

AT&T - BELL SOUTH TELECOMMUNICATIONS, LLC. (BellSouth)
2014 ANNUAL FILING – PART I
DESCRIPTION AND JUSTIFICATION
May 19, 2014

SECTION

1. Introduction
2. Exogenous Cost Development (ΔZ)
 - A. Telecommunications Relay Service (TRS) Fund
 - B. Regulatory Fee Payments
 - C. Summary of Exogenous Cost and Distributions
3. Other Price Cap Index Factors/Variables Development (June Filing)
4. Development of 2013 Base Period Demand (June Filing)
5. Common Line Basket Rate Development (June Filing)
6. Special Access Basket PCI, API, SBI and Rate Development (June Filing)
7. Part 69 Waivers
8. New Services Included in the Price Cap Indices (June Filing)
9. Services Excluded from Price Caps (June Filing)
10. IND-1 Reference (June Filing)
11. Rate Comparison (June Filing)
12. Exhibits

1. INTRODUCTION

This filing is being made in compliance with the following:

- ❑ In the Matter of July 1, 2014 Annual Access Charge Tariff Filings, DA 14-404 (Filing Dates), released March 25, 2014;
- ❑ In the Matter of Material to be Filed in Support of 2014 Annual Access Tariff Filings, DA 14-494 (Tariff Review Plans), released April 14, 2014;
- ❑ In the Matter of Assessment and Collection of Regulatory Fees for the Fiscal Year 2013, MD Docket No. 08-65 (FCC 13-110), released August 12, 2013;
- ❑ 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”).
- ❑ 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 Thousand-Block Number Pooling, Report and Order and Second Order on Reconsideration, CC Docket No. 96-98 and CC Docket No. 99-200, released December 28, 2001;
- ❑ Public Notice, Common Carrier Bureau Provides the Format for Access Tariff Review Plans of April 2, 1999 CCB/CPD 99-10, DA 99-584, released March 25, 1999;
- ❑ In the Matter of Defining Primary Lines, Report and Order & Further Notice of Proposed Rulemaking, CC Docket No. 97-181, released March 10, 1999;
- ❑ In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure, Second Order on Reconsideration and

Memorandum Opinion and Order, CC Docket Nos. 96-262, 94-1, and 91-213, released October 9, 1997;

- ❑ In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure and Pricing, and End User Common Line Charges, Order on Reconsideration, CC Docket Nos. 96-262, 94-1, 91-213 and 95-72, released July 10, 1997;
- ❑ In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure and Pricing, and End User Common Line Charges, Errata, CC Docket Nos. 96-262, 94-1, 91-213 and 95-72, released June 4, 1997;
- ❑ In the Matter of Federal-State Joint Board on Universal Service, Errata, CC Docket No. 96-45, released June 4, 1997;
- ❑ In the Matter of Federal-State Joint Board on Universal Service, Report and Order, CC Docket No. 96-45, released May 8, 1997;
- ❑ In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Transport Rate Structure and Pricing, and End User Common Line Charges, First Report and Order, CC Docket Nos. 96-262, 94-1, 91-213 and 95-72, released May 16, 1997;
- ❑ In the Matter of Price Cap Regulation of Local Exchange Carriers Rate-of-Return Sharing and Lower Formula Adjustment, Report and Order, CC Docket No. 93-179, released April 14, 1995;
- ❑ In the Matter of Price Cap Performance Review for Local Exchange Carriers, First Report and Order, (Price Cap Review Order), CC Docket No. 94-1, released April 7, 1995;
- ❑ In the Matter of Access Charge Reform, Notice of Proposed Rulemaking, Third Report and Order, and Notice of Inquiry CC Docket No. 96-262, released December 24, 1996, paragraph 305 (removing lower service band limits);
- ❑ In the Matter of Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, Report and Order, CC Docket No. 80-286, released February 3, 1997;
- ❑ In the Matter of Responsible Accounting Office Letter 20, Uniform Accounting for Postretirement Benefits Other Than Pensions in Part 32, Memorandum Opinion and

Order and Notice of Proposed Rulemaking, (RAO 20 Order), CC Docket No. 96-22, released March 7, 1996;

