

**BELLSOUTH TELECOMMUNICATIONS, INC. (BellSouth)**  
**DESCRIPTION AND JUSTIFICATION**  
**March 17, 2010**

**PURPOSE**

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

- Revise the Universal Service Fund (USF) factor to calculate the 2nd Quarter 2010 USF obligations.
- Update line counts used in the calculation of the Federal Universal Service Fund (FUSF) recovery charges billed to residential and business customers.

**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 2010 contribution factor, 15.3 %, was provided in the Commission's Public Notice, DA 10-427, released March 12, 2010. 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 below.

**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.<sup>1</sup> 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

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<sup>1</sup>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, *Report and Order and Second Further Notice of Proposed Rule Making*, 17 FCC RCD 24952 (2002) (*Interim Contribution Methodology Order*).

(Basic and Non-recurring) for switched access customers. These charges are calculated using the following methodology as shown on *Exhibit 1* and *Exhibit 2*.

### **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 1*.

#### **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 the relevant contribution factor released by the Commission. The calculation for the Basic FUSF BRI ISDN rate is demonstrated on *Exhibit 1*.

### **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.<sup>2</sup> 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 below.

#### **Establish the Basic Multi-line Business Rate**

**Step 1** – Determine total revenue using access lines as of December 2009 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 2009). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

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<sup>2</sup> 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 2*. The final rates per customer type are detailed on both *Exhibit 1* and *Exhibit 2*. These final rates preclude any recovery necessary from non-recurring interstate end user charges.

#### **Other Non-recurring USF Surcharges.**

Non-recurring 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 1*. 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.

#### **Other Recurring Federal Universal Fund Surcharges**

BellSouth will continue to recover its other recurring (i.e. Special Access and True Internet Protocol to Public Switched Telephone Network (TIPToP) Service) 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.

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

2nd Quarter 2010 Contribution Factor	Source <i>DA 10-427</i>	(A)	(B) <i>0.153</i>	(C=A*B)
<b>Basic USF Recovery Charge</b>				
<i>Residential / Single-Line Business</i>				
		<b>Rate</b>		<b>USF Charge</b>
End User Common Line Rate		\$ 6.50		\$ 0.99
<i>BRI ISDN</i>				
End User Common Line Rate		\$ 6.66		<b>USF Charge</b>
BRI ISDN Port		<u>\$ 2.44</u>		
Total Basic Interstate End User Revenue		<u>\$ 9.10</u>		\$ 1.39
<i>Multiline Business/Add.Res.</i>	Exhibit 2			\$ 1.18
<i>PRI ISDN</i>	Exhibit 2			\$ 8.00
<i>Centrex &amp; Centrex Station</i>	Exhibit 2			\$ 0.13
<i>MLB Trunk</i>	Exhibit 2			\$ 1.31

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2nd Quarter 2010 Contribution Factor		Source DA 10-427	(A)	(B) 0.153	(C=A*B) USF Charge
<b>Basic USF Recovery Charge for MLB, PRI, &amp; Centrex</b>					
<i>Multi-line Business, PRI ISDN, CENTREX Lines as of December 2009</i>					
L1	MLB Lines		3,100,082		
L2	Centrex lines		781,983		
L3	PRI ISDN		202,678		
L4	MLB End User Line Rate		\$ 6.66		
<b>MLB, PRI ISDN, Centrex Revenue</b>					
L5	MLB	L4*L1	\$ 20,646,546		
L6	PRI ISDN	L4*L3*5	\$ 6,749,177		
L7	Centrex	L4*L2	\$ 5,208,007		
L8	MLB, PRI ISDN, Centrex Revenue	L5:L8	\$ 32,603,730		
L9	MLB, PRI ISDN, Centrex Obligation	L8*USF Factor	\$ 4,988,371		
L10	2009 Billable Lines	L1+(L2/9)+(L3*5)	4,200,359		
<b>USF Rate per Line</b>					
L11	Basic MLB Rate	(L9/L10)		\$ 1.18	
L12	Basic Centrex Rate	L11/9		\$ 0.13	
L13	Basic PRI ISDN Rate (excluding Port recovery)	L11*5		\$ 5.90	
<b>Recovery Cross Check Verification</b>					
L14	Basic MLB USF Recovery	L1*L11	\$ 3,658,097		
L15	Basic Centrex USF Recovery	L3*L12	\$ 101,658		
L16	Basic PRI ISDN USF Recovery	(L5*L13)	\$ 1,195,800		
L17	Total MLB, PRI ISDN, Centrex Basic USF Recovery (L17 < L9)		\$ 4,955,555		<b>OK</b>
<b>Additives to the Basic MLB Rate</b>					
<i>PRI ISDN</i>			<b>Rate</b>		
L18	PRI ISDN Port Charge		\$ 14.00		\$ 2.10
<b>Final Basic MLB, PRI ISDN, &amp; Centrex USF Rates Summary</b>					
L19	PRI ISDN	L13+L18			Tariff Rate \$ 8.00
L20	Centrex & Centrex Station	L12			\$ 0.13
L21	Multiline Business Trunk	L11+L18			\$ 1.31