

BellSouth Telecommunications, Inc. (BellSouth)
**2nd QTR UNIVERSAL SERVICE FUND (USF) and TELECOMMUNICATIONS
RELAY SERVICE (TRS) FACTOR REVISION
DESCRIPTION AND JUSTIFICATION
MARCH 17, 2008**

PURPOSE

In this filing, BellSouth Telecommunications, Inc. (BellSouth) proposes to:

- File a revised Tariff Review Plan (TRP) with updated exogenous cost changes due to the revised Telecommunications Relay Service (TRS) factor of .00819, released by the FCC on February 6, 2008.
- Revise the Universal Service Fund (USF) factor to calculate the 2nd Quarter 2008 USF obligations.
- Update line counts used in the calculation of the Federal Universal Service Fund (FUSF) recovery charges billed to residential and business customers.
- Add new tariff language in BellSouth's Access Tariff FCC No. 1, Section 4-6(P) to include that monthly USF recovery charges are assessed on "recurring and non-recurring" charges.

TELECOMMUNICATIONS RELAY SERVICE

On June 29, 2006, the FCC released DA 06-1345 (CG Dockets 98-67 and 03-123), which adopted a TRS factor of .00535. The factor was used as the basis of the exogenous cost change in the 2007 Annual Filing, filed on June 15, 2007, in Transmittal No. 1080. On June 29, 2007, the FCC released DA 07-2904 (CG Dockets 98-67 and 03-123), which increased the TRS factor to .00720. On February 6, 2008, the FCC released DA 08-303 (CG Dockets 03-123), which increased the TRS factor to .00819. With this filing, BellSouth is proposing to revise its estimation of the total TRS contribution amount for the ensuing tariff period. The development of the TRS exogenous cost for this filing is provided on *Exhibit 2.6*. The difference between the 2007 and updated 2008 TRS factors, as shown on *Exhibit 2.6*, is "grossed up" to ensure recovery

of a full twelve months at the new rate. Pursuant to the *Order*,¹ the Commission determined that TRS fund payments may be treated as an exogenous cost.

EXOGENOUS COST

Part 61.45(d) (3) requires that exogenous cost changes be apportioned between price cap services and excluded services. BellSouth adjusted the TRS exogenous cost changes to remove impacts associated with services that are excluded from price cap regulation, to the extent that revenues for these services existed and were identifiable. In accordance with Part 61.45(d) (3), no exogenous adjustment is allocated to Average Traffic Sensitive (ATS) revenue. The Telecommunication Relay Service exogenous cost change is allocated to the Common Line Basket and the Special Access Basket. *Exhibit 1* demonstrates the revenue impact for corresponding rate adjustments.

PRICE CAP COMPLIANCE

The attached Tariff Review Plan (TRP) reflects the net revenue changes resulting from the exogenous cost changes associated with the revised TRS factor. All rate offsets are detailed on *Exhibit 1*.

Federal Universal Service Fund Adjustments

This portion of the filing is to revise BellSouth's USF obligation based on updated line counts. The 2nd Quarter 2008 contribution factor, 11.3 %, was provided in the Commission's Public Notice, DA 08-576, released March 14, 2008. Recovery of this contribution is allowable pursuant to C.F.R. 69.158. The methodology used to calculate end user charges assessed to recover this liability is detailed herein.

¹ *In the Matter of Telecommunications Relay Service and the American with Disabilities Act of 1990*, CC Docket No. 90-571, *Second Order on Reconsideration and Fourth Report and Order*, released September 29, 1993, paragraph 18.

Calculation of the Federal Universal Service Fund Flat Rate End User Charge

To ensure compliance with the Commission's *Interim Contribution Methodology Order*, BellSouth recovers its USF obligation associated with switched access services through various flat-rate end user charges.² The charges are assessed with respect to the interstate end user service that generates the USF obligation. BellSouth assesses two general types of USF charges (Basic and Non-recurring) for switched access customers. These charges are calculated using the following methodology as shown on *Exhibit 2* and *Exhibit 3*.

Basic USF Recovery Charges

These charges are assessed to switched access lines, to recover the USF obligation associated with the assessment of End User Common Line (EUCL) and End User Port charges.

1. Residential/Single Line Business (SLB)

BellSouth develops the Basic USF charge for residential and single line business customers by multiplying EUCL charges assessed to these customers by the relevant contribution factor released by the Commission. The calculation for the Basic FUSF Residential/Single Line Business rate is demonstrated on *Exhibit 2*.

2. BRI ISDN

BellSouth develops the Basic USF charge for BRI ISDN and BRI ISDN Port customers by adding together EUCL and BRI ISDN / Centrex Port charges assessed to these customers to obtain the total basic interstate end user charges. The total basic interstate end user charges are multiplied by

²See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, *Report and Order and Second Further Notice of Proposed Rule Making*, 17 FCC RCD 24952 (2002) (*Interim Contribution Methodology Order*).

the relevant contribution factor released by the Commission. The calculation for the Basic FUSF BRI ISDN rate is demonstrated on *Exhibit 2*.

