

BELLSOUTH TELECOMMUNICATIONS, INC.
DESCRIPTION AND JUSTIFICATION
FILING TO REFLECT 2004 FCC REGULATORY FEES AND CHANGES
TO BELLSOUTH FAST PACKET SAVING PLAN
TRANSMITTAL NO. 849

1. Introduction

In accordance with Sections 61.38, 61.49 and 61.58 of the Commission's Rules and in compliance with the *2004 Regulatory Fees Order*¹, BellSouth Telecommunications, Inc., (hereinafter "BellSouth"), is making this filing to reflect the exogenous cost change associated with the Fiscal Year 2004 FCC Regulatory Fees; accordingly, BellSouth is adjusting its CMT Revenue Per Line and Special Access Basket PCI. Additionally, with this filing, BellSouth is revising its BellSouth Fast Packet Savings Plan (FSP) in Section 2 of Tariff F.C.C. No. 1 to make miscellaneous text changes and to change credit percentages applicable to BellSouth Native Mode LAN Interconnection (NMLI) Service.

Transmittal No. 849 is scheduled to become effective on October 12, 2004.

2. Fiscal Year 2004 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

¹ In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2004, MD Docket No. 04-73, Report and Order, FCC 04-146, released June 24, 2004 (*2004 Regulatory Fees Order*).

to the CMT and Special Access price cap baskets is warranted to reflect the change associated with the Fiscal Year 2004 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 \$206,828. The Price Cap basket allocation of the Total Exogenous Costs Changes amounts to \$186,664 to the CMT basket and \$20,164 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 2004 FCC Regulatory Fees Adjustment. BellSouth's regulatory fee payment to the FCC in 2004 is \$5,649,285. The 2004 payment is based on a regulatory fee of \$0.00218 per revenue dollar as specified by the Commission in its *2004 Regulatory Fees Order*. The price cap service allocation of the 2004 fee payment is \$3,898,675 and the price cap service allocation of the 2003 fee payment is \$3,691,847. The difference or exogenous effect allocated to price cap services between the periods is \$206,828. 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 2004 Regulatory Fees Adjustment is reported on TRP Form EXG-1, Page 1, Column B.

2.3 Rate Revisions. As seen in Appendix B Workpapers CAP-1 and CAP-2, changes to reflect exogenous cost changes reflected in this filing did increase BellSouth's CMT Revenue Per Line. However, because there was a minor shift in the CMT Revenue Per Line, no basket rates were affected.

2.4 Price Cap Index Adjustments. As shown in Appendix B Workpaper PCI-1, BellSouth is revising its Special Access Basket PCI from 50.4126 to 50.4148 due to the FCC Regulatory Fees exogenous cost change described above. Appendix B Workpaper SUM-1 demonstrates that BellSouth remains within all allowable price cap limits with this filing.

3. BellSouth Fast Packet Savings Plan (FSP) Changes

3.1 Terms and Conditions. Miscellaneous text changes are being made to the FSP tariff to more clearly identify the specific FSP discount tables applicable to each of the services that utilize this plan.

3.2 FSP Credit Percentage Changes. The FSP provides credit percentages that are applicable for discounting BellSouth NMLI Services by service transmission speed under various term plans and Minimum Monthly Revenue Commitments (MMRC). With this filing most credit percentages applicable to BellSouth NMLI Services are being increased (resulting in reduced rates); the credit percentage

applicable to 1 Gigabit Service under Plan 3B (60-83 Months with MMRC of \$10,000,000) is being decreased (resulting in an increased rate).

- 3.3 Price Cap Impact of FSP Credit Percentage Changes. Currently there are no BellSouth NMLI Service customers with FSP plans, so there will be no impact on existing rates and demand. For this reason, this FSP discount percentage change does not create any price cap headroom or affect the PCI of the special access basket (50.4148) that was newly established by the FCC Regulatory Fees exogenous cost change. This can be seen in Appendix B Workpaper SUM-A.

