

**AMERITECH OPERATING COMPANIES (AMERITECH)**  
**2006 ANNUAL FILING – PART I**  
**DESCRIPTION AND JUSTIFICATION**  
**May 1, 2006**

**SECTION**

1. Introduction
2. Exogenous Cost Development ( $\Delta Z$ )
  - A. Excess Deferred Tax (EDT)
  - B. Investment Tax Credit (ITC) Amortization
  - C. Combined Effect of EDT and ITC
  - D. Telecommunications Relay Service (TRS) Fund
  - E. Regulatory Fee Payments
  - F. 2004-2005 Form FCC 492A
  - G. Summary of Exogenous Cost and Distributions
3. Other Price Cap Index Factors/Variables Development
4. Development of 2005 Base Period Demand
5. Common Line Basket Rate Development
6. Traffic Sensitive Basket PCI, API, SBI and Rate Development
7. Interexchange Basket PCI, API and Rate Development
8. Trunking Basket PCI, API, SBI and Rate Development
9. Special Access Basket PCI, API, SBI and Rate Development
10. Part 69 Waivers
11. New Services Included in the Price Cap Indices
12. Services Excluded from Price Caps
13. IND-1 Reference
14. Average Traffic Sensitive (ATS) Rate
15. Rate Comparison
16. Exhibits

## 1. INTRODUCTION

This filing is being made in compliance with the following:

- ❑ In the Matter of Material to be Filed in Support of 2006 Annual Access Tariff Filings, DA 06-650 (*2006 TRP Order*), released March 24, 2006.
- ❑ In the Matter of Assessment and Collection of Regulatory Fees for the Fiscal Year 2006, MD Docket 06-68 (FCC06-38), released March 27, 2006.
- ❑ 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;
- ❑ In the Matter of Thousand-Block Number Pooling, Report and Order and Second Order on reconsideration, CC Docket No. 96-98 and CC Docket No. 99-200, released December 28, 2001;
- ❑ 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 stated herein.

The *LEC Price Cap Order* requires an annual access tariff filing in which Ameritech Operating Companies (Ameritech) is required to adjust the price cap indices (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 2005 base period, and has calculated the PCI for each affected basket and service category, including the new services, in accordance with the Commission's Rules and the *LEC Price Cap Order*.

## **2. EXOGENOUS COST DEVELOPMENT ( $\Delta Z$ )**

Part 61.45(a) requires that local exchange carriers (LECs) adjust their PCIs to reflect the dollar effect of the exogenous cost changes ( $\Delta Z$ ). According to Part 61.45(b), this dollar effect must be measured at the base period level of operations.

In the 2006 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)

Part 61.45(d)(3) requires that exogenous cost changes be apportioned between price cap services and excluded services. Ameritech adjusted the 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. In accordance with Part 61.45(d)(3), no exogenous adjustment will be allocated to Average Traffic Sensitive (ATS) revenue.

## **2.A 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 reflects the estimated exogenous cost changes associated with this item for the tariff period. *Exhibit 2* provides the development of the EDT impacts for each Ameritech study area. *Exhibit 2.1* provides additional historical information for EDT and the remaining EDT available for future annual filings.

## **2.B INVESTMENT TAX CREDIT AMORTIZATION**

The FCC, in its *LEC Price Cap Reconsideration Order*, paragraph 72, allowed exogenous treatment of the flow-through of the repeal of the Invest Tax Credit (ITC). In this filing, Ameritech reflects the estimated exogenous cost changes associated with this item in *Exhibit 2.2* for the 2006-07 tariff period. *Exhibit 2.3* provides additional historical information for ITC and the remaining ITC available for future annual filings.

## **2.C COMBINED EFFECT**

The combined effect of EDT and ITC is developed to determine the impact of all exogenous cost changes on the interstate revenue requirements. *Exhibit 2.4* summarizes this impact. Details pertaining to this calculation are shown in *Exhibit 2.5*.

## **2.D TELECOMMUNICATIONS RELAY SERVICES (TRS) FUND**

The Commission has also ruled Telecommunications Relay Service (TRS) fund payments<sup>1</sup> may be treated as exogenous. On June 28, 2005, the Commission released FCC 05-135 (CC Docket 98-67 and 03-123), revising the TRS factor to .00564, which is being employed as the basis of this exogenous change as no revised factor has yet been released. Therefore, Ameritech is estimating the total TRS contribution amount for the ensuing tariff period based on the revised factor and revenue. The development of the TRS exogenous cost for this filing is provided on *Exhibit 2.6*, and will be updated in the June 2006 tariff filing if, in the interim, the Commission modifies the factor.

## **2.E REGULATORY FEE PAYMENTS EXOGENOUS ADJUSTMENTS**

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 Order<sup>2</sup>. On March 27, 2006, the Commission released its Order, In the Matter of Assessment and Collection of Regulatory Fees for Fiscal Year 2006, MD Docket 06-68 (FCC 06-27) detailing the proposed factor for the Fiscal Year 2006.

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<sup>1</sup> [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.

<sup>2</sup> [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.

Ameritech is estimating regulatory fee payments and the corresponding exogenous adjustment based on the proposed factor and revenue. The exogenous adjustment is detail in *Exhibit 2.6*.

## **2.F 2004-2005 Form FCC 492A**

Earnings during the 2005 base period are provided in *Exhibit 2.7*. The final Form 492, detailing 2004 base period earnings, is provided in *Exhibit 2.8*.

## **2.G SUMMARY OF EXOGENOUS COSTS & DISTRIBUTION**

Part 61.45(d)(4) of the Rules requires that exogenous cost changes be apportioned between price cap services and excluded services. The combined exogenous cost changes have been adjusted 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. It is assumed that the costs for these services are equivalent to the revenue from these services. A percentage of exogenous costs are equivalent to the percentage of total identifiable interstate access and Interexchange services revenue that represents non-price cap service revenue. Totals of all exogenous costs applied in this filing are summarized on *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 factors<sup>3</sup> contained in the PCI formulas. The

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<sup>3</sup> The required factors are  $PCI_{t-1}$ , GDP-PI, X, R, g, and  $\Delta Z$



development of these factors, except for  $\Delta Z$ , is described in this section. The development of the  $\Delta Z$  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, which are 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 2006 Annual Filing, the immediately preceding PCIs are identified in the existing PCI column of the TRP. The reference document, which is required to identify the transmittal associated with each of the existing PCIs, is provided as *Exhibit 13*.

