

## **EXOGENOUS COST CHANGES**

### **OVERVIEW**

BellSouth has calculated its Exogenous Cost Changes pursuant to Section 61.45(d) of the Commission's Rules. The Exogenous Cost Changes included in this filing are:

1. Investment Tax Credit (ITC) Amortization
2. Reallocation of Investment from Regulated to Non-Regulated Activity
3. 2002 Telecommunications Relay Services (TRS) Fees Adjustment

As specified in Section 61.45(d)(3), BellSouth apportioned its Exogenous Cost Changes on a cost-causative basis between price cap services and non-price cap services, as described herein. Total Exogenous Cost Changes attributed to price cap services are recovered from services other than those used to calculate the Average Traffic Sensitive (ATS) charge. Exogenous Cost Changes were calculated using 2001 base period operations where applicable. Total Exogenous Cost Changes for the BellSouth Region are \$1,068,290. The Price Cap basket allocation of the Total Exogenous Costs Changes is \$837,555 to CMT, \$14,397 to Traffic Sensitive, \$215,471 to Special Access, and \$867 to Interexchange. These basket amounts are displayed on Exhibit A-1, and reported on Form EXG-1 of the Tariff Review Plan (TRP).

## **1. INVESTMENT TAX CREDIT (ITC) AMORTIZATION**

The ITC Amortization Exogenous Cost Change was developed by determining the difference between actual ITC Amortization amounts and estimates for the current tariff period (7/01-6/02) and estimates of ITC Amortization amounts for the new tariff period (7/02-6/03) resulting in an Exogenous Cost Change of \$810,290. Part 36 Rules were used to determine interstate costs. Interstate costs were apportioned between non-price cap services and price cap services. The costs apportioned to price cap services were distributed among the price cap baskets as reported on TRP Form EXG-1, Page 1, Column D. Exhibit A-2 displays total company and interstate amounts for the base period calendar year 2001, the apportionment to price cap services, the method of basket allocation, the exogenous cost change calculation and tax rates used in the calculation.

## **2. REALLOCATION OF INVESTMENT FROM REGULATED TO NON-REGULATED ACTIVITY**

BellSouth primarily utilized ARMIS FCC Report 495A and FCC Report 495B to calculate the amount of investment reallocated from regulated to non-regulated activity. The original non-regulated investment forecast for 2001 was made in BellSouth's Forecast of Investment Usage Report, FCC Report 495A, which was filed on April 2, 2001. BellSouth's Actual Usage of Investment Report, FCC Report 495B, Submission 1, was filed on April 1, 2002 for the period January 1, 2001 to December 31, 2001. BellSouth has determined that actual usage of Non-Regulated Central Office Equipment (COE) was greater than forecasted.

BellSouth used data obtained from FCC Report 495B, company records, and Part 64 Rules to remove \$1,036,956 of investment from amounts subject to separations in 2001 base period costs. Part 36 Rules were used to determine interstate costs. Interstate costs were apportioned between non-price cap services and price cap services. The costs apportioned to price cap services were distributed among the price cap baskets as reported on TRP Form EXG-1, Page 1, Column I. BellSouth's Regulated to Non-Regulated Investment Reallocation Exogenous Cost Change amount of (\$6,872) is calculated on Exhibit A-3.

### **3. 2002 TELECOMMUNICATIONS RELAY SERVICE (TRS) ADJUSTMENT**

The National Exchange Carrier Association (NECA) submitted the Telecommunications Relay Services (TRS) provider payment formulas and fund size estimate for the period July 2001 through June 2002, in accordance with Section 64.604 of the FCC rules, on May 2, 2001, and this estimate was approved on June 27, 2001.<sup>1</sup> NECA developed a TRS contribution factor of .00073 for the July 2001 through June 2002 tariff year to be used with the 2002 FCC Form 499A Telecommunications Reporting Worksheet. BellSouth's TRS Exogenous Cost Adjustment amount of \$264,872 was developed by taking the difference between the price cap service allocation of BellSouth's 2002 TRS Fund and the price cap service allocation of BellSouth's 2001 TRS Fund. The calculation of the TRS Exogenous Cost Adjustment amount is displayed on Exhibit A-4. BellSouth distributed the price cap portion of the 2002 TRS Fee to the baskets containing end user revenue based on the percentage of end user revenue for price cap services,

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<sup>1</sup> In the Matter of Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Payment Formula and Fund Size Estimate, Interstate Telecommunications Relay Services (TRS) Fund for July 2001 through June 2002, CC Docket 90-571, ordered June 27, 2001.

as displayed on Exhibit A-4, Line 8 through Line 15. The 2002 TRS Exogenous Cost Change Adjustment is reported on TRP Form EXG-1, Page 1, Column H.

