

# **BELLSOUTH TELECOMMUNICATIONS, INC.**

## **DESCRIPTION AND JUSTIFICATION**

### **Transmittal No. 665**

#### **1. Introduction**

This filing is being made in accordance with Sections 61.38, 61.49 and 61.58 of the Commission's Rules. This filing contains the exogenous cost change associated with the Fiscal Year 2002 FCC Common Carrier Regulatory Fees and the rate revisions associated with the Fourth Quarter 2002 Universal Service Contribution Factor. Accordingly, as described herein, BellSouth is adjusting certain rates in its Access Services Tariff, F.C.C. No. 1. This filing is scheduled to become effective on October 1, 2002.

#### **2. Fiscal Year 2002 FCC Regulatory Fees**

2.1 Overview of Exogenous Cost Change. Pursuant to Section 61.45 (a) of the Commission's Rules, BellSouth has determined that an Exogenous Cost Change to the CMT and Special Access price cap baskets is warranted to reflect the change associated with the Fiscal Year 2002 FCC Regulatory Fees.

As specified in Section 61.45(d)(4), BellSouth apportioned its Exogenous Cost Changes among the price cap baskets on a cost-causative basis as described herein. Total Exogenous Cost Changes for the BellSouth Region as a whole are \$925,554. The Price Cap basket allocation of the Total Exogenous Cost Changes amounts to \$727,999 to the CMT basket and \$197,555 to the Special Access basket. These basket amounts are

displayed on Appendix A Exhibit A-1 and are reported on Form EXG-1 of the Tariff Review Plan (TRP). The Exogenous Cost Change detail by service band/basket is also displayed on Appendix A Exhibit A-1 and is included on Form EXG-2 of the TRP.

- 2.2 Fiscal Year 2002 FCC Common Carrier Regulatory Fees Adjustment. BellSouth's regulatory fee payment to the FCC in 2002 is \$3,511,834. The 2002 payment is based on a regulatory fee of \$0.00153 per revenue dollar as specified by the Commission in its Report and Order on the Assessment and Collection of Regulatory Fees for Fiscal Year 2002, MD Docket No. 02-64, FCC 02-205, released on July 5, 2002. The price cap service allocation of the 2002 fee payment is \$3,253,843 and the price cap service allocation of the 2001 fee payment is \$2,328,289. The difference or exogenous effect allocated to price cap services between the periods is \$925,554. BellSouth distributed the Regulatory Fees Exogenous Cost Change to the price cap baskets containing end user revenue based on the percentage of end user revenue for price cap services as a group, as shown in Appendix A Exhibit A-2, Line 8 through Line 15. The Fiscal Year 2002 Regulatory Fees Adjustment is reported on TRP Form EXG-1, Page 1, Column B.

### **3. Fourth Quarter 2002 Universal Service Contribution Factor**

On September 10, 2002, the FCC released a Public Notice that provided the proposed Universal Service Contribution Factor for the Fourth Quarter of 2002.<sup>1</sup> As a result and as shown on Appendix C, Exhibit 1, Page 1 of 2, BellSouth's total adjusted USF annualized contribution amount is \$167,414,719. Of this amount, \$117,468,030 will be recovered through a Monthly Federal Universal Service Charge of \$0.48 assessed to all end user customers, as shown on Appendix C, Exhibit 1, Page 2 of 2. In addition, \$49,946,689 will be recovered from End User Special Access customers by applying a surcharge equal to the Fourth Quarter 2002 Universal Service Contribution Factor of 0.072805 to the end user customer's monthly, billing account level, Special Access service charges. The surcharge is described in BellSouth's Access Services Tariff, F.C.C. No.1, Section 4.6(P).

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<sup>1</sup> In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Public Notice, DA 02-2221, released September 10, 2002.

#### **4. Price Cap Indices (PCI) Revisions**

The exogenous cost changes described above result in an increase in the PCI of the Special Access basket from 53.1210 to 53.1427. Appendix B Workpaper PCI-1 shows the calculation of the Special Access basket PCI.

As displayed on the TRP provided with this filing and Appendix B Workpaper SUM-A, the revisions proposed in this filing keep BellSouth within all allowable price cap limits.

#### **5. Rate Revisions**

In this filing, BellSouth is proposing rate revisions to Presubscribed Interexchange Carrier Charges (PICCs) in the CMT price cap basket and Federal Universal Service Charges. Appendix B Workpaper CAP-1 displays the calculation of the CMT rates. Appendix C, Exhibit 1, displays the calculation of the Federal Universal Service Charges.

BellSouth's multi-line business PICC will increase from \$0.74 to \$0.75. The PRI ISDN PICC rate will increase from \$3.70 to \$3.75. The Centrex PICC rate will remain unchanged at \$0.08.

In addition, BellSouth's Federal Universal Service Charge decreases from \$0.49 to \$0.48, not including Centrex lines and PRI ISDN service. The Federal Universal Service Charge for Centrex lines remains unchanged at \$0.05. The Federal Universal Service Charge for PRI ISDN service decreases from \$2.45 to \$2.40. The Federal Universal Service Surcharge factor applied to End User Special Access interstate revenues remains unchanged at 0.072805.