

AMERITECH OPERATING COMPANIES (AMERITECH)
2002 ANNUAL FILING – PART I - ERRATUM
DESCRIPTION AND JUSTIFICATION
MAY 31, 2002

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1. INTRODUCTION

On May 1, 2002, Ameritech Operating Companies (hereafter “Ameritech”) filed the Short Form portion of the 2002 Annual Access Tariff Filing in compliance with Commission Order. Price Cap indices detailed in that filing were updated under transmittal number 1302, which proposed revisions to Ameritech’s Expedite Order Charge Process. This filing included revenue increase and rate decreases which impacted price cap indices listed in the Tariff Review Plan (TRP). Consequently, certain documentation including indices and current revenue levels provided in the May 1st filing, require modification. Other miscellaneous revisions have also been included in the Trunking and Special Access baskets’ revenues due to reverification of data and calculations. Ameritech has also modified the ratio used in exogenous costs calculations to allocate a portion of the adjustment to excluded services. *Exhibit 1* details differences in information supplied May 1st and the instant filing. All other items remain unchanged. However, all exhibits and support material are enclosed with this erratum filing to ensure completeness.

This filing is being made in compliance with the following:

- ❑ Order, In the Matter of Material to be Filed in Support of 2002 Annual Access Tariff Filings, DA 02-990, released April 30, 2002;
- ❑ Order, In the Matter of July 2, 2002 Annual Access Charge Tariff Filings, DA 02-970, released April 26, 2002;
- ❑ Order, In the Matter of Material to be Filed in Support of 2001 Annual Access Tariff Filings, DA 01-1105, released April 30, 2001;
- ❑ Order, In the Matter of July 1, 2000 Annual Access Charge Tariff Filings, DA 00-1269, released June 9, 2000;
- ❑ 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;
- ❑ 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 identified herein.

The LEC Price Cap Order requires an annual access tariff filing in which Ameritech is required to adjust the price cap indexes (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. Ameritech has incorporated the demand and

revenue/cost of those new services introduced during the 2001 base period and has calculated the PCI for each affected basket and service category, respectively, 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 Parts 61.45(b), this dollar effect must be measured at the base period level of operations.

In the 2002 Annual Filing, Ameritech will make the following exogenous adjustments, which are allowable in accordance with the Code of Federal Regulations (CFR) or were designated in Commission Orders:

- Excess Deferred Tax (EDT)
- Investment Tax Credit (ITC)
- Regulatory Fee Payment Exogenous
- Telecommunications Relay Service (TRS)

2.A. BASE YEAR DATA

The Price Cap Rules require that exogenous cost changes be measured at base period level of operations. For development of exogenous cost changes, revenue requirements were developed based on an 11.25 percent authorized Rate of Return (ROR). The federal and state tax rates used in the computations were the applicable statutory rates. The SBC Companies utilized the most recent ARMIS reported amounts to determine Part 36 jurisdictional cost allocations and Part 69 access cost amounts.

2.B EXCESS DEFERRED TAX

The FCC in its LEC Price Cap Reconsideration Order, paragraph 72, allowed exogenous treatment of the flow-through of Excess Deferred Income Tax (EDT). In this filing, Ameritech has reflected the estimated exogenous cost changes associated with this item

for the tariff period. *Exhibit 2* provides the development of the EDT impacts. In accordance with Part 61.45 (d)(3), this exogenous was not allocated to Average Traffic Sensitive (ATS) revenue.

2.C INVESTMENT TAX CREDIT AMORTIZATION

The FCC in its LEC Price Cap Reconsideration, paragraph 72, allowed exogenous treatment of the flow-through of the repeal of the Invest Tax Credit (ITC). In this filing, Ameritech has reflected the estimated exogenous cost changes associated with this item for the tariff period. *Exhibit 2.1* provides the development of the ITC impacts that Ameritech anticipates for 2001-02 tariff period. In accordance with Part 61.45 (d)(3), this exogenous was not allocated to Average Traffic Sensitive (ATS) revenue.

