

**BELLSOUTH TELECOMMUNICATIONS, LLC. (BellSouth)**  
**2012 ANNUAL FILING – PART I**  
**DESCRIPTION AND JUSTIFICATION**  
**May 17, 2012**

**SECTION**

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## 1. INTRODUCTION

This filing is being made in compliance with the following:

- ❑ In the Matter of Material to be Filed in Support of 2012 Annual Access Tariff Filings, DA 12-575 (*Tariff Review Plans*), released April 19, 2012;
- ❑ In the Matter of July 2012 Annual Access Charge Tariff Filings, DA 12-482 (*2012 TRP Order*), released March 28, 2012;
- ❑ In the Matter of Assessment and Collection of Regulatory Fees for the Fiscal Year 2011, MD Docket No. 08-65 (FCC 11-114), released July 22, 2011;
- ❑ Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249 and Eleventh Report and Order in CC Docket No. 96-45, (*CALLS Order*), In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long Distance Users and Federal-State Joint Board on Universal Service, released May 31, 2000;
- ❑ In the Matter of Cost Review Proceeding for Residential and Single-Line Business Subscriber Line Charge (SLC) Caps, Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Order in CC Docket Nos. 96-262 and 94-1, FCC 02-161, released June 5, 2002 (“SLC Cost Study Review Order”).

The *LEC Price Cap Order* requires an annual access tariff filing in which BellSouth Telecommunications, LLC. (BellSouth) is required to adjust the price cap indices (PCIs) for each basket of services, based on the change in the Gross Domestic Product Price Index (GDP-PI), a transitional mechanism (x-factor) and exogenous cost changes. BellSouth has incorporated the demand and revenue/cost of those new services introduced during the 2011 base period, and has calculated the PCI for each affected basket and service category, including the new services, in accordance with the Commission's Rules and the *LEC Price Cap Order*.

## **2. EXOGENOUS COST DEVELOPMENT ( $\Delta Z$ )**

Part 61.45(a) requires that local exchange carriers (LECs) adjust their PCIs to reflect the dollar effect of the exogenous cost changes ( $\Delta Z$ ). According to Part 61.45(b), this dollar effect must be measured at the base period level of operations.

In the 2012 Annual Filing, BellSouth will make the following exogenous adjustments, which are allowable in accordance with the *Code of Federal Regulations* (CFR) or were designated in Commission Orders:

- Regulatory Fee Payment Exogenous
- Telecommunications Relay Service (TRS)

Part 61.45(d) (3) requires that exogenous cost changes be apportioned between price cap services and excluded services. BellSouth adjusted the 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. The costs associated with non-price cap services, included in Parts 36 and 69 costs, are not identifiable. Consequently, BellSouth

assumes that the costs for these services are equivalent to the revenue from these services. BellSouth excluded a percentage of exogenous costs equivalent to the percentage of total identifiable interstate access, including revenue associated with approved pricing flexibility petitions, and Interexchange services revenue that represents non-price cap service revenue.

## **2.A TELECOMMUNICATIONS RELAY SERVICES (TRS) FUND**

The Commission has also ruled Telecommunications Relay Service (TRS) fund payments<sup>1</sup> may be treated as exogenous. On June 30, 2011, the Commission released FCC 11-104 (CG Docket 03-123), proposing a revised TRS factor from .01056 to .01058. Therefore, Bellsouth is estimating the total TRS contribution amount for the ensuing tariff period based on the revised factor and revenue. The development of the TRS exogenous cost for this filing is provided on *Exhibit 2.6*, and will be updated in the June 2012 tariff filing if, in the interim, the Commission modifies the factor.

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<sup>1</sup> In the Matter of Telecommunications Relay Service, and the Americans 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.