EXOGENOUS COST CHANGE SUMMARY
2004 Price Cap Revisions

EXOGENOUS COST CHANGES	PRICE CAP SERVICES						
	Total CMT	Traffic Sensitive			Special Access Undesignated	Total Interexchange	Price Cap Services Total
		Database	BNA	Total			
2004 Fiscal Year Regulatory Fee	186,664	0	0	0	20,164	0	206,828
TOTAL EXOGENOUS COST CHANGES	186,664	0	0	0	20,164	0	206,828

FISCAL YEAR 2004 REGULATORY FEE WORKSHEET

<u>Price Cap Regulatory Fee Calculation</u>		<u>Source</u>	<u>Amount</u>
1) 2004 Regulatory Fee Contribution Base		2004 FCC 499A: L423(d) + L423(e)+L412(e)-L511(b)	2,566,235,757
2) 2004 Excluded Services		2004 FCC 499A: L413(d) + L414(d) + L415(d) + L417(d) + Other (See Note 1)	777,852,707
3) 2004 Price Cap Services		(L1 - L2)	1,788,383,050
4) 2004 Contribution Rate		FCC 04-146, Attachment D, Released June 24, 2004	0.00218
5) 2004 Regulatory Fee: Price Cap Only		(L3 x L4)	3,898,675
6) 2003 Regulatory Fee: Price Cap Only		BellSouth Transmittal No. 739, Appendix A, Exhibit A-2	3,691,847
<u>Exogenous Cost Change Calculation</u>			
7) 2004 Regulatory Fee Price Cap Exogenous Cost Change	(L5 - L6)		206,828
<u>Distribution to Price Cap Services</u>			
8) Interstate CMT Revenue		2004 FCC 499A, L405(d)	1,559,776,904
9) Interstate Special Access Revenue		2004 FCC 499A, L406(d) (See Note 2)	168,487,820
10) Interstate CMT & Special Access Revenue		(L8 + L9)	1,728,264,724
11) Interstate CMT %		(L8 / L10)	90.25%
12) Interstate Special Access %		(L9 / L10)	9.75%
13) Price Cap CMT Exogenous Cost Change		(L7 x L11)	186,664
14) Price Cap Special Access Exogenous Cost Change		(L7 x L12)	20,164
15) Total Price Cap Exogenous Cost Change		(L13 + L14)	206,828

Note 1: Includes End User Special Access Revenues subject to Phase 2 Pricing Flexibility relief.

Note 2: Excludes End User Special Access Revenues subject to Phase 2 Pricing Flexibility relief.