#### **SUPPORTING DOCUMENTATION**

Exhibit A-5, provides the initial BellSouth FCC 492A Report for calendar year 2001 and the final BellSouth FCC 492A Report for calendar year 2000.

**EXOGENOUS COST CHANGE SUMMARY**  
**2002 Price Cap Revisions**

EXOGENOUS COST CHANGES	PRICE CAP SERVICES							
	Total CMT	Traffic Sensitive				Special Access Undesignated	Total Interexchange	Price Cap Services Total
		Information	Database	BNA	Total			
Investment Tax Credit Amortization	634,600	1,172	13,242	106	14,520	160,295	875	810,290
Regulated to Non-Regulated Investment Reallocation	(5,382)	(10)	(112)	(1)	(123)	(1,359)	(8)	(6,872)
Telecommunications Relay Service (TRS)	208,337	-	-	-	0	56,535	0	264,872
TOTAL EXOGENOUS COST CHANGES	837,555	1,162	13,130	105	14,397	215,471	867	1,068,290

### INVESTMENT TAX CREDIT (ITC) AMORTIZATION

**Table 1:** The Total Company and Interstate ITC for calendar year 2001 are the basis for calculating the projected difference between the estimated ITC for the current tariff year (7/01-6/02) and estimates of ITC for the new year (7/02-6/03). The Price Cap Services difference represents the projected interstate ITC difference less amounts allocated to excluded services.

**Table 2:** The Price Cap ITC Exogenous Cost Change has been assigned to Price Cap Services based on 2001 base period Filing Revenue ('R') included in price caps. ITC is allocated to Price Cap Services by applying the percentage of Filing 'R' to Table 1, Line 5.

<b><u>Table 1: Total Company, Interstate and Price Cap ITC</u></b>	(A) <b><u>2001</u></b>	(B) <b><u>7/01 - 6/02</u></b>	(C) <b><u>7/02 - 6/03</u></b>	(D)= (C) - (B) <b><u>Difference</u></b>
1 Total Company ITC	22,467,376	20,565,690	16,769,482	(3,796,208)
2 Interstate ITC	5,960,964	5,346,937	4,436,101	(910,836)
3 Excluded Services Difference				(414,020)
4 Price Cap Services Difference				(496,816)
5 Price Cap ITC Exogenous Change Total (See Table 3)				810,290

<b><u>Table 2: Price Cap Services Allocation</u></b>	(E) <b><u>2002 Filing 'R'</u></b>	(F) <b><u>'R' % of Total</u></b>	(G) = (F) x Line 5 <b><u>Exogenous Cost Change</u></b>
6 Common Line	2,004,203,752	78.32%	634,600
7 Traffic Sensitive - Information	3,702,359	0.14%	1,172
8 Traffic Sensitive - BNA	334,501	0.01%	106
9 Traffic Sensitive - Database	41,821,462	1.63%	13,242
10 Special Access	506,244,500	19.78%	160,295
11 Interexchange	<u>2,761,407</u>	<u>0.11%</u>	<u>875</u>
12 Total	2,559,067,981	100.00%	<u>810,290</u>

### INVESTMENT TAX CREDIT AMORTIZATION

Table 3: The Exogenous Cost Change is calculated on Line 14 as a revenue requirement.

<u>Ln#</u>	<u>Classification</u>	<u>Price Cap Services</u>
1	Allowed Rate of Return	11.25%
2	Average Net Investment	0
3	Return	0
4	ITC (Exhibit A-2, Table 1, L4)	(496,816)
5	Fixed Charges	0
6	FIT Tax Adjs	0
7	FIT TI (Ln3-Ln4-Ln5+Ln6)	496,816
8	FIT Gross UP ( .35/(1-.35))	0.5385
9	Gross FIT (Ln7 X Ln8)	267,536
10	Net FIT(Ln9-Ln4)	764,352
11	SIT Rate	0.0567
12	SIT Gross Up (Ln11/(1-Ln11))	0.0601
13	SIT [ (Ln7+Ln9) X Ln12]	45,938
14	ITC Revenue Requirement	(810,290)
15	ITC Exogenous Cost Change (L3+L10+L13)	810,290

## REGULATED TO NON-REGULATED INVESTMENT REALLOCATION

**Table 1:** Regulated to Non-Regulated Investment Reallocation is determined using ARMIS FCC 495A&B Reports and company records. Interstate Investment Reallocation is result of applying FCC Part 36 rules to investment reallocated in base period operations. Price Cap Services represents the interstate investment reallocation less amounts allocated to excluded services.