- ❑ In the Matter of Transport Rate Structure and Pricing, Second Report and Order, CC Docket No. 91-213, released January 31, 1994;
- ❑ In the Matter of Amendments of Part 69 of the Commission's Rules Relating to Creation of Access Charge Subelements for Open Network Architecture, Report and Order & Order on Further Reconsideration, CC Docket 89-79, released July 11, 1991;
- ❑ In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, Order on Reconsideration, CC Docket 87-313, released April 17, 1991 (LEC Price Cap Reconsideration Order);
- ❑ The Commission's Second Report and Order, In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, CC Docket 87-313, released October 4, 1990 (LEC Price Cap Order); and
- ❑ Parts 61 and 69 of the Commission's Rules as stated herein.

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 2013 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 (ΔZ)

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

In the 2014 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 payments¹ may be treated as exogenous. Bellsouth is estimating the total TRS contribution amount for the ensuing tariff period based on the proposed factor of \$.01174. The development of the TRS exogenous cost for this filing is provided on *Exhibit 2.5*, and will be updated in the June 2014 tariff filing if, in the interim, the Commission modifies the factor.

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.² On August 12, 2013, the Commission released its Order, In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2013, MD Docket No. 13-140 (FCC 13-110), detailing the proposed factor for the Fiscal Year 2013, which is being employed as the basis of this exogenous change as no revised factor has yet been released.

¹ 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 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.

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 2.5*.

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 service revenue. Totals of all exogenous costs applied in this filing are summarized on *Exhibit 2.6*.

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:

- AIT, PBST, NBST, SNET, SWBT – Order (DA 05-1607), released June 6, 2005, granting permission to waive True IP to PSTN (TIPTop) services from price caps for the 2005 Annual access tariff filing requirements.
- AIT, BST, PBTC, SNET, SWBT – Order (DA 96-2004) released December 2, 1996, granting waiver of Parts 69.110, 69.111 and 69.112 to establish new rate elements associated with a new SONET-based switched transport service. These charges are included in the HiCap Service Category of the Trunking Basket. NBTC does not offer SONET-based switched transport.
- AIT – Order (DA 96-446) released March 27, 1996, to establish unbundled rate elements for SS7 service. These rate elements are included in the Traffic Sensitive and Trunking baskets. BST, NBTC, PBTC, SNET and SWBT do not offer TCAP and ISUP usage rates.
- AIT, BST, NBTC, PBTC, SNET, SWBT – Order (DA 94-1350) released November 30, 1994, granting establishment of a new rate element for 500 Access Service. The service is included in the Local Switching Service Category of the Traffic Sensitive Basket. SNET includes this rate element in the Database Service Category of the Traffic Sensitive Basket.
- AIT, BST, SWBT - Bureau Order, released December 17, 1993, granting a waiver of Part 69.113 for all LECs to allow tariffing of a Nonpremium charge for the interconnection charge. This resolved a conflict between the Transport Order and the Rules. This rate element is included in the Interconnection Service Category of the Trunking Basket. NBTC, PBTC and SNET do not have nonpremium rates.
- AT&T ILECs - Bureau Order, released July 23, 1993, granting a blanket waiver of Part 69 of the Commission Rules to enable all Local Exchange Carriers to tariff interstate access elements that reasonably reflect facility arrangements for transport between the Telecommunications Relay Service (TRS) service bureau and associated tandem switches, until October 31, 1995, when the interim local transport structure is scheduled to be replaced. These rate elements are included in the HiCap Service Category of the Trunking Basket.
- AT&T ILECs - Bureau Order, released February 26, 1993, granting an additional routing option for Interexchange carriers (IXCs). It allows IXCs to terminate FGB traffic to nonconverted end offices over the IXC's access tandem network FGD trunk groups at rates equal to the FGD (premium rate). Implementation of this provision affects Local Switching demand in the Traffic Sensitive Basket, Interconnection demand in the Trunking Basket and the Carrier Common Line demand in the Common Line Basket.