2.D NON-REGULATED REALLOCATION

Part 61.45 (d)(1)(v), requires that LECs include an exogenous cost adjustment pursuant to Part 64.901 of the Rules for a reallocation of investment for regulated to non-regulated activities. Ameritech does not have an exogenous cost adjustment associated with a non-regulated reallocation.

2.E COMBINED EFFECT

Ameritech combined the effect of EDT and ITC to determine the impact of both exogenous cost changes on Ameritech's interstate revenue requirements. *Exhibit 2.2* summarizes this combined impact..

Part 61.45(d)(3) requires that exogenous cost changes be apportioned between price cap services and excluded services.

Ameritech has adjusted the combined 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, Ameritech assumes that the costs for these services are equivalent to the revenue from these services. Ameritech 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. Details pertaining to this calculation are shown in **Exhibit 2.3**.

2.F TELECOMMUNICATIONS RELAY SERVICES (TRS) FUND

The Commission has also ruled Telecommunications Relay Service (TRS) fund payments¹ may be treated as exogenous. On June 27, 2001, the Commission released its Order, In the Matter of Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1999 (Fund Administration, Fund Size Estimate, and Payment Formula, July 2001 Through June 2002), CC Docket No. 90-571 (DA 01-1502) approving the current Telecommunications Relay Service (TRS) contribution rate of .00073. This factor is used to determine the TRS exogenous adjustment. Revisions to this rate applicable July 2002 through June 2003 are not currently available. Therefore, Ameritech is estimating the total TRS contribution amount July 2002 through June 2003 based on the current TRS contribution factor and the preliminary change in revenue.

The development of the TRS exogenous cost for this filing is provided on **Exhibit 2.4** and will be updated in the June 2002 tariff filing if in the interim the contribution rate is modified by the Commission. Pursuant to 61.45(d)(3), a portion of the TRS exogenous cost was allocated to excluded services. This allocation included an adjustment for pricing flexibility petitions approved April 11, 2002. TRS exogenous was not allocated to ATS revenue.

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.G REGULATORY FEE PAYMENTS

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 Order². On March 27, 2002, the Commission released its Order, In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2002 (MD Docket 02-64 (FCC 02-92) detailing the proposed factor for the Fiscal Year 2003.

Ameritech 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.H AMERITECH OVERYPAYMENT REVERSAL

On October 1, 2001, Ameritech submit revisions to Common Line rates filed in the 2001 Annual Filing. Common Line rates had been overstated for a period of three-months prior to the correction. At the time of the filing, which became effective October 2, 2001, Ameritech included an overpayment exogenous to provide customers the benefit of the correct Common Line rates for the period July 3, 2001 through October 1, 2001. Ameritech stated in the Description and Justification included with that filing, that this overpayment exogenous would be reversed with the 2002 Annual Filing. The exogenous reversal is detailed on *Exhibit 2.6*.

2.I. INTERSTATE RATE OF RETURN

Earnings during the 2001 base period are provided in *Exhibit 2.7*. The final form 492 detailing 2000 base period earnings is provided in *Exhibit 2.8*.

2.J. LOWER ADJUSTMENT AND EXOGENOUS COST REVERSALS

Ameritech is prohibited from making a low-end adjustment pursuant to Part 69.731 due to pricing flexibility petitions filed by SBC Companies.

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.

Other than the overpayment exogenous reversal, no exogenous cost associated with the 2001 Annual Filing requires reversal in the current filing.

2.K. TOTAL EXOGENOUS COSTS

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

3. OTHER PRICE CAP INDEX FACTORS/VARIABLES DEVELOPMENT

The annual filing adjustments to the PCI, detailed in Part 61.45(a), require the identification or development of the factors³ contained in the PCI formulas. The development of these factors, except for ΔZ , is described in this section. The development of the ΔZ factor is described in Section 2.

These factors are used to calculate a new PCI for each of the price cap baskets. The new PCIs are the benchmark against which the price cap basket Actual Price Indices (APIs) associated with the proposed prices are measured. The change in the PCI also affects the calculation of the allowable Service Band Index (SBI) upper limits, used to demonstrate that the proposed service category rates are in-band for the Traffic Sensitive, Trunking, and Special Access baskets. The change in the PCI also affects the allowable Sub-Index upper limits for 800 Database Vertical Services, Trunking and Special Access DS1, DS3 and Zone Density Pricing (ZDP) categories.