**Table 2:** The Price Cap Exogenous Cost Change has been assigned to Price Cap Services based on 2001 base period Filing Revenue ('R') included in price caps. Price Cap Services are allocated by applying the percentage of Filing 'R' to Table 1, Line 5.

**Table 1: Investment Reallocation**

	(A) <b><u>2001</u></b>
1 Regulated to Non-Regulated Investment Reallocation	1,036,956
2 Interstate Investment Reallocation	77,380
3 Excluded Services	35,173
4 Price Cap Services	42,207
5 Price Cap Exogenous Change Total (See Table 3)	(6,872)

**Table 2: Price Cap Services Allocation**

	(B) <b><u>2002 Filing 'R'</u></b>	(C) <b><u>'R' % of Total</u></b>	(D) = (C) x Line 5 <b><u>Exogenous Cost Change</u></b>
6 Common Line	2,004,203,752	78.32%	(5,382)
7 Traffic Sensitive - Information	3,702,359	0.14%	(10)
8 Traffic Sensitive - BNA	334,501	0.01%	(1)
9 Traffic Sensitive - Database	41,821,462	1.63%	(112)
10 Special Access	506,244,500	19.78%	(1,359)
11 Interexchange	<u>2,761,407</u>	<u>0.11%</u>	<u>(8)</u>
12 Total	2,559,067,981	100.00%	(6,872)



**REGULATED TO NON-REGULATED INVESTMENT REALLOCATION**

**Table 3:**

BellSouth used Part 64 rules to remove \$751,071 of investment subject to separations from 2001 base period costs. The impact on Price Cap services is summarized below. The Exogenous Cost Change is calculated as a revenue requirement on Line 14.

<u>Ln#</u>	<u>Classification</u>	<u>Price Cap Services</u>
1	Allowed Rate of Return	11.25%
2	Average Net Investment	37,453
3	Return	4,213
4	ITC	0
5	Fixed Charges	0
6	FIT Tax Adjs	0
7	FIT TI (Ln3-Ln4-Ln5+Ln6)	4,213
8	FIT Gross UP ( .35/(1-.35))	0.5385
9	Gross FIT (Ln7 X Ln8)	2,269
10	Net FIT(Ln9-Ln4)	2,269
11	SIT Rate	0.0567
12	SIT Gross Up (Ln11/(1-Ln11))	0.0601
13	SIT [ (Ln7+Ln9) X Ln12]	390
14	Regulated to Non-Regulated Revenue Requirement	6,872
15	Regulated to Non-Regulated Exogenous Cost Change (L3+L10+L13) )	(6,872)

**2002 TELECOMMUNICATIONS RELAY SERVICES (TRS) FEES WORKSHEET**

<b><u>Price Cap TRS Fund Calculation</u></b>	<b><u>Source</u></b>	<b><u>Amount</u></b>
1) 2002 TRS Contribution Base	2002 FCC 499A: L420(d) + L420(e)+L412(e)-L511(b)	2,295,316,550
2) 2002 Excluded Services	2002 FCC 499A: L413(d) + L414(d) + L415(d) + L417(d) + Other	168,621,945
3) 2002 Price Cap Services	(L1-L2)	2,126,694,605
4) 2002 Contribution Rate	2001 Final Order, CC 90-571 dated June 27, 2001	0.00073
5) 2002 TRS Fund: Price Cap Only	(L3 x L4)	1,552,487
6) 2001 TRS Fund: Price Cap Only	BellSouth Transmittal No. 592, Appendix A, Exhibit A-4	1,287,615
<b><u>Exogenous Cost Change Calculation</u></b>		
7) 2002 TRS Price Cap Exogenous Cost Change	(L5 - L6)	264,872
<b><u>Distribution to Price Cap Services</u></b>		
8) Interstate Common Line Revenue	2002 FCC 499A, L405(d)	1,695,071,387
9) Interstate Special Access Revenue	2002 FCC 499A, L406(d)	459,985,189
10) Interstate Common Line & Special Access Revenue	(L8 + L9)	2,155,056,577
11) Interstate Common Line %	(L8/ L10)	78.66%
12) Interstate Special Access %	(L9 / L10)	21.34%
13) Price Cap Common Line Exogenous Cost Change	(L7 x L11)	208,337
14) Price Cap Special Access Exogenous Cost Change	(L7 x L12)	56,535
15) Total Price Cap Exogenous Cost Change	(L13 + L14)	264,872

Note: The 2002 499-A (Page 5 and Page 6) is provided as Page 2 and Page 3 of this EXHIBIT A-4.