- AIT - *Order*, released February 12, 1992, granting permission to assess the Ameritech Directory Search (ADS) rates, formerly Electronic Directory Search. These rate elements are included in the Information Service Category of the Traffic Sensitive Basket.
- SNET – *Order*, released June 30, 1993 waiver of Part 69 allows SNET to establish rate elements to recover costs associated with its Electronic Directory Assistance Service. These charges are included in the Information Service category of the Traffic Sensitive basket.
- AT&T ILECs - *Ameritech DNAL Waiver Order* (DA 91-1629), released December 27, 1991; *BOC DNAL Order* (DA 92-199), released January 30, 1992, *PBTC & NBTC Memorandum Opinion and Order* (DA 92-271), released March 6, 1992 granting establishment of sub-elements in the Switched Access transport rate element to recover the costs associated with a Dedicated Network Access Line (DNAL) Basic Service Arrangement (BSA). This rate element is included in the Local Switching Category of the Traffic Sensitive Basket.
- AT&T ILECs - Commission Order, released October 9, 1991, granting establishment of an Information Surcharge rate element within the Information Category. This rate element is included in the Traffic Sensitive Basket.
- AT&T ILECs – *Operator Services Waiver Order* (DA 91-274), released March 5, 1991. The Commission established a blanket waiver for all carriers who provide operator services to include Line Status Verification, Call Interruption and Operator Transfer. The Commission did not specify applicable price cap baskets or service categories in the waiver.
- AT&T ILECs - Bureau MO&O, released September 28, 1988, granting establishment of a rate element for the recovery of costs incurred in the provision of 900 Access Service. This rate element is included in the Local Switching Service Category of the Traffic Sensitive Basket.
- AT&T ILECs - Order, released September 3, 1987, granting permission to determine the Message Unit Credit (MUC) on a statewide basis instead of an exchange basis, as stated in Part 69.106(c). The waiver was extended via the 1989 and 1990 Waiver Orders. This charge is included in the Local Switching Service Category of the Traffic Sensitive Basket.
- AT&T ILECs - Bureau MO&O, released June 12, 1987, granting an additional routing option for Interexchange carriers to have their Nonpremium 800 service traffic routed over existing access tandem network Feature Group D trunk groups at premium rates. This affects the rate elements included in the Local Switching and Interconnection service categories of the Traffic Sensitive and Trunking baskets, respectively.
- SNET - Commission Order, released June 7, 1985, granting permission to disaggregate the Directory Assistance Charge into a charge "per call" and a charge "per minute of use (MOU)." This waiver was extended indefinitely "pending further order" in the Commission's 1989 Waiver Order, paragraph 6, released December 2, 1988. This charge is included in the Information Service Category of the Traffic Sensitive Basket.

- AT&T ILECs - Commission MO&O (FCC 83–356), released August 22, 1983, established the \$25.00 Special Access Surcharge (waiving Part 69.115 (c)) for private line subscribers who actually leak traffic into the local network. This grant was extended in the 1985 Waiver Order, released June 7, 1985, and again addressed in the 1989 Waiver Order, released December 2, 1988, granting waiver in force pending resolution of the Special Access Surcharge issues. This rate element is included in the Common Line Basket.

16. EXHIBITS

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

- Exhibit 2.5 – Telecommunications Relay Service and Regulatory Fee Exogenous
- Exhibit 2.6 – Summary of Exogenous Costs & Distribution
- Tariff Review Plan (TRP)

**AT&T - BELL SOUTH TELECOMMUNICATIONS LLC
TELECOMMUNICATIONS RELAY SERVICE / REGULATORY FEES
EXOGENOUS COST DEVELOPMENT**

Exhibit 2.5

	2012 Annual		FCC 12-76	DA 13-1137
	Total	Interstate	7/19/2012	5/17/2013
	End User Revenues	End User Revenues	Reg Fee	TRS
	(499A)	(499A)	(C) = B * 0.00375	(D) = B * 0.02330
	(A)	(B)		
Exogenous Amount	\$ 5,730,453,293	\$ 1,244,009,898	\$ 4,665,037	\$ 28,985,431
Excluded Revenue	\$ 286,981,466	\$ 286,981,466		
Price Cap Revenue Percentage	94.99%	76.93%		

	2012 Mid-Year Rate Changes		FCC 12-76	FCC 13-110	Annualization
	7/19/2012	8/12/2013	Reg Fee	Reg Fee	Reversal
	(C') = B * 0.00375	(D') = B * 0.00347	(E') = (D') - (C')	(F') = (E') * 12 / 9	
Exogenous Amount	\$ 4,665,037	\$ 4,316,714	\$ (348,323)	\$ (464,430)	

