



AT&T California
430 Bush Street
5th Floor
San Francisco, CA 94108

att-regulatory-ca@att.com

www.att.com

September 06, 2017

U 1001 C
Advice Letter No. 46909

Public Utilities Commission of the State of California

We attach for filing this Tier I advice letter to make the following changes in tariff sheets:

SCHEDULE CAL.P.U.C. NO. A2

12th Revised Sheet 45.1

This filing revises Schedule Cal. P.U.C. No. A2. General Regulations, A2.1 Rules, A2.1.3, Application for Service, to modify the tax factor in the Income Tax Component of Contribution (ITCC) associated with the Contributions in Aid of Construction, in accordance with the current IRS Code, Section 118(b).

In compliance with General Order 96-B, we are serving a copy of this advice letter and related tariff sheets to interested parties who have requested. This advice letter with attachments may be viewed on AT&T California's Web-Site at <https://ebiznet.att.com/calreg/>. If there are any questions regarding the distribution of this advice letter, call 415.778.1299.

This filing will not cause the withdrawal of service or conflict with other schedules or rules.

Anyone may object to this advice letter, which was filed September 6, 2017, by sending a written protest to: Telecommunications Advice Letter Coordinator, Communications Division, 505 Van Ness Avenue, 3rd Floor, San Francisco, CA 94102-3298. The protest must state specifically the grounds on which it is based. The protest must be received by the Telecommunications Advice Letter Coordinator no later than 20 days after the date that the advice letter was filed. On or before the day that the protest is sent to the Telecommunications Advice Letter Coordinator, the protestant must send a copy of the protest to Eric Batongbacal, 430 Bush Street, 5th Floor, San Francisco, CA 94108 (fax number 214.486.1580). If this advice letter was served via e-mail, the protest must be served to AT&T California via e-mail at att-regulatory-ca@att.com. To obtain information about the Commission's procedures for advice letters and protests, go to the Commission's Internet site (www.cpuc.ca.gov) and look for document links to General Order 96-B.

This filing is effective September 6, 2017.

Yours truly,

AT&T California

Eric Batongbacal
AVP – AT&T Regulatory

Attachments

AT&T

NETWORK AND EXCHANGE SERVICES

A2. GENERAL REGULATIONS

2.1 RULES (Cont'd)

2.1.3 RULE NO. 3 - APPLICATION FOR SERVICE (Cont'd)

D. SPECIAL CONSTRUCTION OF FACILITIES (Cont'd)

2. Definitions

a. Contributions: Contributions shall include, but are not limited to, cash, services, facilities, labor property, and income taxes there on provided by a person or agency to the Company. The value of all contributions shall be based on the Company's estimates. Contributions shall consist of two components for purposes of recording transactions as follows:

- (1) Income Tax Component of Contribution (ITCC), and
- (2) The balance of the contribution, excluding income taxes (Balance of Contribution).

b. Government Agency: For the purposes of administration a government agency shall include a Federal, California state, county, or local government agency.

c. Public Benefit: Where, in the opinion of the Company, a benefit to the public as a whole is clearly shown by the government agency making the Contribution for a project.

3. Determination of ITCC:

a. The ITCC shall be calculated by multiplying the Balance of the Contribution by the tax factor of 0.23 (23%) beginning September 6, 2017, (C) through December 31, 2018. Beginning January 1, 2019, the tax factor of 0.26 (26%) shall be calculated. The tax factor from June 1, 2013, through September 5, 2017, was 0.21 (21%). (C)

The Company will file an advice letter to reflect any changes in the tax factor which would cause an increase or decrease of five percentage points or more.

b. The tax factor is established by using Method 5 as set forth in Decision No. 87-09-026 and modified by Decision No. 87-12-028 in OII 86-11-019. The formula used to compute Method 5 includes the following factors:

- (1) Corporate Tax rate of 35%, California Corporate Franchise Tax rate of 8.84%, and the effect of deducting state income taxes on the Federal Income Tax Return of 3.09%.
- (2) A discount rate of 12% and a pre-tax rate of return of 18% for 1987 and 17% for 1988 and forward.

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