### **GDP-PI**

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 2006 Annual Filing is 3.0881 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 2006 Annual Filing is 3.0881% pursuant to 61.45 (b)(1)(iv).

#### **'R' VARIABLE**

The 'R' variable, as described in Part 61.45 (b)(1)(i), is 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 2005.

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 2006 tariff filing.

#### **COMMON LINE USAGE GROWTH (g)**

Ameritech is no longer required to develop a 'g' factor since it no longer assesses Minutes of Use (MOU) Carrier Common Line (CCL) charges.

#### **4. DEVELOPMENT OF 2005 BASE PERIOD DEMAND**

Historical base period demand is required for the Common Line, Traffic Sensitive, Trunking, and Special Access baskets. Demand information for these baskets will also be provided as part of the June 2006 tariff filing.

#### **5. COMMON LINE BASKET RATE DEVELOPMENT**

The Common Line Basket rates in the June 2006 tariff filing will be developed in accordance with Part 69.152 of the Rules. Ameritech does not currently receive Universal Service Fund (USF) Support Per Line pursuant to Part 54.807; thus, no update to adjust for changes in USF Support Per Line is included.

#### **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 2006 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 2006 tariff 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, SBI and SBI Upper Limits for each of the service categories or sub categories of Tandem Switching, Voice Grade, High Cap & Other, and Signaling Interconnection associated with the 2006 Annual Filing are developed using 2005 Base Period demand. The 2006 Annual Filing PCI calculation 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 2006 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, SBI, and SBI Upper Limits for each of the service categories or sub categories of Voice Grade, Audio & Video, and High Cap & DDS associated with the 2006 Annual Filing are developed using 2005 Base Period. The 2006 Annual Filing PCI calculation is detailed on TRP form PCI-1. The development of the Special Access Basket 'R' value, API, SBI, and SBI Upper Limits will be provided as part of the June 2006 tariff filing.

## **10. PART 69 WAIVERS**

The following is a list of Part 69 waivers involving 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 AT&T Companies, including a citation to the Order granting the waiver and the basket and service category, if applicable, and the treatment of rate elements created by the waiver:

- SBC Companies – Order (DA 05-1607), released June 6, 2005, granting permission to waive True IP to PSTN (TIPTop) services from price caps for the 2005 Annual access tariff filing requirements.
- 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.
- 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.
- 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 Service Category of the Traffic Sensitive Basket.
- SWBT - Bureau M O & O, 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.
- 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.
- 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 the Transport Order and the

Rules. This rate element is included in the Interconnection Service Category of the Trunking 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 the Telecommunications Relay Service (TRS) service bureau and associated tandem switches until October 31, 1995, when the interim local transport structure was scheduled to be replaced. These rate elements are included in the HiCap Service Category of the Trunking 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.
- Ameritech - Order, released February 12, 1992, granting permission to assess the Ameritech Directory Search (ADS) rates, formerly Electronic Directory Search. These rate elements are included in the Information Service Category of the Traffic Sensitive Basket.
- SBC Companies - Bureau MO&O, released January 30, 1992, granting establishment of sub-elements 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.
- SBC Companies - Commission Order, released October 9, 1991, granting establishment of an Information Surcharge rate element within the Information Service Category. This rate element is included in 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.
- 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.

- 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.
- 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.
- SBC Companies - Order, released September 3, 1987, granting permission to determine the Message Unit Credit (MUC) 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 Local Switching Service Category of the Traffic Sensitive Basket.
- SBC Companies - Bureau MO&O, released June 12, 1987, granting an additional routing option for Interexchange carriers to have 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.
- 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 - Commission MO&O, released August 22, 1983, established the \$25.00 Special Access Surcharge (waiving Part 69.115 (c)) for private line subscribers who 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.

## 11. NEW SERVICES INCLUDED IN THE PRICE CAP INDICES

In accordance with 61.42(g), the following new services are being added to the Ameritech price cap indices in the 2006 Annual Filing:

New Service	Basket	Category
GigaMAN® Ethernet Protection Options	Special Access	High Cap & DDS – Special
Optical Carrier Network Point-to-Point 192c	Special Access	High Cap & DDS – Special
DSRS (Dedicated SONET Ring Service) OC3, 12, 48 and 192 Interface Ports	Special Access	High Cap & DDS – Special
DecaMAN <sup>sm</sup> (10 Gigabit Ethernet Metropolitan Area Network)	Special Access	High Cap & DDS – Special
WaveMAN <sup>sm</sup> (Wavelength Metropolitan Area Network)	Special Access	High Cap & DDS – Special

### Pricing Flexibility

In the Pricing Flexibility Order,<sup>4</sup> the Commission determined in paragraph 173 that whenever a price cap LEC can demonstrate in an annual access tariff filing that a new service would be properly incorporated into a basket or service band for which it has been granted Phase I or Phase II regulatory relief in any MSA or MSAs, it will be granted the same relief in the same MSAs for that new service.

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<sup>4</sup> 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. (*Pricing Flexibility Order*).



Ameritech has received either Phase I or Phase II pricing flexibility for services contained in the Special Access Basket, High Cap & DDS Service Category in multiple qualifying areas.<sup>5</sup> As Ameritech demonstrates below, the new services at issue here are similar to those services and, thus, should be incorporated in the Special Access Basket, High Cap & DDS Special Service Category. Further, they are entitled to the same pricing flexibility in the same qualifying areas.

GigaMAN® Ethernet Protection Options are additional options to GigaMAN® which is already incorporated into the Special Access Price Cap Basket, High Cap and DDS Special Service Category, and has been granted pricing flexibility in multiple qualifying areas.

The non-channelized OC192c service is being added to the OCN PTP product line which is already incorporated into the Special Access Price Cap Basket, High Cap and DDS Special Service Category, and has been granted pricing flexibility in multiple qualifying areas.