3. Multi-line Business, PRI ISDN, and Centrex

BellSouth elected to utilize the provisions granted in the Commission's *Order* and *Second Order on Reconsideration* regarding Centrex customers.³ A portion of the unrecovered obligation created from using the PICC equivalency ratios for Centrex customers is applied to Multi-line business customers. However, due to the constraints included in the Commission's *Order*, BellSouth averages the obligation associated with End User Common Line (EUCL) charges for Centrex customers.

BellSouth determines the basic USF recovery rate for business customers using the methodology detailed herein.

Establish the Basic Multi-line Business Rate

Step 1 – Determine total revenue using access lines as of December 2007 for these customers generated from EUCL assessments by multiplying the EUCL rate by the number of lines.

Step 2 – Multiply the result from Step 1 by the contribution factor to obtain the obligation associated with the customer base.

Step 3 – Divide the obligation developed in Step 2 by the number of billable lines (using lines as of December 2007). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

³ See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, *Order and Second Order on Reconsideration*, FCC 03-58, para. 3 (rel. March 14, 2003).

Step 4 – Add to the Basic MLB rate, all other USF recovery associated with the customer type.

Step 4 is calculated by customer type for Multi-line business, PRI ISDN, and Centrex customers as shown in *Exhibit 3*. The final rates per customer type are detailed on both *Exhibit 2* and *Exhibit 3*. These final rates preclude any recovery necessary from non-recurring interstate end user charges.

Other USF Surcharges

Other USF surcharges are assessed to interstate end user non-recurring charges, which generate a USF obligation. BellSouth calculates other non-recurring USF charges by multiplying the non-recurring charge by the contribution factor. These USF recovery charges will only be assessed per occurrence of the interstate end user non-recurring charge. The calculations for these charges are detailed in *Exhibit 2*. For billing purposes, the USF recovery charge may be added to the existing interstate end user charge which generates the obligation.

BellSouth assesses Lifeline customers the non-recurring USF charges when they are assessed the non-recurring charge that generates the obligation. BellSouth also assesses Interexchange Carriers (ICs) the Presubscribed Interexchange Change (PIC) USF Charge when the IC is assessed the PIC change charge.

BellSouth will continue to recover its recurring USF obligations through a percentage-based USF recovery charge applied to interstate end user billed revenues. This percentage-based USF recovery charge is set equal to the Commission's contribution factor released via Public Notice.

With this filing, BellSouth will include a language change to BellSouth's Access Tariff FCC No. 1, Section 4.6 (P). Monthly USF recovery charges will now be assessed on non-recurring and recurring usage other than those described in Section 4.

BellSouth Telecommunications, Inc.
Revenue Impact

Exhibit 1

COMMON LINE RATE ELEMENTS	CURRENT 2006 DEMAND	CURRENT RATE	PROPOSED RATE	CURRENT REVENUE	PROPOSED REVENUES
BellSouth Common Line Basket					
PRIMARY RESIDENCE EUCL	134,914,482	6.50	6.50	\$876,944,133	\$876,944,133
SINGLE LINE BUSINESS EUCL	4,803,531	6.50	6.50	\$31,222,952	\$31,222,952
TOTAL PRIMARY RES & SLB EUCL	139,718,013			908,167,085	908,167,085
MULTILINE BUSINESS	48,179,436	6.90	6.92	\$332,394,747	\$333,637,031
PRI ISDN EUCL	2,783,735	6.90	6.92	\$19,205,266	\$19,277,043
TOTAL MULTILINE BUSINESS & PRI ISDN EUCL	50,963,171			351,600,013	352,914,074
NONPRIMARY RESIDENCE EUCL	13,069,924	6.90	6.92	\$90,170,713	\$90,507,714
BRI ISDN EUCL	751,946	6.90	6.92	\$5,187,751	\$5,207,139
TOTAL NONPRIMARY RES & BRI ISDN EUCL	13,821,870			95,358,463	95,714,854
BUSINESS CENTREX EUCL	13,245,093	6.90	6.92	\$91,379,221	\$91,720,739
LIFELINE EUCL	3,822,731	6.50	6.50	\$24,847,752	\$24,847,752
	221,570,878			\$1,471,352,533	\$1,473,364,503

Transmittal No.1128
March 17, 2008

BellSouth Telecommunications, Inc.
Universal Service Fee (USF) Rate Development

2nd Quarter 2008 Contribution Factor	Source DA 08-576	(A)	(B) 0.113	(C=A*B)
Basic USF Recovery Charge				
<i>Residential / Single-Line Business</i>		Rate		USF Charge
End User Common Line Rate		\$ 6.50		\$ 0.73
<i>BRI ISDN</i>				USF Charge
End User Common Line Rate		\$ 6.92		
BRI ISDN Port		\$ 2.44		
Total Basic Interstate End User Revenue		<u>\$ 9.36</u>		\$ 1.05
<i>Multiline Business/Add.Res.</i>	Exhibit 3			\$ 0.91
<i>PRI ISDN</i>	Exhibit 3			\$ 6.10
<i>Centrex & Centrex Station</i>	Exhibit 3			\$ 0.10
<i>MLB Trunk</i>	Exhibit 3			\$ 1.01

