

SBC ADVANCED SOLUTIONS, INC. (ASI)
DESCRIPTION AND JUSTIFICATION
TRANSMITTAL NO. XX
November XX, 2002

PURPOSE

With this tariff filing, SBC Advanced Solutions, Inc. (ASI) proposes the following revisions to its Tariff F.C.C. No. 1:

- 1) Reduce DSL Transport rates;
- 2) Introduce Federal Universal Service Fund (FUSF) charges; and
- 3) Clarify termination charges for Wholesale DSL Transport Volume Discount Plan;

The proposed tariff revisions are discussed in detail below.

1) DSL Transport Rate Reductions

ASI proposes to reduce the rates for all DSL speeds purchased under Month-to-Month, 1-year/50-249, 1-year/250+ and 1-year/250-600 pricing plans for Wholesale DSL Transport and Remote LAN (R-LAN) DSL Transport, where those pricing plans apply. These rates are being reduced to offset the explicit FUSF surcharge being introduced with this filing. This rate reduction is necessary because of the very competitive nature of DSL Transport, purchased primarily by ISPs to provide DSL Internet Service to their customers.

In addition, the rates for all DSL speeds purchased under Wholesale DSL Transport Volume Discount Plan (VDP) are being reduced equal to the rates contained in ASI's grandfathered contracts (as outlined in Section 2.11.1 of Tariff F.C.C. No. 1). This rate reduction will help facilitate the transition of contract customers from their grandfathered contracts to ASI's tariffed services. This will benefit contract customers by allowing them to: 1) maintain the same rate levels currently provided under contract; 2) purchase new tariffed services currently not available under existing contract; and 3) count tariffed service purchases toward volume commitments.

2) Federal Universal Service Fund (FUSF)

ASI proposes to establish a new explicit end user surcharge to recover Federal Universal Service Fund (FUSF) contributions in accordance with Part 69.158, as amended by the FCC CALLS Order. ASI proposes to establish a new FUSF surcharge for DSL Transport¹ to be assessed on a per line basis and for all ATM and Frame Relay services to be assessed on a per port basis. The new surcharge will allow ASI to explicitly recover FUSF contributions on a prospective basis. ASI will not retroactively apply the surcharge to recover past FUSF contributions.

The new FUSF surcharge will be established in Section 2.14.8 of ASI's Tariff and will apply as follows:

- Wholesale DSL Transport – one FUSF surcharge per individual line.
- Remote LAN DSL Transport – one FUSF surcharge per individual line.
- All Frame Relay Service – one FUSF surcharge per port; or
– one FUSF surcharge per access link and port or port and access combination.
- All ATM Service – one FUSF surcharge per port; or
– one FUSF surcharge per access link and port, port/transport or port and access combination.

The FUSF surcharge will not apply to services purchased under term agreements as outlined below:

- Wholesale DSL Transport, R-LAN DSL Transport, Frame Relay and ATM Services provided under grandfathered contracts as described in section 2.11.1 are exempt from FUSF surcharges for the duration of the contract agreement; and

¹ Although ISPs purchasing Wholesale DSL Transport are not considered end users (See Second Report and Order, *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, 14 FCC Rcd 19237 (1999) (“*Second Advanced Services Order*”)), the FCC has classified ISPs as end users for the purpose of FUSF contributions (See *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, FCC 98-67, ¶ 67, f.n.133 (April 10, 1998)(Report to Congress)).

- All Frame Relay and ATM Services provided under Term Pricing Plans (TPPs) entered prior to the effective date of this tariff are exempt from FUSF surcharges for the duration of the term agreement.

Because ASI is not assessing FUSF surcharges against grandfathered contracts or Frame and ATM services provided under existing TPPs, it will not recover 100% of the contributions it provides to the FUSF. ASI is not, however, attempting to recover its total FUSF contribution amount from customers (or any subset thereof) by using an FUSF Surcharge percentage factor greater than the factor set by the Commission. As mentioned earlier, ASI also does not intend to retroactively bill customers to recover past FUSF contribution amounts. ASI will simply expense any difference between the amount paid to the FUSF and the amount collected from customers through the proposed FUSF surcharge.