## **2.B REGULATORY FEE PAYMENTS EXOGENOUS ADJUSTMENTS**

The filing for exogenous treatment of Regulatory Fees is consistent with Parts 61.45(a) and 61.45(d)(1)(vi) of the Commission's Rules and Regulations and the Common Carrier Bureau's October 7, 1994 Order.<sup>2</sup> On July 22, 2011, the Commission released its Order, In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2011, MD Docket No. 08-65 (FCC 11-114), detailing the proposed factor for the Fiscal Year 2011, which is being employed as the basis of this exogenous change as no revised factor has yet been released. BellSouth is estimating regulatory fee payments and the corresponding exogenous adjustment based on the proposed factor and the preliminary change in revenue. The exogenous adjustment is detail in *Exhibit 2.6*.

## **2.C SUMMARY OF EXOGENOUS COSTS & DISTRIBUTION**

Part 61.45(d)(4) of the Rules requires that exogenous cost changes be apportioned between price cap services and excluded services. The combined exogenous cost changes have been adjusted 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.

The costs associated with non-price cap services, included in Parts 36 and 69 costs, are not identifiable. It is assumed that the costs for these services are equivalent to the revenue from these services. A percentage of exogenous costs are equivalent to the percentage of total identifiable interstate access and Interexchange services revenue that represents non-price cap

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<sup>2</sup> Price Cap Treatment of Regulatory Fees Imposed by Section 9 of the Communications Act Order, (DA 94-1119) (Common Carrier Bureau, released October 7, 1994), (Erratum released November 2, 1994) paragraph 6, granting a waiver to permit exogenous cost treatment of regulatory fees.

service revenue. Totals of all exogenous costs applied in this filing are summarized on *Exhibit 2.9*.

## **10. PART 69 WAIVERS**

The following is a list of Part 69 waivers involving Ameritech Operating Companies (Ameritech), Southwestern Bell Telephone Company (SWBT), Pacific Bell Telephone Company (PBTC), Nevada Bell Telephone Company (NBTC), The Southern New England Telephone Company (SNET), and BellSouth Telecommunications, LLC (BellSouth), collectively the AT&T Companies, including a citation to the Order granting the waiver and the basket and service category, if applicable, and the treatment of rate elements created by the waiver:

There are no Part 69 waivers

## **16. EXHIBITS**

This section provides the Exhibits referenced in prior sections of the D&J.

- Exhibit 2.6A – Telecommunications Relay Service and Regulatory Fee Exogenous
- Exhibit 2.9 – Summary of Exogenous Costs & Distribution
- Exhibit 7 – Interexchange Price Cap Model (not included in Short Form filing)
- Tariff Review Plan (TRP)

**BELLSOUTH TELECOMMUNICATIONS, LLC.**  
**TELECOMMUNICAITONS RELAY SERVICE/ REGULATORY FEE**  
**EXOGENOUS COST DEVELOPMENT**

	2010 Annual		FCC 11-68	DA 11-826
	Total	Interstate	5/3/2011	5/4/2011
	End User Revenues		Reg Fee	TRS
	( 499A )	( 499A )		
	(A)	(B)	(C)=B * 0.00361	(D) = B * 0.01056
Exogenous Amount	6,834,287,803	\$ 1,362,263,246	\$ 4,917,770	\$ 14,385,500
Excluded Revenue	\$ 302,346,163	\$ 302,346,163		
Price Cap Revenue Percentage	95.58%	77.81%		

	2010 Annual		FCC 11-114	FCC 11-104
	Total	Interstate	7/22/2011	6/30/2011
	End User Revenues		Reg Fee	TRS
	( 499A )	( 499A )		
	(A)	(B)	(C') = B' * 0.00375	(C') = B' * 0.01058
Exogenous Amount	\$ 6,834,287,803	\$ 1,362,263,246	\$ 5,108,487	\$ 14,412,745
Excluded Revenue	\$ 302,346,163	\$ 302,346,163		
Price Cap Revenue Percentage	95.58%	77.81%		