Regulatory Fee/FSP NMLI Filing

APPENDIX B
WORKPAPER SUM-A

DESCRIPTION	SOURCE	LAST PCI	R(t-1)	R(t)	LAST PCI	(t-1)	(t)	UPPER	OUT
		RATExDEMAND	EXISTING	PROPOSED	INDEX	EXISTING	PROPOSED		
		(A)	(B)	(C)	AMOUNT	AMOUNT	AMOUNT	LIMIT	OF LIMITS
					(D)	(E)	(F)	(G)	INDICATOR
A. INTERCONNECTION CHARGE	Workpaper TR-1	0	0	0	0.0000	0.0000	0.0000	0.0000	OK
B. TANDEM SWITCHED TRANSPORT									
a. DENSITY ZONE 1	Workpaper TR-1	20,219,438	20,219,438	20,219,438	77.7950	77.7950	77.7950	89.4643	OK
b. DENSITY ZONE 2	Workpaper TR-1	7,865,828	7,865,828	7,865,828	70.9707	70.9707	70.9707	81.6163	OK
c. DENSITY ZONE 3	Workpaper TR-1	19,230,482	19,230,482	19,230,482	58.7280	58.7280	58.7280	67.5372	OK
d. NON ZONE	Workpaper TR-1	10,585,349	10,585,349	10,585,349	NA	NA	NA	NA	NA
e. TOTAL TANDEM SWITCHED TPT	Workpaper TR-1	57,901,096	57,901,096	57,901,096	103.7134	103.7134	103.7134	105.7877	OK
C. VOICE GRADE, WATS, METALLIC & TELEGRAPH	Workpaper TR-1	119,728	119,728	119,728	89.8204	89.8204	89.8204	94.3114	OK
D. DIGITAL DATA, & HICAP	Workpaper TR-1	88,398,516	88,398,516	88,398,516	62.7150	62.7150	62.7150	65.9066	OK
(1.) DS1									
a. DENSITY ZONE 1	Workpaper TR-1	5,896,162	5,896,162	5,896,162	61.2046	61.2046	61.2046	70.3853	OK
b. DENSITY ZONE 2	Workpaper TR-1	4,552,794	4,552,794	4,552,794	71.5431	71.5431	71.5431	82.2746	OK
c. DENSITY ZONE 3	Workpaper TR-1	42,387,624	42,387,624	42,387,624	75.5588	75.5588	75.5588	86.8926	OK
d. NON ZONE	Workpaper TR-1	1,018,151	1,018,151	1,018,151	NA	NA	NA	NA	NA
e. TOTAL DS1	Workpaper TR-1	53,854,731	53,854,731	53,854,731	68.4357	68.4357	68.4357	71.8575	OK
(2.) DS3									
a. DENSITY ZONE 1	Workpaper TR-1	1,640,884	1,640,884	1,640,884	59.7753	59.7753	59.7753	68.7416	OK
b. DENSITY ZONE 2	Workpaper TR-1	1,541,239	1,541,239	1,541,239	60.7919	60.7919	60.7919	69.9107	OK
c. DENSITY ZONE 3	Workpaper TR-1	7,341,123	7,341,123	7,341,123	64.1131	64.1131	64.1131	73.7301	OK
d. NON ZONE	Workpaper TR-1	1,031,471	1,031,471	1,031,471	NA	NA	NA	NA	NA
e. TOTAL DS3	Workpaper TR-1	11,554,717	11,554,717	11,554,717	61.9728	61.9728	61.9728	65.0714	OK
(3.) SIGNALLING INTERCONNECTION	NA	NA	NA	NA	NA	NA	NA	NA	NA
SPECIAL ACCESS BASKET									
1. PRICE CAP INDEX (PCI)	Workpaper PCI-1	NA	NA	NA	50.4126	50.4126	50.4148	NA	NA
2. ACTUAL PRICE INDEX (API)	Workpaper SP-1	468,827,699	468,827,699	468,827,699	50.3631	50.3631	50.3631	50.4148	OK
3. SERVICE BAND INDEX (SBI)									
A. VOICE GRADE, WATS, METALLIC & TELEGRAPH	Workpaper SP-1	7,554,740	7,554,740	7,554,740	98.5504	98.5504	98.5504	103.5839	OK