The calculations of the PCIs are detailed on form PCI-1 of the Tariff Review Plan (TRP).

EXISTING PCI

The PCI_{t-1} is described in Part 61.45(b)(1)(i) as "the immediately preceding PCI value." For purposes of the 2002 Annual Filing, the immediately preceding PCIs are identified in the existing PCI column of the TRP. The reference document, which is required to

³ The required factors are PCI_{t-1} , GDP-PI, X, R, g, w, ΔY and ΔZ .

identify the transmittal associated with each of the existing PCIs, is provided as ***Exhibit 13.***

GDP-PI

In compliance with Part 61.45(b)(1)(i), the 2001 base year chain-weighted GDP-PI is used in this filing.

The GDP-PI factor is described in Part 61.45(c) as "the percentage change in the GDP-PI between the quarter ending six months prior to the effective date of the new annual tariff and the corresponding quarter of the previous year."

The change in the GDP-PI for the 2002 Annual Filing is 1.8742 percent.

TRANSITIONAL MECHANISM (X-Factor)

Part 61.45(b)(1) specifies price cap LECs shall apply a transitional mechanism of 6.5% to the Common Line, Traffic Sensitive, and Trunking basket revenues to lower switched and switched transport access charges until the specified target is met. The X-factor for the Special Access basket for the 2002 Annual Filing is 6.5% pursuant to 61.45 (b)(1)(iv).

'R' VARIABLE

The 'R' variable as described in Part 61.45 (b)(1)(i) was calculated by multiplying base period quantities by the rates that were in effect at the time of the last PCI update.

The base period is defined in Part 61.3 (g) as "the 12-month period ending six months prior to the effective date of annual price cap tariffs." For purposes of this filing, the base period is the calendar year 2001.

The calculation of the 'R' variable for the Common Line, Traffic Sensitive, Trunking and Special Access Baskets will be provided as part of the June 2002 tariff filing.

COMMON LINE USAGE GROWTH (g)

Ameritech is no longer required to develop a 'g' factor since it no longer assesses MOU CCL charges.

4. DEVELOPMENT OF 2001 BASE PERIOD DEMAND

Historical base period demand is required for the Common Line, Traffic Sensitive, Trunking, and Special Access baskets. Demand information supporting the Common Line, Traffic Sensitive, Trunking, Interexchange and Special Access baskets will also be provided as part of the June 2002 tariff filing.

The 2001 base period demand for the Trunking and Special Access baskets will reflect the removal of the demand in MSAs granted Phase II regulatory relief in the Memorandum Opinion and Order (MO&O), CCB/CPD No. 01-32, DA 02-823, on April 11, 2002. The removal of demand in those MSAs granted Phase II regulatory relief on April 11, 2002 will be demonstrated in a TRP filing to be filed on or around May 20, 2002.

5. COMMON LINE BASKET RATE DEVELOPMENT

The Common Line basket rates will be developed in accordance with Parts 69.152 and 69.153 of the Rules in the June Filing. Ameritech does not currently receive Universal Service Fund (USF) Support per line received pursuant to Part 54.807 thus no update to adjust for changes in USF per line support is included. The Multi-line Business End User Common Line (MLB EUCL) charge will be calculated in accordance with Parts 61.48 and 69.152.

6. TRAFFIC SENSITIVE BASKET PCI, API, SBI AND RATE DEVELOPMENT

In accordance with Part 61.45, the existing and proposed PCIs for the Traffic Sensitive Basket are detailed on the PCI-1 form of the TRP. The associated API and the SBI for each of the service categories and sub categories will be provided as part of the June 2002 tariff filing in conjunction with the development of the Traffic Sensitive basket 'R' value.

7. INTEREXCHANGE BASKET PCI, API AND RATE DEVELOPMENT

Ameritech does not have revenue associated with the Interexchange Basket therefore no update is being made to the basket's PCI and no additional information will be provided in the June filing.