## 2002 FCC Form 499-A Telecommunications Reporting Worksheet

Page 5

### Block 4: End-User and Non-Telecommunications Revenue Information

401	Filer 499 ID [from Line 101]	802971				
402	Legal name of reporting entity [from Line 102]	BellSouth Telecommunications, Inc.				
Report billed revenues for January 1 through December 31, 2001. Do not report any negative numbers. Dollar amounts may be rounded to the nearest thousand dollars. However, report all amounts as whole dollars. See instructions regarding percent interstate & international.		Total Revenues  (a)	If breakouts are not book amounts, enter whole percentage estimates		Breakouts	
			Interstate (b)	International (c)	Interstate Revenues (d)	International Revenues (e)
<b>Revenues from All Other Sources (end-user telecom. &amp; non-telecom.)</b>						
403	Surcharges or other amounts on bills identified as recovering State or Federal universal service contributions	133,576,477			133,576,477	
<u>Fixed local services</u>						
404	Monthly service, local calling, connection charges, vertical features, and other local exchange service charges except for federally tariffed subscriber line charges and PICC charges	6,493,705,485			0	
405	PICC charges levied by a local exchange carrier on a no-PIC customer and Tariffed subscriber line charges	1,719,507,982			1,695,071,387	
406	Local private line and special access service	1,086,612,017			459,985,189	
407	Payphone coin revenues (local and long distance)	0			0	
408	Other local telecommunications service revenues	2,921,665,440			0	
<u>Mobile services (including wireless telephony, paging &amp; messaging, and other mobile services)</u>						
409	Monthly and activation charges	0			0	
410	Message charges including roaming, but excluding toll charges	0			0	
<u>Toll services</u>						
411	Prepaid calling card (including card sales to customers and non-carrier distributors) reported at face value of cards	0			0	
412	International calls that both originate and terminate in foreign points	0	0%	100%		
413	Operator and toll calls with alternative billing arrangements (credit card, collect, international call-back, etc.) other than revenues reported on Line 412	3,319,654			78,559	
414	Ordinary long distance (direct-dialed MTS, customer toll-free 800/888 service, "10-10" calls, associated monthly account maintenance, PICC pass-through, and other switched services not reported above)	208,471,062			5,901,713	
415	Long distance private line services	329,615,583			697,720	
416	Satellite services	0			0	
417	All other long distance services	6,825,958			5,504	
418	Information services, inside wiring maintenance, billing and collection customer premises equipment, published directory, dark fiber, Internet access, cable TV program transmission, foreign carrier operations, and non-telecommunications revenues (See instructions.)	2,049,552,369				
419	Gross billed revenues from all sources [incl. reseller & non-telecom.] [Lines 303 through 314 plus Lines 403 through 418]	19,458,062,604			4,947,005,088	
420	Universal service contribution bases [Lines 403 through 411 & Lines 413 through 417]	12,903,299,658			2,295,316,550	

PERSONS MAKING WILLFUL FALSE STATEMENTS IN THE WORKSHEET CAN BE PUNISHED BY FINE OR IMPRISONMENT UNDER TITLE 18 OF THE UNITED STATES CODE, 18 U.S.C. §1001

## 2002 FCC Form 499-A Telecommunications Reporting Worksheet

Page 6

## Block 5: Additional Revenue Breakouts

501	Filer 499 ID [from Line 101]	802971
502	Legal name of reporting entity [from Line 102]	BellSouth Telecommunications, Inc.

Most filers must contribute to LNP administration and must provide the percentages requested in Lines 503 through 510.  
Filing entities that use Line 603 to certify that they are exempt from this requirement need not provide this information.

Percentage of revenues reported in Block 3 and Block 4 billed in each region of the country. Round or estimate to nearest whole percentage. Enter 0 if no service was provided in the region.			Block 3 Carrier's Carrier (a)	Block 4 End-User Telecom. (b)
503	Southeast:	Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, and U.S. Virgin Islands	%	100 %
504	Western:	Alaska, Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming	%	%
505	West Coast:	California, Hawaii, Nevada, American Samoa, Guam, Johnston Atoll, Midway Atoll, Northern Mariana Islands, and Wake Island.	%	%
506	Mid-Atlantic:	Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia, and West Virginia	%	%
507	Mid-West:	Illinois, Indiana, Michigan, Ohio, and Wisconsin	%	%
508	Northeast:	Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont	%	%
509	Southwest:	Arkansas, Kansas, Missouri, Oklahoma, and Texas	%	%
510	Total	[Percentages must add to 0 or 100.]	%	100 %

511 Revenues from resellers that do not contribute to Universal Service support mechanisms are included in Block 4, Line 420 but may be excluded from a filer's TRS, NANPA, LNP, and FCC interstate telephone service provider regulatory fee contribution bases. To have these amounts excluded, the filer has the option of identifying such revenues below.