With this filing, ASI proposes to recover FUSF contributions through a flat rate surcharge applied on a per line or per port basis. A more detailed explanation of how each surcharge was developed is demonstrated below. However, it should be noted that the surcharges proposed in this filing will apply for an interim period only. ASI is currently in the process of changing its billing systems to implement recovery of its FUSF obligation through a percentage surcharge (equal to the Commission's approved contribution factor) applied against the customer's monthly-billed charges. ASI plans to complete this billing change on or before June 30, 2003, and will amend its tariff accordingly.

Wholesale DSL Transport FUSF Surcharge

FUSF surcharges were developed for Wholesale DSL Transport purchased under Month-to-Month and one (1) year term commitments (as shown in Figures 3.1, 3.2 and 3.3 below) by multiplying the 4th quarter 2002 FUSF contribution factor² by the proposed reduced rates for each speed. To avoid a net rate increase (i.e., current rate + FUSF surcharge), the tariffed rates were reduced an amount equal to the proposed FUSF surcharges. As demonstrated below in Figures 3.1, 3.2 and 3.3, the net change to the customer's bill will be \$0.00.

Figure 3.1 - Wholesale DSL Transport– Month-to-Month

Product	Current Rate (A)	FUSF Factor (B)	Proposed Rate ³ (C)	Proposed FUSF surcharge (D) (B * C)	Total of Proposed Rate and USF (E) (C + D)
Primary	\$34.00	0.072805	\$31.69	\$2.31	\$34.00
Primary +	\$39.00	0.072805	\$36.35	\$2.65	\$39.00
Basic	\$39.00	0.072805	\$36.35	\$2.65	\$39.00
Basic +	\$50.00	0.072805	\$46.61	\$3.39	\$50.00
Symmetric	\$75.00	0.072805	\$69.91	\$5.09	\$75.00
Premium	\$99.00	0.072805	\$92.28	\$6.72	\$99.00
Premium +	\$139.00	0.072805	\$129.57	\$9.43	\$139.00

Figure 3.2 – Wholesale DSL Transport– 1 Year/50-249 Volume Commitment

Product	Current Rate (A)	FUSF Factor (B)	Proposed Rate ³ (C)	Proposed FUSF surcharge (D) (B * C)	Total of Proposed Rate and USF (E) (C + D)
Primary	\$32.00	0.072805	\$29.83	\$2.17	\$32.00
Primary +	\$36.00	0.072805	\$33.56	\$2.44	\$36.00
Basic	\$36.00	0.072805	\$33.56	\$2.44	\$36.00
Basic +	\$46.00	0.072805	\$42.88	\$3.12	\$46.00
Symmetric	\$70.00	0.072805	\$65.25	\$4.75	\$70.00
Premium	\$90.00	0.072805	\$83.89	\$6.11	\$90.00
Premium +	\$130.00	0.072805	\$121.18	\$8.82	\$130.00

² Fourth Quarter 2002 Universal Service Contribution Factor, CC Docket No. 96-45, Public Notice, DA 02-2221 (rel. September 10, 2002).

³ Proposed reduced rates for DSL Transport = Current Rate / (1 + FUSF Factor)

Figure 3.3 – Wholesale DSL Transport– 1 Year/250+ Volume Commitment

Product	Current Rate (A)	FUSF Factor (B)	Proposed Rate ³ (C)	Proposed FUSF surcharge (D) (B * C)	Total of Proposed Rate and USF (E) (C + D)
Primary	\$31.00	0.072805	\$28.90	\$2.10	\$31.00
Primary +	\$35.00	0.072805	\$32.62	\$2.38	\$35.00
Basic	\$35.00	0.072805	\$32.62	\$2.38	\$35.00
Basic +	\$45.00	0.072805	\$41.95	\$3.05	\$45.00
Symmetric	\$69.00	0.072805	\$64.32	\$4.68	\$69.00
Premium	\$89.00	0.072805	\$82.96	\$6.04	\$89.00
Premium +	\$129.00	0.072805	\$120.25	\$8.75	\$129.00

FUSF charges for Wholesale DSL Transport purchased under a four (4) year VDP (as shown in Figure 3.4 below), were developed exactly the same as for services purchased under Month-to-Month and one (1) year terms (as demonstrated in Figures 3.1, 3.2 and 3.3 above). However, because of the proposed reductions to the VDP rates as described previously, VDP customers will see a net reduction in all speeds, except Primary.