	2012 Mid-Year Rate Changes		DA 13-1137	DA 13-1483	Annualization
	5/17/2013	7/1/2013	TRS	TRS	Reversal
	(C'') = B * 0.0233	(D'') = B * 0.01484	(E'') = (D'') - (C'')	(F'') = (E'') * 12 / 9	
Exogenous Amount	\$ 28,985,431	\$ 18,461,107	\$ (10,524,324)	\$ (14,032,432)	

	2013 Annual		FCC 13-110	Proposed
	Total	Interstate	8/12/2013	2014
	End User Revenues	End User Revenues	Reg Fee	TRS
	(499A)	(499A)	(C''') = B''' * 0.00347	(D''') = B''' * 0.01174
	(A''')	(B''')		
Exogenous Amount	\$ 5,361,267,088	\$ 1,261,262,394	\$ 4,376,581	\$ 14,807,221
Excluded Revenue	\$ 298,070,014	\$ 298,070,014		
Price Cap Revenue Percentage	94.44%	76.37%		

Telecom Relay Support

DA 13-1137 - 0.0233 Factor 2012 Revenue - D
DA 13-1483 - 0.01484 = F
Proposed - 0.01174 Factor 2013 Revenue - D'''

	7/13 - 6/14	7/14 - 6/15	
	\$ 28,985,431		
	\$ (14,032,432)		
	\$ 14,952,999	\$ 14,807,221	\$ (145,778)
% Price Cap Allocation	76.93%	76.37%	
Price Cap Only	\$ 11,503,482	\$ 11,307,879	\$ (195,603)
FCC Price Cap Interstate End User Revenue	957,028,433		
FCC 1150 Price Cap Interstate End User Revenue	963,192,380		
Revenue Change (R)	0.64%		
Price Cap Only with R Adj	\$ 11,577,572	\$ 11,307,879	\$ (269,694)

Regulatory Fee Support:

FCC 12-76 - 0.0037 Factor 2012 Revenue - C
FCC 13-110 - 0.00347 = D' - C'
FCC 13-110 - 0.00347 Factor 2013 Revenue - C'''

	7/13 - 6/14	7/14 - 6/15	
	\$ 4,665,037		
	\$ (464,430)		
	\$ 4,200,607	\$ 4,376,581	\$ 175,974
% Price Cap Allocation	76.93%	76.37%	
Price Cap Only	\$ 3,231,566	\$ 3,342,278	\$ 110,712
FCC Price Cap Interstate End User Revenue	\$ 957,028,433		
FCC 1150 Price Cap Interstate End User Revenue	\$ 963,192,380		
Revenue Change (R)	0.64%		
Price Cap Only with R Adj	\$ 3,252,380	\$ 3,342,278	\$ 89,898

	Common Line	Special	Price Cap Revenue
499A 2013 Annual Interstate End User Revenues	\$ 833,513,774	\$ 129,678,606	\$ 963,192,380
Allocation Basis	86.54%	13.46%	
Telecom. Relay Support	\$ (233,384)	\$ (36,310)	\$ (269,694)
Regulatory Fee Support:	\$ 77,795	\$ 12,103	\$ 89,898
	\$ (155,589)	\$ (24,207)	\$ (179,796)

**AT&T - BELL SOUTH TELECOMMUNICATIONS, LLC.
SUMMARY OF EXOGENOUS COSTS AND DISTRIBUTIONS
TO NON-ATS SERVICES**

Exhibit 2.6

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))			-	-	(269,694)	89,898	(179,796)
4	COMMON LINE EUCL AND PICC 'R' (Sum1 Column A, Row 100)	585,548,305	54.83%	-	-	(233,384)	77,795	(155,589)
5	INTEREXCHANGE BASKET 'R'	-	0.00%	-	-	-	-	-
6	SPECIAL ACCESS BASKET 'R'	482,441,371	45.17%	-	-	(36,310)	12,103	(24,207)
7	TOTAL (SUM L4 THRU L8)	1,067,989,676	100.00%	-	-	(269,694)	89,898	(179,796)

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