8. TRUNKING BASKET PCI, API, SBI AND RATE DEVELOPMENT

In accordance with Parts 61.45(a), 61.46(a), 61.47(a), 61.47(b) and 61.47(e), the determination of the proposed Trunking basket rates, PCI, API, and SBIs and SBI upper limits for each of the service categories or sub categories of Interconnection, Tandem Switching, Analog, and Digital, and Signalling associated with the 2002 Annual Filing are developed using 2001 Base Period demand. The 2002 Annual Filing information is detailed on TRP form PCI-1.

The development of the Trunking basket 'R' value, API, SBI, and SBI Upper Limits will be provided as part of the June 2002 tariff filing.

9. SPECIAL ACCESS BASKET PCI, API, SBI AND RATE DEVELOPMENT

In accordance with Parts 61.45(a), 61.46(a), 61.47(a), 61.47(b) and 61.47(e), the determination of the proposed Special Access basket rates, PCI, API, and SBIs and SBI upper limits for each of the service categories or sub categories of Analog, Audio/Video, and Digital associated with the 2021 Annual Filing are developed using 2001 Base Period. The 2002 Annual Filing information is detailed on TRP forms PCI-1.

The development of the Special Access basket 'R' value, API, SBIs, and SBI Upper Limits will be provided as part of the June 2002 tariff filing.

10. PART 69 WAIVERS

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), and The Southern New England Telephone Company (SNET), collectively the SBC companies, including a citation to the Order granting the waiver and the basket and service category, if applicable, treatment of rate elements created by the waiver:

- SBC Companies - Commission Memorandum Opinion and Order (MO&O) released August 22, 1983 established the \$25.00 Special Access Surcharge (waiving Part 69.115 (c)) for private line subscribers whom 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.
- 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.
- SBC Companies - Bureau MO&O, released June 12, 1987, granting an additional routing option for interexchange carriers of having 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.
- SBC Companies - Order, released September 3, 1987, granting permission to determine the Message Unit Credit (MUC) credit 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 Traffic Sensitive basket.
- SBC Companies - 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.

- SWBT and PBTC - Bureau MO&O, releases May 31, 1990, granting the establishment of rate elements for Operator Call Processing Service. These rate elements are included in the Interexchange basket.
- SWBT - Bureau MO&O, released June 15, 1990, granting establishment of new switched access rate elements to recover the cost incurred in the provision of DirectLine Custom Service. These rate elements are included in the Information service category of the Traffic Sensitive basket.
- SNET and Ameritech - Commission Order, released March 5, 1991, In the Matter of Ameritech's Petition for Waiver of Section 69.4(b) of the Commission's Rules. 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.
- SBC Companies - 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.
- SBC Companies - Bureau MO&O, released January 30, 1992, granting establishment of subelements 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.
- Ameritech - Order, released February 12, 1992, granting permission to continue rate element for Ameritech Directory Search (ADS), formerly Electronic Directory Search. These rate elements are location in the Information service category of Traffic Sensitive basket.
- SBC Companies - 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.
- SBC Companies - 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 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.

- SBC Companies - 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 Transport Order and the Rules. This rate element is included in the Interconnection category of the Trunking basket.
- SBC Companies - Bureau Order released November 30, 1994, granting establishment of a new rate element for 500 Access Service. SWBT, Ameritech and PBTC include this rate element 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. NBTC does not offer the service.
- SWBT - Bureau Memorandum Opinion and Order released December 6, 1994, granting the establishment of five new rate elements for Designated Operator Services (DOS). These rate elements are included in the Interexchange basket.
- SWBT - Bureau Order released January 26, 1996, granting the establishment of a new-switched access rate element to recover the costs incurred in provisioning of file transfer in conjunction with DirectLine Custom Service. This rate element is in the Information Category of the Traffic Sensitive basket.
- Ameritech - Order, released March 27, 1996 to establish unbundled rate elements for SS7 service. These rate elements are included in the Traffic Sensitive and Trunking baskets.
- SNET and Ameritech - Order, 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 Category of the Trunking basket.