Regulatory Fee/FSP NMLI FilingAPPENDIX B
WORKPAPER SUM-A

DESCRIPTION	SOURCE	LAST PCI	R(t-1)	R(t)	LAST PCI	(t-1)	(t)	UPPER	OUT
		RATExDEMAND	EXISTING	PROPOSED	INDEX	EXISTING	PROPOSED		
		(A)	(B)	(C)	AMOUNT	AMOUNT	AMOUNT	LIMIT	OF LIMITS
					(D)	(E)	(F)	(G)	INDICATOR
B. AUDIO PROGRAM, & VIDEO	Workpaper SP-1	1,736,284	1,736,284	1,736,284	79.5214	79.5214	79.5214	83.5830	OK
C. WIDEBAND ANALOG, & DIGITAL	NA	NA	NA	NA	NA	NA	NA	NA	NA
D. DIGITAL DATA, & HICAP	Workpaper SP-1	459,536,675	459,536,675	459,536,675	68.3984	68.3984	68.3984	71.8919	OK
(1.) DS1									
a. DENSITY ZONE 1	Workpaper SP-1	16,397,715	16,397,715	16,397,715	58.5386	58.5386	58.5386	67.3883	OK
b. DENSITY ZONE 2	Workpaper SP-1	25,419,427	25,419,427	25,419,427	72.0115	72.0115	72.0115	82.8981	OK
c. DENSITY ZONE 3	Workpaper SP-1	150,496,640	150,496,640	150,496,640	76.8386	76.8386	76.8386	88.4549	OK
d. NON ZONE	Workpaper SP-1	30,039,298	30,039,298	30,039,298	NA	NA	NA	NA	NA
e. TOTAL DS1	Workpaper SP-1	222,353,080	222,353,080	222,353,080	70.6450	70.6450	70.6450	74.2532	OK
(2.) DS3									
a. DENSITY ZONE 1	Workpaper SP-1	12,854,371	12,854,371	12,854,371	60.5288	60.5288	60.5288	69.6794	OK
b. DENSITY ZONE 2	Workpaper SP-1	18,252,822	18,252,822	18,252,822	63.6591	63.6591	63.6591	73.2830	OK
c. DENSITY ZONE 3	Workpaper SP-1	42,404,365	42,404,365	42,404,365	64.8125	64.8125	64.8125	74.6107	OK
d. NON ZONE	Workpaper SP-1	23,200,117	23,200,117	23,200,117	NA	NA	NA	NA	NA
e. TOTAL DS3	Workpaper SP-1	96,711,676	96,711,676	96,711,676	65.1724	65.1724	65.1724	68.5010	OK
INTEREXCHANGE BASKET									
1. PRICE CAP INDEX (PCI)	Workpaper PCI-1	NA	NA	NA	78.1501	78.1501	78.1501	NA	NA
2. ACTUAL PRICE INDEX (API)	Workpaper IX-1	1,292,612	1,292,612	1,292,612	78.1471	78.1471	78.1471	78.1501	OK
ALL BASKETS									
1. TOTAL REVENUE		2,592,968,546	2,592,968,546	2,592,968,546	NA	NA	NA	NA	NA

Regulatory Fee/FSP NMLI Filing

APPENDIX B
WORKPAPER CAP-1

<u>Row</u>	<u>Item</u>	<u>Source</u>	<u>Amount</u>
EUCL Demand Inputs			
100	Total Primary Res & SLB & LifeLine Lines	WP CL-2 c(F)	161,377,524
110	Total NonPrim Res & BRI ISDN Lines	WP CL-2 c(F)	22,115,647
120	Total MLB&PRI ISDN (include PRI * 5, & Include Centrex)	WP CL-2 c(F)	62,540,428
130	Total Local Exchange Lines	r100+r110+r120	246,033,599
PICC Demand Inputs			
200	Total MLB&PRI ISDN (include PRI * 5, & exclude Centrex)	WP CL-2 c(F)	52,197,121
210	Total Business Centrex Lines in groups with 9 or more lines	WP CL-2 c(F)	15,659,393
220	Total Business Groups with less than 9 lines in the group	CRIS Billing Records	36,955
MOU Demand Inputs			
300	Total Terminating Premium MOU	WP CL-2 c(F)	60,348,406,980
310	Total Terminating Non-Premium MOU	WP CL-2 c(F)	0
320	Total Terminating Chargeable MOU	r300+.45*r310	60,348,406,980
330	Total Originating Premium MOU	WP CL-2 c(F)	19,690,551,691
340	Total Originating Non-Premium MOU	WP CL-2 c(F)	0
350	Total Originating Chargeable MOU	r330+.45*r340	19,690,551,691
SLC/PICC Caps			
400	PR, Lifeline & SLB EU Cap	Input	6.50
410	NonPrimary Res & BRI EU Cap	Input	7.00
420	MLB, PRI & Centrex EU Cap	Input	9.20
430	PICC Cap	Input	4.31
CMT Revenue			
440	Current Maximum CMT Revenue Per Line (from previous filing WP CMT-1 r800)		6.97
450	Total CMT Exogenous Cost Factor ((R+deltaZ)/R)	((EXG2r100b/r130a)/r440a)+1	1.0001
460	Proposed Maximum CMT Revenue Per Line	r440*r450	6.98
6/30/2000 Rates (Common Line + Marketing)			
470	NonPrimary Res & BRI EU as of 6/30/2000	Input	6.07
480	MLB, PRI, Centrex EU as of 6/30/2000	Input	7.84
CALLS Maximum Allowable EU Rates			
500	Maximum Allowable PR, Lifeline & SLB EU Rate	Min(r400,r460)	6.50
510	Maximum Allowable NonPrimary Res & BRI EU Rate	Min(r410,Max(r460,r470))	6.98
520	Maximum Allowable MLB, PRI & Centrex EU Rate	Min(r420,Max(r460,r480))	7.84
CMT Revenue Vs EU Revenue at Max. Allowable Rates			
600	Proposed Maximum CMT Revenue	r460 * r130 or Sum of Jurisdictions	1,716,204,089
610	Maximum Allowable PR, Lifeline & SLB EU Revenue	r500 * r100 or Sum of Jurisdictions	1,048,953,906
620	Maximum Allowable NonPrimary Res & BRI EU Revenue	r510 * r110 or Sum of Jurisdictions	154,267,401
630	Maximum Allowable MLB, PRI & Centrex EU Revenue	r520 * r120 or Sum of Jurisdictions	490,316,956
640	Total Maximum Allowable EU Revenue	r610 + r620 + r630 or Sum of Jurisdictions	1,693,538,262
650	Remaining CMT Revenue/(CMT Over-recovery)	r600 - r640	22,665,827
652	Maximum Allowable PICC Revenue	r430 * (r200 + r210/9 + r220)	232,627,977
660	Total USAC Receipts (at t)	WP USAC-1	94,728,989
665	Mandated CCL Revenue Reduction	if TGT1r470<>.0095,0;else if r650-r652-r660<0,0; else if TGT1r460<=0095,min(-TGT2r550b,r650- r652-r660),else if TGT3r1100a<TGT2r550a,0; else min(TGT3r1100a-TGT2r550a,r650-r652-r660)	0
670	Voluntary CCL Revenue Reduction	Input or If(r650-r652-r660-r665<0,0)	0
680	Remaining Recoverable Revenue/(Total over-recovery)	r650-r660-r670	(72,063,162)
685	Proposed Max CMT Revenue Per Line for next filing	r460*(1-(r665/r130a)/r460)	6.98