	2011 Annual		FCC 11-114	FCC 11-104
	Total	Interstate	7/22/2011	6/30/2011
	End User Revenues		Reg Fee	TRS
	( 499A )	( 499A )		
	(A)	(B)	(C') = B' * 0.00375	(D') = B' * 0.01058
Exogenous Amount	\$ 6,207,581,533	\$ 1,305,989,270	\$ 4,897,460	\$ 13,817,366
Excluded Revenue	\$ 303,362,651	\$ 303,362,651		
Price Cap Revenue Percentage	95.11%	76.77%		

	7/11 - 6/12	7/12 - 6/13	
Telecom Relay Support	14,385,500		
DA 11-826 - (D) = B * 0.01056		\$ 27,245	
FCC 11-104 = D * 0.01058		13,817,366	
FCC 11-104 - (D') = B' * 0.01058			
	\$ 14,385,500	\$ 13,844,612	\$ (540,888)
% Price Cap Allocation	77.81%	76.77%	
Price Cap Only	\$ 11,192,724	\$ 10,628,706	\$ (564,018)
FCC 2010 Price Cap Interstate End User Revenue	1,059,917,084		
FCC 2011 Price Cap Interstate End User Revenue	1,002,626,620		
Revenue Change ( R )	-5.40518%		
Price Cap Only with R Adj	\$ 10,587,737	\$ 10,628,706	\$ 40,969

	7/11 - 6/12	7/12 - 6/13	
Regulatory Fee Support:	4,917,770		
FCC 11-68 - (C)=B * 0.00361		\$ 190,717	
FCC 11-114 - (C) = B * .00375		4,897,460	
FCC 11-114 - (C') = B' * 0.00375			
	4,917,770	5,088,177	\$ 170,406
% Price Cap Allocation	77.81%	76.77%	
Price Cap Only	\$ 3,826,301	\$ 3,906,266	\$ 79,965
FCC 2010 Price Cap Interstate End User Revenue	1,059,917,084		
FCC 2011 Price Cap Interstate End User Revenue	1,002,626,620		
Revenue Change ( R )	-5.40518%		
Price Cap Only with R Adj	\$ 3,619,482	\$ 3,906,266	\$ 286,784

	Common Line	Special	Price Cap Revenue
499A 2011 Annual Interstate End User Revenues	\$ 867,325,134	\$ 135,301,486	\$ 1,002,626,620
Allocation Basis	86.51%	13.49%	
Telecom. Relay Support	\$ 35,440	\$ 5,529	\$ 40,969
Regulatory Fee Support:	\$ 248,083	\$ 38,701	\$ 286,784
	\$ 283,524	\$ 44,229	\$ 327,753

BELLSOUTH TELECOMMUNICATIONS, LLC.  
SUMMARY OF EXOGENOUS COSTS AND DISTRIBUTIONS  
TO NON-ATS SERVICES

Exhibit 2.9

LINE	DESCRIPTION	'R' VALUE (A)	DISTRIBUTION (B) = (A/LINE 9A)	EDT EXOG (C)	ITC EXOG (D)	TRS EXOG (E)	REG FEE EXOG (F)	TOTAL
1	INTERSTATE EXOGENOUS COST TO BE DISTRIBUTED (Exhibit 2.5,b; 2.2 b)			-	-			
2	% OF EDT AND ITC EXOG COST W/EXCLUDED SERVICES EXHIBIT 2.3			0.00%	0.00%			
3	EXOGENOUS COSTS TO BE DISTRUBUTED (L1*(1-L2))			-	-	40,969	286,784	327,753
4	COMMON LINE EUCL AND PICC 'R' (Sum1 Column A, Row 100)	958,307,004	67.68%	-	-	35,440	248,083	283,524
5	INTEREXCHANGE BASKET 'R'	69,995	0.00%	-	-	-	-	-
6	SPECIAL ACCESS BASKET 'R'	457,486,997	32.31%	-	-	5,529	38,701	44,229
7	TOTAL (SUM L4 THRU L8)	1,415,863,996	100.00%	-	-	40,969	286,784	327,753

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\*\*Effective 10/01/2003 TRS and Reg Fee Exogenous is only spread between the Common Line and Special Access Baskets