DSRS (Dedicated SONET Ring Service) OC3, 12, 48 and 192 Interface Ports are additional features to DSRS which is already incorporated into the Special Access Price Cap Basket, High Cap and DDS Special Service Category, and has been granted pricing flexibility in multiple qualifying areas.

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<sup>5</sup> See, Memorandum Opinion and Order (MO&O), CCB/CPD No. 00-26, DA 01-670, released March 14, 2001; Memorandum Opinion and Order (MO&O), CCB/CPD No. 01-32, DA 02-823, released April 11, 2002; Memorandum Opinion and Order (MO&O), WCB/Pricing No. 03-08, DA 03-1721, released May 15, 2003; Memorandum Opinion and Order (MO&O), WCB/Pricing No. 04-09, DA 04-1643, released June 8, 2004; and Memorandum Opinion and Order (MO&O), WCB/Pricing No. 05-14, DA 05-1525, released May 25, 2005.

DecaMAN<sup>SM</sup> (10 Gigabit Ethernet Metropolitan Area Network) and WaveMAN<sup>SM</sup> (Wavelength Metropolitan Area Network) are variations of GigaMAN® and SONET services, which have been incorporated into the Special Access Price Cap Basket, High Cap and DDS Special Service Category, and have been granted pricing flexibility in multiple qualifying areas. Specifically, DecaMAN<sup>SM</sup> is a fiber-based, point-to-point, 10 Gigabit Ethernet service that allows customers to transport data signals between local area networks (LANs). DecaMAN<sup>SM</sup> is functionally equivalent to GigaMAN®, but transports data signals at the rate of 10 Gigabits per second (Gbps), a speed ten times faster than that of GigaMAN®. WaveMAN<sup>SM</sup> is similar to Ameritech's existing Optical Carrier Network Point-to-Point services. Like those services, WaveMAN<sup>SM</sup> is a fiber-based, point-to-point, Wavelength service. It allows customers to transport Synchronous Optical Network (SONET) Optical Carrier (OC) 48 or SONET OC192 data signals between networks at approximately 2.5 Gbps for an OC48 interface, and approximately 10Gbps for an OC192 interface.

Given the foregoing, GigaMAN® Ethernet Protection Options, OCN PTP 192c, DSRS OC3, 12, 48 and 192 Interface Ports, DecaMAN<sup>SM</sup>, and WaveMAN<sup>SM</sup> should be properly incorporated into the Special Access Price Cap Basket, High Cap and DDS Special Service Category. Further, these services should be afforded the same pricing flexibility granted to Ameritech's existing Special Access Basket, High Cap & DDS Special Service Category services in all areas previously granted Phase I and Phase II pricing flexibility.

In addition, Ameritech introduced DSRS Flex-Ring, DS3 with Transmux, and Remap Nodes as new services in 2006. Pursuant to section 61.42(g), these services are not eligible for inclusion under price cap regulation. However, these new services offer additional features to the DSRS OC3, 12, 48, and 192 services, which have been incorporated into the Special Access Price Cap Basket, High Cap and DDS Special Service Category, and have been granted Phase I or Phase II pricing flexibility in qualifying areas. Given that these new services would be properly incorporated into the same basket and service category (in the 2007 Annual Filing), in accordance with paragraph 173 of the Pricing Flexibility Order,<sup>6</sup> these new services should now receive the same pricing flexibility in the same qualifying areas.

## **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 (2001 TRP Order), released April 30, 2001, required LECs, for the first time, to provide support documentation detailing services excluded from price cap regulation. In *Exhibit 12*, Ameritech has included a list of all services excluded from price cap regulation which has been revised to reflect activity subsequent to the 2005 Annual Filing in accordance with the *2006 TRP Order*.

## **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*.

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<sup>6</sup> *Pricing Flexibility Order*.

#### **14. AVERAGE TRAFFIC SENSITIVE (ATS) RATE**

Pursuant to 61.45(i)(3), Ameritech has recalculated the Average Traffic Sensitive (ATS) rate to reflect the new base period level. The rate 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 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 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 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 2006 tariff filing.

## **16. EXHIBITS**

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

- Exhibit 2 – Excess Deferred Tax (EDT)
- Exhibit 2.1 – Historical EDT Schedule
- Exhibit 2.2 – Investment Tax Credit (ITC)
- Exhibit 2.3 – Historical ITC Schedule
- Exhibit 2.4 – Combined Effect
- Exhibit 2.5 – EDT/ITC Adjusted for Non-Price Cap Services
- Exhibit 2.6 – Telecommunications Relay Service and Regulatory Fee Exogenous
- Exhibit 2.7 – 2005 Form FCC 492A
- Exhibit 2.8 – 2004 Form FCC 492A
- Exhibit 2.9 – Summary of Exogenous Costs & Distribution
- Exhibit 12 – Excluded Services List
- Exhibit 13 – IND-1 Reference
- Exhibit 14 – Development of LEC Transport MOUs
- Tariff Review Plan (TRP)

**Ameritech Operating Companies**  
**Calculation of Excess Deferred Tax (EDT) Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Information and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
<b>Base Year Data</b>							
<b>Distribution of Deferred Income Taxes</b>							
1 Interstate Allocation Factor	-	-	-	-	-	-	-
<b>Change In Excess Deferred Tax Amounts</b>							
<b>RATEBASE</b>							
2 Change in Excess DIT Payable	(5,747)	(1,391)	(697)	(134)	(238)	(1)	(319)
<b>COST OF SERVICE</b>							
3 Base Year PCI Excess DIT Amortization	5,747	1,391	697	134	238	1	319
4 Base Year PCI t-1 Excess DIT Amortization	6,319	1,529	766	147	262	1	351
5 Change in Excess DIT Amortization (L3-L4)	(572)	(138)	(69)	(13)	(24)	(0)	(32)
<b>Calculation of Revenue Requirement Impact</b>							
<b>RATEBASE</b>							
6 Annual Rate Base Impact (- L2)	N/A	N/A	697	134	238	1	319
7 Net Return (L6*.1125)	N/A	N/A	78	15	27	0	36
8 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6431	1.6485	1.6479	1.6304	1.6514
9 Excess DIT Rate Base Revenue Req. Impact (L7*L8)	N/A	N/A	129	25	44	0	59
<b>COST OF SERVICE</b>							
10 Excess DIT Impact on Federal Income Tax (- L5)	N/A	N/A	69	13	24	0	32
11 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6433	1.6487	1.6481	1.6303	1.6516
12 Excess DIT Revenue Requirement Impact (L10*L11)	N/A	N/A	114	22	39	0	52
13 <b>Total Excess DIT Rev. Req. Impact (L9+L12)</b>	N/A	<b>485</b>	<b>243</b>	<b>47</b>	<b>83</b>	<b>0</b>	<b>112</b>