Regulatory Fee/FSP NMLI Filing

APPENDIX B
WORKPAPER CAP-1

<u>Row</u>	<u>Item</u>	<u>Source</u>	<u>Amount</u>
Calculation of PICC for MultiLine Business, PRI ISDN, & Centrex Lines			
800	MLB, PRI & Centrex PICC Cap	r430	4.31
810	MLB, PRI & Centrex PICC Revenue Target	if r680 > 0 then r680 else 0	0
820	MLB, PRI & Centrex PICC Target Rate	r810 / (r200 + r210/9 + r220)	0.00
830	Maximum Average MLB, PRI & Centrex PICC Rate	Min(r800,r820)	0.00
840	Maximum MLB & PRI PICC Revenue	r830 * r200	0
850	Maximum Centrex PICC Revenue	r830 * (r210/9 + r220)	0
860	Total Maximum PICC Revenue (Proposed)	r840 + r850	0
Calculation of CCL Rates and Revenue			
900	Premium Local Switching Rate (Dec. 31, 1997)	BellSouth FCC #1 Tariff	0.007479
910	Premium Originating Carrier Common Line Rate (Dec. 31, 1997)	BellSouth FCC #1 Tariff	0.010000
920	Premium Interconnection Rate (Dec. 31, 1997)	BellSouth FCC #1 Tariff	0.001939
930	Proposed Premium Local Switching Rate	WP TS-1 Element 0602010000 c(I)	0.002158
940	Maximum Rate per Premium Originating MOU	r900+r910+r920-r930	0.017260
950	Maximum CCL Revenue	r810 - r860	0
960	Maximum CCL Originating Rate	Min(r940, r950/r350)	0.000000
970	Maximum CCL Terminating Rate	(r950 - (r350*r960))/r320	0.000000
980	Maximum Originating CCL Revenue	r960 * r350	0
990	Maximum Terminating CCL Revenue	r970 * r320	0
995	Total Maximum CCL Revenue	r980 + r990	0
Check for CMT Over-Recovery			
1000	Total Allowable CMT Revenue	r600	1,716,204,089
1010	Total Proposed EU Revenue	r640	1,693,538,262
1020	Total Proposed PICC Revenue	r860	0
1030	Total Proposed CCL Revenue	r995	0
1040	Total Proposed USAC Receipts	r660	94,728,989
1050	Total Proposed CMT Revenue	Sum(r1010..r1040)	1,788,267,252
1060	Amount of over-recovery/(under-recovery)	r1050 - r1000	72063162.48