Revenues from resellers that do not contribute to Universal Service	(a) Total Revenues	(b) Interstate and International
	\$ 0	\$ 0

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EXHIBIT A-5  
PAGE 1 OF 4Approved By OMB  
3060-0355  
Expires 07/31/2004FEDERAL COMMUNICATIONS COMMISSION  
Washington D.C. 20554See reverse side for information  
regarding public burden estimate.

## 1. Name and Address of Reporting Company

BellSouth Telecommunications, Inc.  
675 W Peachtree Street NE  
Atlanta, Georgia 30375

## 2. Reporting Calendar Year

(A) From: January 1, 2000 To: December 31, 2000

(B) First Report Filed: March 30, 2001

(C) Final Report Filed: April 8, 2002

FCC 492A

PRICE-CAP REGULATION  
RATE-OF-RETURN MONITORING REPORT  
(Read Instructions on the Reverse Before Completing)  
Dollar Amounts Shown in Thousands

3. Items	Total Interstate Services Subject to Price Cap Regulation		
	First Report Column A	Final Report Column B	Difference Column C = (B - A)
1 Total Revenues	4,020,503	4,022,211	1,708
2 Total Expenses and Taxes	2,841,905	2,832,251	-9,654
3 Operating Income(Net Return)(Ln1-Ln2)	1,178,598	1,189,960	11,362
4 Rate Base (Avg. Net Investment)	5,212,395	5,212,395	0
5 Rate of Return (Ln3/Ln4)	22.61%	22.83%	0
6 Sharing/Low End Adjustment Amount	NA	NA	NA
7 FCC Ordered Refund - Amortized for Current Period	NA	NA	NA

## REMARKS

See attached footnotes page.

CERTIFICATION: I certify that I am the chief financial officer or the duly assigned accounting officer; that I have examined the foregoing report; that to the best of my knowledge and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the specified period.

Date  
04/08/02  
Typed Name of Person Signing  
Guy L Cochran  
Telephone No. 404-927-7154Title of Person Signing  
Chief Financial Officer

Signature

PERSONS MAKING WILLFUL FALSE STATEMENTS IN THIS REPORT FORM CAN BE FINED BY FINE  
OR IMPRISONMENT UNDER THE PROVISIONS OF THE U.S. CODE, TITLE 18, SECTION 1001.

1. Name and Address of Reporting Company

BellSouth Telecommunications, Inc.  
675 W Peachtree Street NE  
Atlanta, Georgia 30375

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FCC 492A

PRICE-CAP REGULATION  
RATE-OF-RETURN MONITORING REPORT

FOOTNOTES / REMARKS PAGE

Excluded Services

In order to remove excluded services from Price Cap regulation in accordance with the FCC Price Cap plan, data in this report has been adjusted for the removal of excluded service offerings amounting to \$15,878. Earnings associated with these services have been removed at the same rate as total interstate services.

A tariff was filed to remove interexchange toll revenue from Price Caps in December 1999. For purposes of this report, interexchange toll revenue amounting to \$5,516 for the year 2000 is no longer part of price cap regulation.

On December 15, 2000, the FCC granted BellSouth pricing flexibility relief for Special Access and Dedicated Transport services in certain MSAs, including the removal of these services from Price Cap regulation. Accordingly, this report is adjusted to remove one half month of revenue associated with the services for which relief was granted amounting to \$43,764, which is a revision to the original revenue amount of \$45,471 filed in BellSouth's initial report. This results in changes in Total Revenues and Total Expenses and Taxes that are reflected in Column C.

In accordance with the CALLS Order released on May 31, 2000, BellSouth removed all federal Universal Service Fund (USF) contribution recovery from Price Cap regulation effective July 2000 and established new end user charges outside of Price Caps to recover these contributions. The revenue associated with these new charges amounted to \$50,485 for the year 2000.

Tax Rates:

The following tax rates and gross-up factors are provided per the TRP Order released by the FCC on March 25, 1998:

FIT Rate: .35 FIT G/U Factor: .5385 SIT Rate: .0567 SIT G/U Factor: .0601

The SIT rate is a composite rate for the states served by BellSouth Telecommunications, Inc.

The final report reflects changes in Total Expenses and Taxes of (\$11,362) resulting from the resubmission of the 2000 ARMIS 43-01.

Approved By OMB  
3060-0355  
Expires 07/31/2004

FEDERAL COMMUNICATIONS COMMISSION  
Washington D.C. 20554

See reverse side for information  
regarding public burden estimate.