BellSouth Telecommunications, Inc.
Universal Service Fee (USF) Rate Development

2nd Quarter 2008 Contribution Factor		Source DA 08-576	(A)	(B) 0.113	(C=A*B) USF Charge
Basic USF Recovery Charge for MLB, PRI, & Centrex					
<i>Multi-line Business, PRI ISDN, CENTREX Lines as of December 2007</i>					
L1	MLB Lines		3,683,595		
L2	Centrex lines		914,357		
L3	PRI ISDN		206,014		
L4	MLB End User Line Rate		\$ 6.92		
MLB, PRI ISDN, Centrex Revenue					
L5	MLB	L4*L1	\$ 25,490,477		
L6	PRI ISDN	L4*L3*5	\$ 7,128,084		
L7	Centrex	L4*L2	\$ 6,327,350		
L8	MLB, PRI ISDN, Centrex Revenue	L5:L8	\$ 38,945,912		
L9	MLB, PRI ISDN, Centrex Obligation	L8*USF Factor	\$ 4,400,888		
L10	2007 Billable Lines	L1+(L2/9)+(L3*5)	4,815,260		
USF Rate per Line					
L11	Basic MLB Rate	(L9/L10)		\$ 0.91	
L12	Basic Centrex Rate	L11/9		\$ 0.10	
L13	Basic PRI ISDN Rate (excluding Port recovery)	L11*5		\$ 4.55	
Recovery Cross Check Verification					
L14	Basic MLB USF Recovery	L1*L11	\$ 3,352,071		
L15	Basic Centrex USF Recovery	L3*L12	\$ 91,436		
L16	Basic PRI ISDN USF Recovery	(L5*L13)	\$ 937,364		
L17	Total MLB, PRI ISDN, Centrex Basic USF Recovery (L17 < L9)		\$ 4,380,871		OK
Additives to the Basic MLB Rate					
PRI ISDN			Rate		
L18	PRI ISDN Port Charge		\$ 14.00	\$ 1.55	
Final Basic MLB, PRI ISDN, & Centrex USF Rates Summary					
L19	PRI ISDN	L13+L18		\$ 6.10	Tariff Rate
L20	Centrex & Centrex Station	L12		\$ 0.10	
L21	Multiline Business Trunk	L11+L18		\$ 1.01	

BellSouth Telecommunications, Inc.
2008 Revised Telecommunications Relay Service and Regulatory Fee
Exogenous Cost Detail

Price Cap TRS Fund Calculation

	<u>Source</u>	<u>Amount</u>
1) 2007 TRS Contribution Base	2007 FCC 499A: L420(d) + L420(e)+L412(e)-L511(b)	2,430,824,603
2) 2007 Excluded Services	2007 FCC 499A: L413(d) + L414(d) + L415(d) + L417(d) + Other (See Note 1)	870,805,510
3) 2007 Price Cap Services	(L1-L2)	1,560,019,093
4) 2007 Revised Contribution Rate	FCC DA 08-303, CG Docket 03-123 Order, released February 6, 2008	0.00819
5) 2007 TRS Fund: Price Cap Only	(L3 x L4)	12,776,556
6) 2006 TRS Fund: Price Cap Only	BellSouth Transmittal No. 1002, Appendix A, Exhibit A-3 (8,230,496 + 713,215 - 534,911)	8,408,800

Exogenous Cost Change Calculation

7) 2007 TRS Price Cap Exogenous Cost Change	(L5 - L6)	4,367,756
8) 2007 TRS Exogenous Cost filed in TR No. 1080	BellSouth Transmittal No.1080 , Exhibit 2.6	(62,698)
9) 2007 TRS Exogenous Cost filed in TR No. 1100	BellSouth Transmittal No. 1100, Exhibit 2.6	3,848,047
10) TRS Incremental Exogenous Cost Adjustment	(L7 - L8 - L9)	582,407
11) TRS Exogenous Cost Change Adjustment	(L9 / 3 x 12)	2,329,629

Distribution to Price Cap Services

12) Interstate Common Line Revenue	2007 FCC 499A, L405(d)	1,327,721,858
13) Interstate Special Access Revenue	2007 FCC 499A, L406(d) (See Note 2)	211,392,852
14) Interstate Common Line & Special Access Revenue	(L12 + L13)	1,539,114,710
15) Interstate Common Line %	(L12/L14)	86.27%
16) Interstate Special Access %	(L13 / L14)	13.73%
17) Price Cap Common Line Exogenous Cost Change	(L11 x L15)	2,009,662
18) Price Cap Special Access Exogenous Cost Change	(L11 x L16)	319,968
19) Total Price Cap Exogenous Cost Change	(L17 + L18)	2,329,629

Note 1: Includes End User Special Access Revenues subject to Phase 2 Pricing Flexibility relief.

Note 2: Excludes End User Special Access Revenues subject to Phase 2 Pricing Flexibility relief.