(Interstate = Sum of Columns c through g)

**Ameritech Operating Companies**  
**AIT-ILLINOIS**  
**Calculation of Excess Deferred Tax (EDT) Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	<b>Company Total (a)</b>	<b>Interstate (b)</b>	<b>Common Line (c )</b>	<b>Information and Switching (d)</b>	<b>Transport (Trunking) (e)</b>	<b>IX (f)</b>	<b>Special (g)</b>
<b>Base Year Data</b>							
<b><u>Distribution of Deferred Income Taxes</u></b>							
1 Interstate Allocation Factor		23.12%	11.09%	3.16%	4.67%	0.01%	4.16%
<b><u>Change In Excess Deferred Tax Amounts</u></b>							
<b><u>RATEBASE</u></b>							
2 Change in Excess DIT Payable	(1,639)	(379)	(182)	(52)	(77)	(0)	(68)
<b><u>COST OF SERVICE</u></b>							
3 Base Year PCI Excess DIT Amortization	1,639	379	182	52	77	0	68
4 Base Year PCI t-1 Excess DIT Amortization	1,802	417	200	57	84	0	75
5 Change in Excess DIT Amortization (L3-L4)	(163)	(38)	(18)	(5)	(8)	(0)	(7)
<b><u>Calculation of Revenue Requirement Impact</u></b>							
<b><u>RATEBASE</u></b>							
6 Annual Rate Base Impact (- L2)	N/A	N/A	182	52	77	0	68
7 Net Return (L6*.1125)	N/A	N/A	20	6	9	0	8
8 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6596	1.6596	1.6596	1.6596	1.6596
9 Excess DIT Rate Base Revenue Req. Impact (L7*L8)	N/A	N/A	34	10	14	0	13
<b><u>COST OF SERVICE</u></b>							
10 Excess DIT Impact on Federal Income Tax (- L5)	N/A	N/A	18	5	8	0	7
11 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6596	1.6596	1.6596	1.6596	1.6596
12 Excess DIT Revenue Requirement Impact (L10*L11)	N/A	N/A	30	9	13	0	11
13 <b>Total Excess DIT Rev. Req. Impact (L9+L12)</b>	N/A	<b>133</b>	<b>64</b>	<b>18</b>	<b>27</b>	<b>0</b>	<b>24</b>
(Interstate = Sum of Columns c through g)							

**Ameritech Operating Companies**  
**AIT-INDIANA**  
**Calculation of Excess Deferred Tax (EDT) Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	<b>Company Total (a)</b>	<b>Interstate (b)</b>	<b>Common Line (c)</b>	<b>Information and Switching (d)</b>	<b>Transport (Trunking) (e)</b>	<b>IX (f)</b>	<b>Special (g)</b>
<b>Base Year Data</b>							
<b><u>Distribution of Deferred Income Taxes</u></b>							
1 Interstate Allocation Factor		25.55%	13.79%	2.23%	2.58%	0.04%	6.88%
<b><u>Change In Excess Deferred Tax Amounts</u></b>							
<b><u>RATEBASE</u></b>							
2 Change in Excess DIT Payable	(682)	(174)	(94)	(15)	(18)	(0)	(47)
<b><u>COST OF SERVICE</u></b>							
3 Base Year PCI Excess DIT Amortization	682	174	94	15	18	0	47
4 Base Year PCI t-1 Excess DIT Amortization	749	191	103	17	19	0	52
5 Change in Excess DIT Amortization (L3-L4)	(67)	(17)	(9)	(1)	(2)	(0)	(5)
<b><u>Calculation of Revenue Requirement Impact</u></b>							
<b><u>RATEBASE</u></b>							
6 Annual Rate Base Impact (- L2)	N/A	N/A	94	15	18	0	47
7 Net Return (L6*.1125)	N/A	N/A	11	2	2	0	5
8 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6814	1.6814	1.6814	1.6814	1.6814
9 Excess DIT Rate Base Revenue Req. Impact (L7*L8)	N/A	N/A	18	3	3	0	9
<b><u>COST OF SERVICE</u></b>							
10 Excess DIT Impact on Federal Income Tax (- L5)	N/A	N/A	9	1	2	0	5
11 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6814	1.6814	1.6814	1.6814	1.6814
12 Excess DIT Revenue Requirement Impact (L10*L11)	N/A	N/A	16	3	3	0	8
13 <b>Total Excess DIT Rev. Req. Impact (L9+L12)</b>	N/A	<b>62</b>	<b>33</b>	<b>5</b>	<b>6</b>	<b>0</b>	<b>17</b>
(Interstate = Sum of Columns c through g)							