1. Name and Address of Reporting Company

BellSouth Telecommunications, Inc.  
675 W Peachtree Street NE  
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2. Reporting Calendar Year

(A) From: January 1, 2001 To: December 31, 2001

(B) First Report Filed: April 8, 2002

(C) Final Report Filed:

FCC 492A

PRICE-CAP REGULATION  
RATE-OF-RETURN MONITORING REPORT  
(Read Instructions on the Reverse Before Completing)  
Dollar Amounts Shown in Thousands

3. Items	Total Interstate Services Subject to Price Cap Regulation		
	First Report Column A	Final Report Column B	Difference Column C = (B - A)
1 Total Revenues	2,870,116		
2 Total Expenses and Taxes	1,644,929		
3 Operating Income(Net Return)(Ln1-Ln2)	1,225,187		
4 Rate Base (Avg. Net Investment)	5,773,621		
5 Rate of Return (Ln3/Ln4)	21.22%		
6 Sharing/Low End Adjustment Amount	NA		
7 FCC Ordered Refund - Amortized for Current Period	NA		

REMARKS

See attached footnotes page.

CERTIFICATION: I certify that I am the chief financial officer or the duly assigned accounting officer; that I have examined the foregoing report; that to the best of my knowledge and belief, all statements of fact contained in this report are true and this report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the specified period.

Date  
04/08/02

Typed Name of Person Signing  
Guy L Cochran

Telephone No. 404-927-7154

Title of Person Signing  
Chief Financial Officer

Signature  
*Guy L. Cochran*

PERSONS MAKING WILLFUL FALSE STATEMENTS IN THIS REPORT FORM CAN BE PUNISHED BY FINE  
OR IMPRISONMENT UNDER THE PROVISIONS OF THE U.S. CODE, TITLE 18, SECTION 1001.

FCC 492A  
September 2001

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1. Name and Address of Reporting Company

BellSouth Telecommunications, Inc.  
675 W Peachtree Street NE  
Atlanta, Georgia 30375

2. Reporting Calendar Year

(A) From: January 1, 2001 To: December 31, 2001

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(C) Final Report Filed:

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FCC 492A

PRICE-CAP REGULATION  
RATE-OF-RETURN MONITORING REPORT

FOOTNOTES / REMARKS PAGE

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Excluded Services

In order to remove excluded services from Price Cap regulation in accordance with the FCC Price Cap plan, data in this report has been adjusted for the removal of excluded service offerings amounting to \$13,749. Earnings associated with these services have been removed at the same rate as total interstate services.

A tariff was filed to remove interexchange toll revenue from Price Caps in December 1999. For purposes of this report, interexchange toll revenue amounting to \$5,545 for the year 2001 is no longer part of price cap regulation.

On December 15, 2000, the FCC granted BellSouth pricing flexibility relief for Special Access and Dedicated Transport services in certain MSAs, including the removal of these services from Price Cap regulation. Accordingly, this report is adjusted to remove annual revenues associated with the services for which relief was granted amounting to \$1,523,504.

In accordance with the CALLS Order released on May 31, 2000, BellSouth removed all federal Universal Service Fund (USF) contribution recovery from Price Cap regulation effective July 2000 and established new end user charges outside of Price Caps to recover these contributions. The revenue associated with these new charges amounted to \$148,190 for the year 2001.

Tax Rates:

The following tax rates and gross-up factors are provided per the TRP Order released by the FCC on March 25, 1998:

FIT Rate: .35 FIT G/U Factor: .5385 SIT Rate: .0587 SIT G/U Factor: .0601

The SIT rate is a composite rate for the states served by BellSouth Telecommunications, Inc.



**2002 Annual Price Cap Filing****APPENDIX A  
WORKPAPER CL-1****CALCULATION OF g (GROWTH IN MOU PER LINE)**

<b><u>LINE NUMBER</u></b>	<b><u>DESCRIPTION</u></b>	<b><u>SOURCE</u></b>	<b><u>YEAR(t) AMOUNT</u></b> (A)
1.	MINUTES (t-1)	2000 DEMAND	84,857,448,571
2.	END USER LINES (t-1)	2000 DEMAND	292,750,907
3.	MINUTES PER LINE (t-1)	L1/L2	289.86
4.	MINUTES (t)	2001 DEMAND	82,347,416,139
5.	END USER LINES (t)	2001 DEMAND	284,532,612
6.	MINUTES PER LINE (t)	L4/L5	289.41
7.	g - GROWTH IN MINUTES PER LINE	$[(L6/L3)-1]*100$	-0.1552%

Note: This workpaper displays the calculation of g (growth in MOU per line) for 2001 over 2000.