Regulatory Fee/FSP NMLI Filing

APPENDIX B
WORKPAPER CAP-2

<u>Row</u>	<u>Item</u>	<u>Source</u>	<u>Amount</u>
	Calculation of Maximum Recoverable Revenue	For all rows: if CAP1r1130="CAP2", use sourcing; else "N/A"	
100	Maximum CMT Revenue	CAP1r600	1,716,204,089
110	Total USAC Receipts (at t)	CAP1r660	94,728,989
120	Mandated CCL or Voluntary Revenue Reduction	CAP1r670	0
130	Maximum Recoverable Revenue	r100 - r110 - r120	1,621,475,100
	Maximum Allowable EU Rates		
200	Maximum Allowable Primary Res, Lifeline, & SLB EU Rate	CAP1r500	6.50
210	Maximum Allowable NonPrimary Res & BRI ISDN EU Rate	CAP1r510	6.98
220	Maximum Allowable MLB, PRI ISDN, & Centrex EU Rate	CAP1r520	7.84
	Final EU Rates (Manually Input)		
400	Final Primary Res, Lifeline, & SLB EU Rate	Input	6.50
410	Final NonPrim Res & BRI ISDN EU Rate	Input	6.76
420	Final MLB, PRI ISDN, & Centrex EU Rate	Input	6.76
	Final EU Revenue		
500	Final Total Primary Res & SLB & LifeLine EU Revenue	r400 * CAP1r100	1,048,953,906
510	Final Total NonPrim Res & BRI ISDN EU Revenue	r410 * CAP1r110	149,566,072
520	Final Total MLB, PRI ISDN, & Centrex EU Revenue	r420 * CAP1r120	422,955,122
530	Final Total End User Revenue	r500 + r510 + r520	1,621,475,100
600	Actual vs. Allowable Revenue: Over-recovery or (Under-recovery)	r530 - r130	0

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PCI Development

			COMMON LINE BASKET	TRAFFIC SENSITIVE BASKET	TRUNKING BASKET	INTER- EXCHANGE BASKET	SPECIAL ACCESS BASKET
			(A)	(B)	(C)	(D)	(E)
600	GDP-PI	if TGT1r485="TGT2", TGT2r500; else Input	N/A	0.0000	0.0000	0.0000	0.0000
610	Productivity Factor (X)	col.b&c:(ifTGT1r485="TGT2", TGT2r510; else, r600; col.d:3.0; col.e:6.5 r600-r610	N/A	0.0000	0.0000	0.0000	0.0000
620	GDP-PI - X		N/A	0.0000	0.0000	0.0000	0.0000
680	Existing PCI	WP SUM-A Col (E)	N/A	34.2168	46.9334	78.1501	50.4126
710	Delta Z	EXG1,c.S	N/A	0	0	0	20,164
720	R(t-1)	WP SUM-A Col (A)	N/A	250,271,857	146,419,341	1,292,612	468,827,699
740	Delta Z/R	r710/r720*100	N/A	0.0000	0.0000	0.0000	0.0043
750	W	100+r740	N/A	100.0000	100.0000	100.0000	100.0043
760	W*(GDP-PI - X)	r750*r620/100	N/A	0.0000	0.0000	0.0000	0.0000
950	Targeted Revenue Differential	TGT3r1100	N/A	0	0	N/A	N/A
970	Prop. PCI (NonExog Only: Annual Filing SBI Upper Limit calculations only)	col.b&c: r680; col.d: r680*(1+r620/100)	N/A	34.2168	46.9334	N/A	50.4126
980	Proposed PCI	col.b&c: r680*(1+r740/100+r950/r720) col.d&e: r680*(1+r760/100+r740/100)	N/A	34.2168	46.9334	78.1501	50.4148