11. NEW SERVICES INCLUDED IN THE PRICE CAP INDICES

In accordance with 61.42(g), the following new services are being added to Ameritech's price cap indices in the 2002 Annual Filing:

<u>New Service</u>	<u>Basket</u>	<u>Category</u>
<ul style="list-style-type: none"> • AIT OC192 Dedicated Ring Optical to Electrical DS3 Add/Drop Capability 	Special Access	Digital

These services are being incorporated in the same price cap baskets and service bands as services specifically identified in the Memorandum Opinion and Order (MO&O), CCB/CPD No. 00-26, DA 01-670, released March 14, 2001 and the Memorandum

Opinion and Order (MO&O), CCB/CPD No. 01-32, DA 02-823, released April 11, 2002 granting Ameritech's Pricing Flexibility Petitions. In accordance with paragraph 173 of the Pricing Flexibility Order⁴, these services are afforded the same pricing flexibility.

12. SERVICES EXCLUDED FROM PRICE CAPS

The Commission's Order, In the Matter of Material to be Filed in Support of the 2001 Annual Access Tariff Filings, released April 30, 2001, required LECs to provide support documentation detailing services excluded from price cap regulation. Ameritech has included on *Exhibit 12* a list of all services excluded from price cap regulation revised to reflect activity subsequent to the 2001 Annual Filing.

13. IND-1 REFERENCE

The reference document, which is required to identify the transmittal associated with each of the existing PCIs, is provided as *Exhibit 13*.

14. AVERAGE TRAFFIC SENSITIVE (ATS) RATE

The development of Ameritech's beginning Average Traffic Sensitive (ATS) rates is detailed on TRP form TGT-1. The ATS rate is developed in accordance with Part 61.3(e) by dividing the Switched Traffic Sensitive Revenue by the Local Switching MOUs and

⁴ Fifth Report and Order and Further Notice of Proposed Rulemaking, In the Matter of Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Interexchange Carrier Purchases of Switched Access Services Offered by Competitive Local Exchange Carriers, and Petition of U S West Communications, Inc. for Forbearance from Regulation as a Dominant Carrier in the Phoenix, Arizona MSA, CC Docket Nos. 96-262, and 94-1, CCB/CPD File No. 98-63, and CC Docket No. 98-157, released August 27, 1999.

adding to that, the result of dividing Switched Transport Revenue by the LEC Transport MOUs.

LEC Transport MOUs consist of the Transport Interconnection Charge (TIC) MOUs, Meetpoint Tandem Switched MOUs in which Ameritech does not bill TIC, and Meetpoint Direct Routed MOUs in which Ameritech does not bill TIC.

The Meetpoint Tandem Switched MOUs are the total interstate MOUs carried between a Ameritech tandem and an independent company-owned end office (EO). In this situation, the initial billing company is the independent company that owns the EO, who in turn bills the TIC. As Ameritech does not bill the TIC, these MOUs are not in the TIC MOU quantities.

The Meetpoint Direct Routed MOUs are the total interstate MOUs carried on direct routed circuits from a Ameritech serving wire center (SWC) to an independent company owned. In this situation, the initial billing company is the independent company that owns the EO, who in turn bills the TIC. As Ameritech does not bill the TIC, these MOUs are not in the TIC MOU quantities.

The development of the total LEC Transport MOUs is shown on Exhibit 14. The total LEC Transport MOUs are input on the TRP form TGT-1, line 430.

15. RATE COMPARISON

This information will be provided as part of the June 2002 tariff filing.

16. EXHIBITS

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

- Exhibit 1 – Revisions to Short Form Filing made May 1st

- Exhibit 2 – Excess Deferred Tax (EDT)
- Exhibit 2.1 – Investment Tax Credit (ITC)
- Exhibit 2.2 – Combined Effect
- Exhibit 2.3 – EDT/ITC Adjusted for Non-Price Cap Services
- Exhibit 2.4 – Telecommunications Relay Service
- Exhibit 2.5 – Regulatory Fees Payment Exogenous
- Exhibit 2.6 – Ameritech Overpayment Exogenous
- Exhibit 2.7 – Interstate Rate of Return 492 – 2001
- Exhibit 2.8 – Interstate Rate of Return 492 – 2000
- Exhibit 2.9 – Total Exogenous Costs
- Exhibit 12 – Excluded Services List
- Exhibit 13 – IND-1 Reference
- Exhibit 14 – Development of LEC Transport MOUs