**Ameritech Operating Companies**  
**AIT-MICHIGAN**  
**Calculation of Excess Deferred Tax (EDT) Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	<b>Company Total (a)</b>	<b>Interstate (b)</b>	<b>Common Line (c)</b>	<b>Information and Switching (d)</b>	<b>Transport (Trunking) (e)</b>	<b>IX (f)</b>	<b>Special (g)</b>
<b>Base Year Data</b>							
<b><u>Distribution of Deferred Income Taxes</u></b>							
1 Interstate Allocation Factor		22.39%	12.67%	1.82%	3.49%	0.02%	4.36%
<b><u>Change In Excess Deferred Tax Amounts</u></b>							
<b><u>RATEBASE</u></b>							
2 Change in Excess DIT Payable	(1,264)	(283)	(160)	(23)	(44)	(0)	(55)
<b><u>COST OF SERVICE</u></b>							
3 Base Year PCI Excess DIT Amortization	1,264	283	160	23	44	0	55
4 Base Year PCI t-1 Excess DIT Amortization	1,389	311	176	25	48	0	61
5 Change in Excess DIT Amortization (L3-L4)	(125)	(28)	(16)	(2)	(4)	(0)	(5)
<b><u>Calculation of Revenue Requirement Impact</u></b>							
<b><u>RATEBASE</u></b>							
6 Annual Rate Base Impact (- L2)	N/A	N/A	160	23	44	0	55
7 Net Return (L6*.1125)	N/A	N/A	18	3	5	0	6
8 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.5454	1.5454	1.5454	1.5454	1.5454
9 Excess DIT Rate Base Revenue Req. Impact (L7*L8)	N/A	N/A	28	4	8	0	10
<b><u>COST OF SERVICE</u></b>							
10 Excess DIT Impact on Federal Income Tax (- L5)	N/A	N/A	16	2	4	0	5
11 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.5454	1.5454	1.5454	1.5454	1.5454
12 Excess DIT Revenue Requirement Impact (L10*L11)	N/A	N/A	24	4	7	0	8
13 <b>Total Excess DIT Rev. Req. Impact (L9+L12)</b>	N/A	<b>92</b>	<b>52</b>	<b>8</b>	<b>14</b>	<b>0</b>	<b>18</b>
(Interstate = Sum of Columns c through g)							

**Ameritech Operating Companies**  
**AIT-OHIO**  
**Calculation of Excess Deferred Tax (EDT) Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	<b>Company Total (a)</b>	<b>Interstate (b)</b>	<b>Common Line (c)</b>	<b>Information and Switching (d)</b>	<b>Transport (Trunking) (e)</b>	<b>IX (f)</b>	<b>Special (g)</b>
<b>Base Year Data</b>							
<b><u>Distribution of Deferred Income Taxes</u></b>							
1 Interstate Allocation Factor		25.35%	11.81%	2.07%	4.88%	0.00%	6.54%
<b><u>Change In Excess Deferred Tax Amounts</u></b>							
<b><u>RATEBASE</u></b>							
2 Change in Excess DIT Payable	(1,462)	(371)	(173)	(30)	(71)	-	(96)
<b><u>COST OF SERVICE</u></b>							
3 Base Year PCI Excess DIT Amortization	1,462	371	173	30	71	-	96
4 Base Year PCI t-1 Excess DIT Amortization	1,610	408	190	33	79	-	105
5 Change in Excess DIT Amortization (L3-L4)	(148)	(38)	(17)	(3)	(7)	-	(10)
<b><u>Calculation of Revenue Requirement Impact</u></b>							
<b><u>RATEBASE</u></b>							
6 Annual Rate Base Impact (- L2)	N/A	N/A	173	30	71	-	96
7 Net Return (L6*.1125)	N/A	N/A	19	3	8	-	11
8 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6814	1.6814	1.6814	1.6814	1.6814
9 Excess DIT Rate Base Revenue Req. Impact (L7*L8)	N/A	N/A	33	6	13	-	18
<b><u>COST OF SERVICE</u></b>							
10 Excess DIT Impact on Federal Income Tax (- L5)	N/A	N/A	17	3	7	-	10
11 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6814	1.6814	1.6814	1.6814	1.6814
12 Excess DIT Revenue Requirement Impact (L10*L11)	N/A	N/A	29	5	12	-	16
13 <b>Total Excess DIT Rev. Req. Impact (L9+L12)</b>	N/A	<b>133</b>	<b>62</b>	<b>11</b>	<b>26</b>	<b>-</b>	<b>34</b>
(Interstate = Sum of Columns c through g)							

**Ameritech Operating Companies**  
**AIT-WISCONSIN**  
**Calculation of Excess Deferred Tax (EDT) Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	<b>Company Total (a)</b>	<b>Interstate (b)</b>	<b>Common Line (c )</b>	<b>Information and Switching (d)</b>	<b>Transport (Trunking) (e)</b>	<b>IX (f)</b>	<b>Special (g)</b>
<b>Base Year Data</b>							
<b><u>Distribution of Deferred Income Taxes</u></b>							
1 Interstate Allocation Factor		26.30%	12.61%	1.96%	4.07%	0.01%	7.61%
<b><u>Change In Excess Deferred Tax Amounts</u></b>							
<b><u>RATEBASE</u></b>							
2 Change in Excess DIT Payable	(700)	(184)	(88)	(14)	(28)	(0)	(53)
<b><u>COST OF SERVICE</u></b>							
3 Base Year PCI Excess DIT Amortization	700	184	88	14	28	0	53
4 Base Year PCI t-1 Excess DIT Amortization	769	202	97	15	31	0	59
5 Change in Excess DIT Amortization (L3-L4)	(69)	(18)	(9)	(1)	(3)	(0)	(5)
<b><u>Calculation of Revenue Requirement Impact</u></b>							
<b><u>RATEBASE</u></b>							
6 Annual Rate Base Impact (- L2)	N/A	N/A	88	14	28	0	53
7 Net Return (L6*.1125)	N/A	N/A	10	2	3	0	6
8 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6704	1.6704	1.6704	1.6704	1.6704
9 Excess DIT Rate Base Revenue Req. Impact (L7*L8)	N/A	N/A	17	3	5	0	10
<b><u>COST OF SERVICE</u></b>							
10 Excess DIT Impact on Federal Income Tax (- L5)	N/A	N/A	9	1	3	0	5
11 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6704	1.6704	1.6704	1.6704	1.6704
12 Excess DIT Revenue Requirement Impact (L10*L11)	N/A	N/A	15	2	5	0	9
13 <b>Total Excess DIT Rev. Req. Impact (L9+L12)</b>	N/A	<b>65</b>	<b>31</b>	<b>5</b>	<b>10</b>	<b>0</b>	<b>19</b>
(Interstate = Sum of Columns c through g)							

Exhibit 2.1

**Ameritech Operating Companies**  
**Computation of Excess Deferred Income Tax Available for Exogenous Treatment**  
**2006 Annual Access Tariff Filing**  
**(Interstate Dollars in Thousands)**