Figure 3.4 – Wholesale DSL Transport– 4 Year 750,000+ VDP

Product	Current Rate (A)	FUSF Factor (B)	Proposed FUSF surcharge (C) (B * D)	Proposed Rate (D)	Total of Proposed Rate and FUSF (E) (C + D)	Net Change to Customer Bill (F) (E - A)
Primary	\$30.00	0.072805	\$2.04	\$27.96	\$30.00	\$0.00
Primary +	\$35.00	0.072805	\$2.04	\$27.96	\$30.00	-\$5.00
Basic	\$35.00	0.072805	\$2.04	\$27.96	\$30.00	-\$5.00
Basic +	\$45.00	0.072805	\$2.92	\$40.08	\$43.00	-\$2.00
Symmetric	\$69.00	0.072805	\$4.41	\$60.59	\$65.00	-\$4.00
Premium	\$89.00	0.072805	\$5.77	\$79.23	\$85.00	-\$4.00
Premium +	\$129.00	0.072805	\$8.48	\$116.52	\$125.00	-\$4.00

³ Proposed reduced rates for DSL Transport = Current Rate / (1 + FUSF Factor)

Remote LAN DSL Transport FUSF Surcharge

FUSF surcharges for Remote LAN DSL Transport were developed exactly the same as for Wholesale DSL Transport purchased under Month-to-Month and one (1) year terms, as shown below in Figures 3.5, 3.6 and 3.7.

Figure 3.5 – Remote LAN DSL Transport– Month-to-Month

Product	Current Rate (A)	FUSF Factor (B)	Proposed Rate (C)	Proposed FUSF surcharge (D) (B * C)	Total of Proposed Rate and USF (E) (C + D)
Primary	\$44.00	0.072805	\$41.01	\$2.99	\$44.00
Primary +	\$49.00	0.072805	\$45.67	\$3.33	\$49.00
Basic	\$49.00	0.072805	\$45.67	\$3.33	\$49.00
Basic +	\$65.00	0.072805	\$60.59	\$4.41	\$65.00
Symmetric	\$96.00	0.072805	\$89.49	\$6.51	\$96.00
Premium	\$125.00	0.072805	\$116.52	\$8.48	\$125.00
Premium +	\$180.00	0.072805	\$167.78	\$12.22	\$180.00

Figure 3.6 – Remote LAN DSL Transport– 1 Year/50-249 Volume Commitment

Product	Current Rate (A)	FUSF Factor (B)	Proposed Rate (C)	Proposed FUSF surcharge (D) (B * C)	Total of Proposed Rate and USF (E) (C + D)
Primary	\$42.00	0.072805	\$39.15	\$2.85	\$42.00
Primary +	\$46.00	0.072805	\$42.88	\$3.12	\$46.00
Basic	\$46.00	0.072805	\$42.88	\$3.12	\$46.00
Basic +	\$61.00	0.072805	\$56.86	\$4.14	\$61.00
Symmetric	\$91.00	0.072805	\$84.82	\$6.18	\$91.00
Premium	\$116.00	0.072805	\$108.13	\$7.87	\$116.00
Premium +	\$171.00	0.072805	\$159.40	\$11.60	\$171.00

Figure 3.7 – Remote LAN DSL Transport– 1 Year/250-600 Volume Commitment

Product	Current Rate (A)	FUSF Factor (B)	Proposed Rate (C)	Proposed FUSF surcharge (D) (B * C)	Total of Proposed Rate and USF (E) (C + D)
Primary	\$41.00	0.072805	\$38.22	\$2.78	\$41.00
Primary +	\$45.00	0.072805	\$41.95	\$3.05	\$45.00
Basic	\$45.00	0.072805	\$41.95	\$3.05	\$45.00
Basic Plus	\$60.00	0.072805	\$55.93	\$4.07	\$60.00
Symmetric	\$90.00	0.072805	\$83.89	\$6.11	\$90.00
Premium	\$115.00	0.072805	\$107.20	\$7.80	\$115.00
Premium +	\$170.00	0.072805	\$158.46	\$11.54	\$170.00

Frame Relay Service FUSF Surcharge

The FUSF surcharges for all Frame Relay Services were developed based on the average monthly revenue per port of the Frame Relay Service offered pursuant to sections 5.1 through 5.4 ("Vintage Frame Relay Service"). The proposed FUSF surcharges will only apply to Frame Relay Service offered pursuant to sections 5.5 through 5.8 ("Restructured Frame Relay Service") since that service is a restructured product offering and has no historical data established on which to base the proposed FUSF surcharges.