**Development of ATS LEC-Transport MOU**

	<b>Meet-Point Billed MOU</b>	<b>Source</b>	<b>Subtotal</b>	<b>Amount</b>
1	Access Tandem MOU to ICO EOs	CABS BDT		3,301,255,561
2	Access Tandem MOU to EOs With No LS MOU	CABS BDT	6,536,413,470	
3	Cellular MOU Not Billed LS	CABS Statistical Usage Records	5,664,977,828	
4	CLEC MOU	r2 - r3		871,435,642
5	ICO Dedicated MOU	CABS BDT Analysis		5,112,443,919
6	Total LEC-Transport MPB MOU	(r1 + r4 + r5)		9,285,135,122
	<b>TIC MOU</b>			
7	Transport Provided TIC MOU	RTE-1 [r1015 + r1021 + (r1024*.45)] c(A)		81,201,087,123
	<b>BellSouth Total LEC-Transport MOU</b>			
8	LEC-Transport MOU	r6 + r7		90,486,222,245
	<b>Pricing Flexibility Adjustment</b>			
9	Direct-Routed MOU at End Offices Meeting the Pricing Flexibility Phase 2 Trigger	CABS Statistical Usage Records		48,102,260,366
10	Base Period Transport Billed Revenue	CABS BDT	225,770,770	
11	Base Period Transport IOC Revenue For Facilities Where EO Gets Pricing Flex Relief But POP SWC Does Not	CABS BDT	1,338,308	
12	Cross-MSA Adjustment Percentage for Direct-Routed MOU	r11/r10	0.59%	
13	Pricing Flexibility LEC-Transport MOU Adjustment	r9 * (1-r12)		47,817,123,133
	<b>BellSouth ATS LEC-Transport MOU</b>			
14	ATS LEC-Transport MOU	r8 - r13		42,669,099,113

	EXISTING PCI (A)	EXISTING API (B)	EXISTING SBI (C)	EXISTING SBI LIMIT (D)	6/30/2002 PCI (E)	6/30/2002 SBI (F)
<b>Common Line Basket</b>						
Total Common Line	N/A	N/A	N/A	N/A	N/A	N/A
<b>Traffic Sensitive Basket</b>						
Local Switching	N/A	N/A	592	592	N/A	592
Information	N/A	N/A	592	592	N/A	592
Database Access	N/A	N/A	592	592	N/A	592
800 DB VertSvcs Sub-Cat	N/A	N/A	592	592	N/A	592
Billing Name and Address	N/A	N/A	592	592	N/A	592
Local Switching Trunk Ports	N/A	N/A	592	592	N/A	592
STP Port Terminations	N/A	N/A	592	592	N/A	592
Total Traffic Sensitive	592	592	N/A	N/A	592	N/A
<b>Trunking Basket</b>						
Interconnection Charge	N/A	N/A	N/A	N/A	N/A	N/A
Tandem Switched Transport	N/A	N/A	618	618	N/A	618
TST Density Zone 1	N/A	N/A	618	618	N/A	618
TST Density Zone 2	N/A	N/A	592	592	N/A	592
TST Density Zone 3	N/A	N/A	592	592	N/A	592
TST Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
TST Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
TST Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
TST Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
VoiceGrade/WATS - Switched	N/A	N/A	592	592	N/A	592
VG DTT/EF Density Zone 1	N/A	N/A	N/A	N/A	N/A	N/A
VG DTT/EF Density Zone 2	N/A	N/A	N/A	N/A	N/A	N/A
VG DTT/EF Density Zone 3	N/A	N/A	N/A	N/A	N/A	N/A
VG DTT/EF Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
VG DTT/EF Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
VG DTT/EF Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
VG DTT/EF Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
High Cap & DDS - Switched	N/A	N/A	633	633	N/A	633
DS-1 SubCat - Switched	N/A	N/A	633	592	N/A	633
DS1 DTT Density Zone 1	N/A	N/A	592	592	N/A	592
DS1 DTT Density Zone 2	N/A	N/A	592	592	N/A	592
DS1 DTT Density Zone 3	N/A	N/A	592	592	N/A	592
DS1 DTT Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
DS1 DTT Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
DS1 DTT Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
DS1 DTT Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
DS-3 SubCat - Switched	N/A	N/A	592	592	N/A	592
DS3 DTT Density Zone 1	N/A	N/A	592	592	N/A	592
DS3 DTT Density Zone 2	N/A	N/A	592	592	N/A	592
DS3 DTT Density Zone 3	N/A	N/A	592	592	N/A	592
DS3 DTT Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
DS3 DTT Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
DS3 DTT Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
DS3 DTT Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sw Density Zone 1	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sw Density Zone 2	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sw Density Zone 3	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sw Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sw Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sw Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sw Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
Signalling Interconnection	N/A	N/A	N/A	N/A	N/A	N/A
SigIntCon Density Zone 1	N/A	N/A	N/A	N/A	N/A	N/A
SigIntCon Density Zone 2	N/A	N/A	N/A	N/A	N/A	N/A
SigIntCon Density Zone 3	N/A	N/A	N/A	N/A	N/A	N/A
SigIntCon Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
SigIntCon Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
SigIntCon Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A