		<u>Tariff Year</u>	<u>Amount</u>
1	Excess Deferred Income Tax Amortization (EDIT-A) at Price Cap Inception (Tariff Year 1990 - 1991)	1990-91	14,336
2	Annual Change in EDIT-A - Per Annual Access Tariff Filings (Prior to Tax Gross up and Excluded Services reduction)	1991-92	1,412
		1992-93	1,102
		1993-94	46
		1994-95	1,865
		1995-96	1,613
		1996-97	2,582
		1997-98	375
		1998-99	(70)
		1999-00	650
		2000-01	337
		2001-02	796
		2002-03	184
		2003-04	189
		2004-05	814
		2005-06	946
		2006-07	138
3	Cumulative Change		<u>12,979</u>
4	Net Balance (Line 1 - Line 3)		<u><u>1,357</u></u>

**Ameritech Operating Companies**  
**Calculation of Investment Tax Credit (ITC) Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
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<b>Base Year Data</b>
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1 Interstate Allocation Factor

-	-	-	-	-	-	-	-
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**Change In Investment Tax Credit Amounts**

2 Base Year PCI ITC Amortization	7,121	1,731	894	170	284	-	378
3 Base Year PCI t-1 ITC Amortization	9,007	2,183	1,133	213	357	-	474
4 Change In ITC Amortization (L2-L3)	(1,886)	(452)	(238)	(43)	(73)	-	(96)

<b>Calculation of Revenue Requirement Impact</b>
--

5 ITC-A Impact on Federal Income Tax (-L4)	N/A	452	238	43	73	-	96
6 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	1.6226	1.6192	1.6331	1.6316	-	1.6401
7 ITC-A Revenue Requirement Impact (L5*L6)	N/A	733	386	71	119	-	157

(Interstate = Sum of Columns c through g)

Ameritech Operating Companies  
AIT-ILLINOIS  
Calculation of Investment Tax Credit (ITC) Exogenous Cost  
for the 2006 Annual Filing

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Information and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
<b>Base Year Data</b>							
1 Interstate Allocation Factor		23.35%	11.48%	3.17%	4.63%	0.00%	3.98%
<b>Change In Investment Tax Credit Amounts</b>							
2 Base Year PCI ITC Amortization	1,917	448	220	61	89	-	76
3 Base Year PCI t-1 ITC Amortization	2,316	541	266	73	107	-	92
4 Change In ITC Amortization (L2-L3)	(399)	(93)	(46)	(13)	(18)	-	(16)
<b>Calculation of Revenue Requirement Impact</b>							
5 ITC-A Impact on Federal Income Tax (-L4)	N/A	N/A	46	13	18	-	16
6 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6596	1.6596	1.6596	1.6596	1.6596
7 ITC-A Revenue Requirement Impact (L5*L6)	N/A	154	76	21	31	0	26

(Interstate = Sum of Columns c through g)

Ameritech Operating Companies  
AIT-INDIANA  
Calculation of Investment Tax Credit (ITC) Exogenous Cost  
for the 2006 Annual Filing

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Information and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
<b>Base Year Data</b>							
1 Interstate Allocation Factor		25.71%	14.05%	2.39%	2.57%	0.00%	6.70%
<b>Change In Investment Tax Credit Amounts</b>							
2 Base Year PCI ITC Amortization	892	229	125	21	23	-	60
3 Base Year PCI t-1 ITC Amortization	1,101	283	155	26	28	-	74
4 Change In ITC Amortization (L2-L3)	(209)	(54)	(29)	(5)	(5)	-	(14)
<b>Calculation of Revenue Requirement Impact</b>							
5 ITC-A Impact on Federal Income Tax (-L4)	N/A	N/A	29	5	5	-	14
6 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6814	1.6814	1.6814	1.6814	1.6814
7 ITC-A Revenue Requirement Impact (L5*L6)	N/A	90	49	8	9	0	24
(Interstate = Sum of Columns c through g)							

Ameritech Operating Companies  
AIT-MICHIGAN  
Calculation of Investment Tax Credit (ITC) Exogenous Cost  
for the 2006 Annual Filing

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Infomation and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
<b>Base Year Data</b>							
1 Interstate Allocation Factor		22.64%	12.97%	1.98%	3.38%	0.00%	4.27%
<b>Change In Investment Tax Credit Amounts</b>							
2 Base Year PCI ITC Amortization	1,984	449	257	39	67	-	85
3 Base Year PCI t-1 ITC Amortization	2,795	633	363	55	94	-	119
4 Change In ITC Amortization (L2-L3)	(811)	(184)	(105)	(16)	(27)	-	(35)
<b>Calculation of Revenue Requirement Impact</b>							
5 ITC-A Impact on Federal Income Tax (-L4)	N/A	N/A	105	16	27	-	35
6 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.5454	1.5454	1.5454	1.5454	1.5454
7 ITC-A Revenue Requirement Impact (L5*L6)	N/A	284	163	25	42	0	54
(Interstate = Sum of Columns c through g)							



**Ameritech Operating Companies**  
**AIT-OHIO**  
**Calculation of Investment Tax Credit (ITC) Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	<b>Company Total (a)</b>	<b>Interstate (b)</b>	<b>Common Line (c )</b>	<b>Infomation and Switching (d)</b>	<b>Transport (Trunking) (e)</b>	<b>IX (f)</b>	<b>Special (g)</b>
<b>Base Year Data</b>							
1 Interstate Allocation Factor		25.87%	12.20%	2.11%	4.93%	0.00%	6.51%
<b>Change In Investment Tax Credit Amounts</b>							
2 Base Year PCI ITC Amortization	1,378	356	168	29	68	0	90
3 Base Year PCI t-1 ITC Amortization	1,712	443	209	36	84	0	111
4 Change In ITC Amortization (L2-L3)	(334)	(86)	(41)	(7)	(16)	0	(22)
<b>Calculation of Revenue Requirement Impact</b>							
5 ITC-A Impact on Federal Income Tax (-L4)	N/A	N/A	41	7	16	0	22
6 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6814	1.6814	1.6814	1.6814	1.6814
7 <b>ITC-A Revenue Requirement Impact (L5*L6)</b>	N/A	<b>146</b>	<b>69</b>	<b>12</b>	<b>28</b>	<b>0</b>	<b>37</b>

(Interstate = Sum of Columns c through g)