ASI will not be over-compensated by imposing on the Restructured Frame Relay Services the surcharges that were developed based on the revenue of the Vintage Frame Relay Services. To the contrary, ASI may not recover 100% of the contributions it provides to the FUSF for the Restructured Frame Relay Services. ASI determined this by devising FUSF surcharges for the Restructured Frame Relay Service based on the Restructured Frame Relay Service average monthly rate for each Access and Port speed (as done for OC-12 bandwidth ATM Service below). When placed side-by-side with the FUSF surcharges developed based on the Vintage Frame Relay Service average monthly revenue, the Restructured Frame Relay Service FUSF surcharges were slightly higher. Nevertheless, ASI would rather apply the FUSF surcharges developed based on the Vintage Frame Relay Service average monthly revenue to all Frame Relay Services than administer two sets of Frame Relay Service FUSF surcharges. One reason for this preference would be that any new FUSF surcharges introduced at this point would require the allocation of new Universal Service Order Codes (USOCs) for billing purposes, a process that could take several months to complete. Secondly, as stated before, the surcharges proposed in this filing will apply for an interim period only. ASI would rather implement the surcharges below during that interim period and work towards changing its billing systems to implement the percentage surcharge next year.

The FUSF surcharges were developed as follows:

1. For each Access Link speed or range of speeds, (e.g., 56/64 Kbps, DS1, DS3, etc.) the total monthly revenue for a particular port speed was determined by summing all Access Link revenue across ASI's 13-state region. This summation included all ASI regions (Central, West, North and Northeast). It also included all rate term plans (i.e., M/M, 1-Year, 2-Year, etc.). The total monthly revenue was then divided by the total quantity of Access Links to determine the average monthly revenue per Access Link.
2. Next, the same calculation was performed for Port revenue for each speed. All Port revenue was summed across all regions and term plans, then divided by the total quantity of Ports to determine the average monthly revenue per Port.
3. Finally, the same calculation was performed for PVC revenue associated with the Ports. All monthly PVC revenue was summed across all regions and term plans, then divided by the total quantity of PVCs to determine the average monthly revenue per PVC.
4. These average revenues (Access Link, Port and PVC) were then used to develop the average revenue for the two types of service ASI offers -- Access Link and Port and Port Only -- as follows:
 - 1) Access Link and Port = Access Link + Port + PVC
 - 2) Port Only = Port + PVC
5. The monthly average revenue was then multiplied by the current FUSF contribution factor of .072805 to determine the proposed FUSF surcharges, shown in Figure 3.8 below.

Figure 3.8 – Frame Relay Service

Port Speed	Rate Element	Average Revenue per Port	FUSF Factor	Proposed FUSF surcharge
56/64K	Port Only	\$ 63.27	0.072805	\$ 4.61
	Access Link and Port	\$ 128.87	0.072805	\$ 9.38
128K - 768K	Port Only	\$ 191.95	0.072805	\$ 13.97
	Access Link and Port	\$ 332.17	0.072805	\$ 24.18
DS1	Port Only	\$ 342.64	0.072805	\$ 24.95
	Access Link and Port	\$ 456.29	0.072805	\$ 33.22
DS3	Port Only	\$ 2,666.43	0.072805	\$ 194.13
	Access Link and Port	\$ 4,643.20	0.072805	\$ 338.05

To further illustrate the development of the FUSF surcharge, an example is shown below using Frame Relay DS1 Service. The average monthly revenues for Frame Relay DS1 Service were developed as follows:

Development of Average Monthly Revenue by Element

Port Speed	Element	Quantity	Monthly Revenue	Average Monthly Revenue
DS1	Access Link	7,918	\$ 899,870.11	\$ 113.65
	Port	9,426	\$ 3,022,730.57	\$ 320.68
	PVC	11,916	\$ 261,685.95	\$ 21.96

The Frame Relay Service FUSF surcharge was then developed as follows:

Development of FUSF Surcharge

Port Speed	Rate Element	Average Monthly Revenue	FUSF Factor	Proposed FUSF Surcharge
DS1	Access Link and Port	\$ 456.29 ⁴	.072805	\$ 33.22
	Port Only	\$ 342.64 ⁵	.072805	\$ 24.95

The FUSF surcharges for all other Frame Relay speeds were developed in exactly the same manner as demonstrated for the DS1 speed above.