	EXISTING PCI (A)	EXISTING API (B)	EXISTING SBI (C)	EXISTING SBI LIMIT (D)	6/30/2002 PCI (E)	6/30/2002 SBI (F)
SigIntCon Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
Total Trunking	592	592	N/A	N/A	592	N/A
<u>Interexchange Basket</u>						
Total Interexchange	592	592	N/A	N/A	592	N/A
<u>Special Access Basket</u>						
VG/WATS, Met, Tgh - Special	N/A	N/A	592	592	N/A	592
VG Spec Density Zone 1	N/A	N/A	N/A	N/A	N/A	N/A
VG Spec Density Zone 2	N/A	N/A	N/A	N/A	N/A	N/A
VG Spec Density Zone 3	N/A	N/A	N/A	N/A	N/A	N/A
VG Spec Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
VG Spec Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
VG Spec Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
VG Spec Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
Audio & Video	N/A	N/A	613	592	N/A	613
Audio/Video Density Zone 1	N/A	N/A	N/A	N/A	N/A	N/A
Audio/Video Density Zone 2	N/A	N/A	N/A	N/A	N/A	N/A
Audio/Video Density Zone 3	N/A	N/A	N/A	N/A	N/A	N/A
Audio/Video Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
Audio/Video Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
Audio/Video Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
Audio/Video Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
High Cap & DDS - Special	N/A	N/A	633	592	N/A	633
DS-1 SubCat - Special	N/A	N/A	633	592	N/A	633
DS1 Spec Density Zone 1	N/A	N/A	592	592	N/A	592
DS1 Spec Density Zone 2	N/A	N/A	592	592	N/A	592
DS1 Spec Density Zone 3	N/A	N/A	592	592	N/A	592
DS1 Spec Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
DS1 Spec Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
DS1 Spec Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
DS1 Spec Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
DS-3 SubCat - Special	N/A	N/A	592	592	N/A	592
DS3 Spec Density Zone 1	N/A	N/A	592	592	N/A	592
DS3 Spec Density Zone 2	N/A	N/A	592	592	N/A	592
DS3 Spec Density Zone 3	N/A	N/A	592	592	N/A	592
DS3 Spec Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
DS3 Spec Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
DS3 Spec Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
DS3 Spec Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sp Density Zone 1	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sp Density Zone 2	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sp Density Zone 3	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sp Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sp Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sp Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
DDS&Other Sp Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
Wideband	N/A	N/A	N/A	N/A	N/A	N/A
WB Density Zone 1	N/A	N/A	N/A	N/A	N/A	N/A
WB Density Zone 2	N/A	N/A	N/A	N/A	N/A	N/A
WB Density Zone 3	N/A	N/A	N/A	N/A	N/A	N/A
WB Density Zone 4	N/A	N/A	N/A	N/A	N/A	N/A
WB Density Zone 5	N/A	N/A	N/A	N/A	N/A	N/A
WB Density Zone 6	N/A	N/A	N/A	N/A	N/A	N/A
WB Density Zone 7	N/A	N/A	N/A	N/A	N/A	N/A
Total Special Access	592	592	N/A	N/A	592	N/A

## 2001 New Services

**BellSouth Alternate DA Service Capability:** All rate elements assigned to the Traffic Sensitive Basket, Information Services Band.

**BellSouth ADSL Service, End User Aggregation:** All rate elements assigned to the Traffic Special Access Basket, HICAP/DDS Services Band.

**BellSouth Fast Packet Savings Plan, Optional Service:** All rate elements assigned to the Trunking Basket, HICAP/DDS Services Band.

**BellSouth ADSL Service, End User Aggregation Testing Capability:** All rate elements assigned to the Special Access Basket, HICAP/DDS Services Band.

**BellSouth Exchange Access Frame Relay Service & Managed Shared Frame Relay Service, Introduction of FRF5:** All rate elements assigned to the Trunking Basket, HICAP/DDS Services Band.

**BellSouth Exchange Access Frame Relay Service & Managed Shared Frame Relay Service, Introduction of new speeds:** All rate elements assigned to the Trunking Basket, HICAP/DDS Services Band.

**BellSouth DA Service, Optional Calling Plan 1:** All rate elements assigned to the Traffic Sensitive Basket, Information Services Band.

## **Current Part 69 Waivers**

There are no Part 69 Waivers.