T-02428A-09-0416	This filing increases rates for All In One IntraState long distance services.		X	
September 30, 2009	Advice No. 645	T-02428A-09-0470	Changes rates for AT&T Instate Overlay Plan.		X	
December 29, 2009	Advice No. T-09-02		Reformat of TCG's ACC No. 1 tariff. No changes to terms, conditions, or rates.			X
December 30, 2009	Advice No. 646		Rate changes for ABN Schedules 1 & 2		X	
December 30, 2009	Advice No. 647		Consumer 1/5/10 local rate changes for: Call Plan Unlimited, Call Plan Unlimited Plus, AT&T One rate USA Plan, AT&T One rate Advantage Plan, AT&T One Rate Multi-Line and Multi-Line Unlimited Plans additional lines.		X	

**SBC Long Distance, LLC - 2007 ARIZONA (Exhibit 1b)**

File Date	Advice Number	Docket Number	Service	Rate Reduction	Rate Increase	Tariff Changes
January 8, 2009	Advice No. 286	T-03346A-09-0008	Effective February 23, 2009, a filing to increase OOT Rates for AT&T High Volume Calling II Plus Plan.		X	
February 5, 2009	Advice No. 287	T-03346A-09-0048	Effective March 12, 2009, a filing to increase the MRC to Value Plus 500.		X	
March 10, 2009	Advice No. 288	T-03346A-09-0105	Effective March 12, 2009, a filing to increase Frame/ATM rates.		X	
March 27, 2009	Advice No. 289	T-03346A-09-0160	Effective May 1, 2009, a filing to grandfather three (3) business calling plans and introduce two (2) new business calling plans.			X
May 8, 2009	Advice No. 290	T-03346A-09-0223	Effective June 12, 2009, a filing to increase multiple consumer and business rates; and to grandfather AT&T Nationwide Calling 120 Direct.		X	X
May 13, 2009	Advice No. 290 - Supplement 01	T-03346A-09-0232	Effective June 12, 2009, a filing to correct MTS and TFS off-peak rates.		X	
May 29, 2009	Advice No. 291	T-03346A-09-0271	Effective July 12, 2009, a filing to increase multiple business rates; grandfather AT&T High Volume Calling III; introduce out of term rates to AT&T High Volume Calling III; and introduce High Volume Calling IV.		X	X
June 25, 2009	Advice No. 292	T-03346A-09-0325	Effective August 3, 2009, a filing to introduce AT&T Business Unlimited Calling II calling card intrastate rates.			X
July 22, 2009	Advice No. 293	T-03346A-09-0369	Effective September 1, 2009, a filing to introduce new business BOT Plans; and to grandfather existing BOT Plans.			X
August 11, 2009	Advice No. 294	T-03346A-09-0390	Effective September 24, 2009, a filing to increase AT&T High Volume Calling II Plus out of term rates.		X	
September 18, 2009	Advice No. 295	T-03346A-09-0456	Effective November 2, 2009, a filing to introduce AT&T Unlimited Calling III calling card rates; and grandfather Business Value Plans.			X
October 21, 2009	Advice No. 296	T-03346A-09-0501	Effective December 8, 2009, a filing to sunset Private Line Services.			X
November 6, 2009	Advice No. 297	T-03346A-09-0535	Effective December 12, 2009, a filing to change the Company address; increase AT&T Business Calling \$5.95 and \$15 per minute rates; and to introduce an MRC to Account Codes.		X	X