Ameritech Operating Companies  
AIT-WISCONSIN  
Calculation of Investment Tax Credit (ITC) Exogenous Cost  
for the 2006 Annual Filing

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Information and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
<b>Base Year Data</b>							
1 Interstate Allocation Factor		26.18%	13.00%	2.05%	3.92%	0.00%	7.12%
<b>Change In Investment Tax Credit Amounts</b>							
2 Base Year PCI ITC Amortization	950	249	124	19	37	0	68
3 Base Year PCI t-1 ITC Amortization	1,083	284	141	22	42	0	77
4 Change In ITC Amortization (L2-L3)	(133)	(35)	(17)	(3)	(5)	0	(9)
<b>Calculation of Revenue Requirement Impact</b>							
5 ITC-A Impact on Federal Income Tax (-L4)	N/A	N/A	17	3	5	0	9
6 Tax Gross-up Factor [1/(1- Composite Tax Rate)]	N/A	N/A	1.6704	1.6704	1.6704	1.6704	1.6704
7 ITC-A Revenue Requirement Impact (L5*L6)	N/A	59	29	5	9	0	16
(Interstate = Sum of Columns c through g)							

Exhibit 2.3

**Ameritech Operating Companies**  
**Computation of Investment Tax Credit Available for Exogenous Treatment**  
**2006 Annual Access Tariff Filing**  
**(Interstate Dollars in Thousands)**

	<u>Tariff Year</u>	<u>Amount</u>
1	Investment Tax Credit Amortization (ITC-A) at Price Cap Inception (Tariff Year 1990 - 1991)	1990-91 17,965
2	Annual Change in ITC-A - Per Annual Access Tariff Filings (Prior to Tax Gross up and Excluded Services reduction)	1991-92 0 1992-93 1,118 1993-94 235 1994-95 3,257 1995-96 3,820 1996-97 1,179 1997-98 361 1998-99 (177) 1999-00 696 2000-01 1,281 2001-02 622 2002-03 552 2003-04 (617) 2004-05 633 2005-06 830 2006-07 <u>452</u>
3	Cumulative Change	<u>14,242</u>
4	Net Balance (Line 1 - Line 3)	<u><u>3,723</u></u>

**Ameritech Operating Companies**  
**Calculation of Combined Effect of Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	<b>Company Total</b>	<b>Interstate</b>	<b>Common Line</b>	<b>Switching</b>	<b>Transport (Trunking)</b>	<b>IX</b>	<b>Special</b>
	(a)	(b)	(c )	(d)	(e)	(f)	(g)
1 Excess DIT Exogenous Rev. Req Impact (Exhibit 2)	N/A	485	243	47	83	0	112
2 ITC-A Exogenous Revenue Req Impact (Exhibit 2.1)	N/A	733	386	71	119	0	157
3 Non-Reg Exogenous Rev Req Impact	N/A	0	0	0	0	0	0
Excess DIT Exogenous Rev. Req Impact (Exhibit 2)							
4 Combined Effect of Exogenous Costs (L1..L3)		1,218	629	118	202	0	269

**Ameritech Operating Companies**  
**AIT-ILLINOIS**  
**Calculation of Combined Effect of Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	<b>Company Total</b>	<b>Interstate</b>	<b>Common Line</b>	<b>Information and Switching</b>	<b>Transport (Trunking)</b>	<b>IX</b>	<b>Special</b>
	(a)	(b)	(c )	(d)	(e)	(f)	(g)
1 Excess DIT Exogenous Rev. Req Impact (Exhibit 2)	N/A	133	64	18	27	0	24
2 ITC-A Exogenous Revenue Req Impact (Exhibit 2.1)	N/A	154	76	21	31	0	26
3 Non-Reg Exogenous Rev Req Impact	N/A	0	0	0	0	0	0
4 Combined Effect of Exogenous Costs (L1..L3)		287	140	39	58	0	50

**Ameritech Operating Companies**  
**AIT-INDIANA**  
**Calculation of Combined Effect of Exogenous Cost**  
**for the 2006 Annual Filing**

(000)

	<b>Company Total (a)</b>	<b>Interstate (b)</b>	<b>Common Line (c )</b>	<b>Infomation and Switching (d)</b>	<b>Transport (Trunking) (e)</b>	<b>IX (f)</b>	<b>Special (g)</b>
1 Excess DIT Exogenous Rev. Req Impact (Exhibit 2)	N/A	62	33	5	6	0	17
2 ITC-A Exogenous Revenue Req Impact (Exhibit 2.1)	N/A	90	49	8	9	0	24
3 Non-Reg Exogenous Rev Req Impact	N/A	0	0	0	0	0	0
4 Combined Effect of Exogenous Costs (L1..L3)		152	82	13	15	0	41

Ameritech Operating Companies  
 AIT-MICHIGAN  
 Calculation of Combined Effect of Exogenous Cost  
 for the 2006 Annual Filing

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Infomation and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
1 Excess DIT Exogenous Rev. Req Impact (Exhibit 2)	N/A	92	52	8	14	0	18
2 Excess DIT Exogenous Rev. Req Impact (Exhibit 2)	N/A	284	163	25	42	0	54
3 Non-Reg Exogenous Rev Req Impact	N/A	0	0	0	0	0	0
4 Combined Effect of Exogenous Costs (L1..L3)		376	215	33	56	0	72

Ameritech Operating Companies  
AIT-OHIO  
Calculation of Combined Effect of Exogenous Cost  
for the 2006 Annual Filing

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Infomation and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
1 Excess DIT Exogenous Rev. Req Impact (Exhibit 2)	N/A	133	62	11	26	0	34
2 ITC-A Exogenous Revenue Req Impact (Exhibit 2.1)	N/A	146	69	12	28	0	37
3 Non-Reg Exogenous Rev Req Impact	N/A	0	0	0	0	0	0
4 Combined Effect of Exogenous Costs (L1..L3)		279	131	23	54	0	71



Ameritech Operating Companies  
AIT-WISCONSIN  
Calculation of Combined Effect of Exogenous Cost  
for the 2006 Annual Filing