⁴ Access Link and Port Avg. Revenue = Access Link (\$113.65) + Port (\$320.68) + PVC (\$21.96)

⁵ Port Only Avg. Revenue = Port (\$320.68) + PVC (\$21.96)

ATM Service FUSF

The FUSF surcharges for all ATM Services with DS1, IMA, DS3 and OC-3 bandwidths were developed (as shown in Figure 3.9 below) based on the average monthly revenue per port of the ATM Service offered pursuant to sections 4.1 through 4.4 ("Vintage ATM Service"), similar to that of the Frame Relay Services.

Figure 3.9 – ATM Service

Bandwidth	Rate Element	Average Revenue per Rate Element	FUSF Factor	Proposed FUSF surcharge
DS1	Port Only	\$ 425.23	0.072805	\$ 30.96
	Access Link and Port	\$ 577.08	0.072805	\$ 42.01
IMA	Port Only	\$ 926.96	0.072805	\$ 67.49
	Access Link and Port	\$ 1,266.87	0.072805	\$ 92.23
DS3	Port Only	\$ 1,932.89	0.072805	\$ 140.72
	Access Link and Port	\$ 3,306.79	0.072805	\$ 240.75
OC-3	Port Only	\$ 2,609.11	0.072805	\$ 189.96
	Access Link and Port	\$ 4,866.04	0.072805	\$ 354.27
OC-12	Port Only	\$ 7,632.60	0.072805	\$ 555.69
	Port and Access	\$ 12,405.00	0.072805	\$ 903.15

The proposed FUSF surcharges will only apply to ATM Service offered pursuant to sections 4.5 through 4.8 ("Restructured ATM Service") since that service is a restructured product offering and has no historical data established on which to base the proposed FUSF surcharges.

ASI will not be over-compensated by imposing on the Restructured ATM Services the surcharges that were developed based on the revenue of the Vintage ATM Services. To the contrary, ASI may not recover 100% of the contributions it provides to the FUSF for the Restructured ATM Services. ASI determined this by devising FUSF surcharges for the Restructured ATM Service based on the Restructured ATM Service average monthly rate for each Access and Port speed (as done for OC-12 bandwidth ATM Service below). When placed side-by-side with the FUSF surcharges developed based on the Vintage ATM Service average monthly revenue, the majority of the Restructured ATM Service FUSF surcharges were slightly higher. Nevertheless, ASI would rather apply the FUSF surcharges developed based on the Vintage ATM Service average monthly revenue to all ATM

Services (with the exception of OC-12 bandwidth) than administer two sets of ATM Service FUSF surcharges. One reason for this preference would be that any new FUSF surcharges introduced at this point would require the allocation of new Universal Service Order Codes (USOCs) for billing purposes, a process that could take several months to complete. Secondly, as stated before, the surcharges proposed in this filing will apply for an interim period only. ASI would rather implement the surcharges below during that interim period and work towards changing its billing systems to implement the percentage surcharge next year.

The OC-12 speed offering was introduced with the Restructured ATM Service and is not available under the Vintage ATM Service, therefore the associated FUSF surcharges were based on the average monthly rate per port as follows:

1. The total monthly rate for the OC-12 speed was determined by summing all Access rates. This summation includes all rate term plans (i.e., Out of Term, 1-Year, 2-Year, etc.). The total monthly rate was then divided by the total quantity of Access to determine the average monthly rate per Access.
2. Next, the same calculation was performed for OC-12 Port rates. The Port rates were summed across all term plans, then divided by the total quantity of Ports to determine the average monthly rate per Port.
3. These average rates were then used to develop the average rate for the two types of service ASI offers – Port and Access and Port Only -- as follows:

1) Port and Access = Port + Access

2) Port Only = Port

The average monthly rate was then multiplied by the current FUSF contribution factor of .072805 to determine the proposed FUSF surcharges, shown in Figure 3.9 above. Unlike that of the lower speed ATM Services, the FUSF surcharges for higher speed OC-12 ATM Service do not factor in PVC rates.

3) Wholesale DSL Transport Volume Discount Plan (VDP) Modifications

Modifications are being made to the Wholesale DSL Transport VDP to clarify the duration of a VDP contract year and to specify that VDP termination charges will not apply if customer terminates a Wholesale DSL Transport Service Arrangement and the disconnect completion date is within 14 calendar days after the service order completion date.