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Infomation and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
1 Excess DIT Exogenous Rev. Req Impact (Exhibit 2)	N/A	65	31	5	10	0	19
2 Excess DIT Exogenous Rev. Req Impact (Exhibit 2)	N/A	59	29	5	9	0	16
3 Non-Reg Exogenous Rev Req Impact	N/A	0	0	0	0	0	0
4 Combined Effect of Exogenous Costs (L1..L3)		124	60	10	19	0	35

**Ameritech Operating Companies**  
**Exogenous Costs Adjusted for Non-Price Cap Services**  
**2006 Annual Filing**

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
<b><u>Assignment of Exogenous Costs to NonPrice Cap Services</u></b>							
1 Exogenous Costs With NonPrice Cap Services (Exhibit 2.2, L4)	N/A	1,218	629	118	202	0	269
2 Ratio To Adjust NonPrice Cap Services (L 7)	N/A	N/A					
3 Exogenous Costs Associated With Non Price Cap Services (L1*L2) (Interstate = Sum of Colomns c through g)	N/A	399	142	14	68	0	174
4 Exogenous Without NonPrice Cap Services (L1-L3) (Interstate = Sum of Colomns c through g)	N/A	819	487	103	134	0	95
<b><u>Distribution of Excluded Services Revenue</u></b>							
5 2005 Revenues With NonPrice Cap Services (ARMIS 43-01 Line 1090 )	N/A	N/A	992,586	178,688	196,852	121,291	1,481,662
6 2005 NonPrice Cap Services Revenue FCC 492 Footnote	N/A	N/A	224,187	21,484	67,598	15,805	954,353
7 Ratio (L6/L5)	N/A	N/A					
8 Excluded Services Ratio + Adjustment for Pricing Flexibility Relief		43.20%					

Ameritech Operating Companies  
AIT-ILLINOIS  
Exogenous Costs Adjusted for Non-Price Cap Services  
for the 2006 Annual Filing

(000)

Company Total (a)	Interstate (b)	Common Line (c )	Information and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
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**Assignment of Exogenous Costs to NonPrice Cap Services**

1 Exogenous Costs With NonPrice Cap Services (Exhibit 2.2, L4)	N/A	287	140	39	58	0	50
2 Ratio To Adjust NonPrice Cap Services (L 7)	N/A	N/A	0.239248	0.149782	0.456671	0.214099	0.626967
3 Exogenous Costs Associated With Non Price Cap Services (L1*L2) (Interstate = Sum of Columns c through g)	N/A	97	33	6	26	0	31
4 Exogenous Without NonPrice Cap Services (L1-L3) (Interstate = Sum of Columns c through g)	N/A	190	107	33	32	0	19

**Distribution of Excluded Services Revenue**

5 2005 Revenues With NonPrice Cap Services (ARMIS 43-01 Line 1090 )	N/A	N/A	297,026	61,062	71,454	45,549	496,072
6 2005 NonPrice Cap Services Revenue FCC 492 Footnote	N/A	N/A	71,063	9,146	32,631	9,752	311,021
7 Ratio (L6/L5)	N/A	N/A	0.239248	0.149782	0.456671	0.214099	0.626967

**Ameritech Operating Companies**  
**AIT-INDIANA**  
**Exogenous Costs Adjusted for Non-Price Cap Services**  
**for the 2006 Annual Filing**

(000)

Company Total (a)	Interstate (b)	Common Line (c )	Information and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
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**Assignment of Exogenous Costs to NonPrice Cap Services**

1 Exogenous Costs With NonPrice Cap Services (Exhibit 2.2, L4)	N/A	152	82	13	15	0	41
2 Ratio To Adjust NonPrice Cap Services (L 7)	N/A	N/A	0.222528	0.078638	0.189029	0.288704	0.593175
3 Exogenous Costs Associated With Non Price Cap Services (L1*L2) (Interstate = Sum of Columns c through g)	N/A	46	18	1	3	0	24
4 Exogenous Without NonPrice Cap Services (L1-L3) (Interstate = Sum of Columns c through g)	N/A	105	64	12	12	0	17

**Distribution of Excluded Services Revenue**

5 2005 Revenues With NonPrice Cap Services (ARMIS 43-01 Line 1090 )	N/A	N/A	111,550	21,529	16,754	18,874	157,146
6 2005 NonPrice Cap Services Revenue FCC 492 Footnote	N/A	N/A	24,823	1,693	3,167	5,449	93,215
7 Ratio (L6/L5)	N/A	N/A	0.222528	0.078638	0.189029	0.288704	0.593175

Ameritech Operating Companies  
AIT-MICHIGAN  
Exogenous Costs Adjusted for Non-Price Cap Services  
for the 2006 Annual Filing

(000)

	Company Total (a)	Interstate (b)	Common Line (c )	Information and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
<b><u>Assignment of Exogenous Costs to NonPrice Cap Services</u></b>							
1 Exogenous Costs With NonPrice Cap Services (Exhibit 2.2, L4)	N/A	376	215	33	56	0	72
2 Ratio To Adjust NonPrice Cap Services (L 7)	N/A	N/A	0.235720	0.121855	0.245590	0.008970	0.549599
3 Exogenous Costs Associated With Non Price Cap Services (L1*L2) (Interstate = Sum of Columns c through g)	N/A	108	51	4	14	0	40
4 Exogenous Without NonPrice Cap Services (L1-L3) (Interstate = Sum of Columns c through g)	N/A	268	165	29	43	0	32

**Distribution of Excluded Services Revenue**

5 2005 Revenues With NonPrice Cap Services (ARMIS 43-01 Line 1090 )	N/A	N/A	260,084	42,403	47,624	25,307	349,042
6 2005 NonPrice Cap Services Revenue FCC 492 Footnote	N/A	N/A	61,307	5,167	11,696	227	191,833
7 Ratio (L6/L5)	N/A	N/A	0.235720	0.121855	0.245590	0.008970	0.549599

Ameritech Operating Companies  
AIT-OHIO  
Exogenous Costs Adjusted for Non-Price Cap Services  
2006 Annual Filing

(000)

	Company Total (a)	Interstate (b)	Common Line (c)	Information and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
<b><u>Assignment of Exogenous Costs to NonPrice Cap Services</u></b>							
1 Exogenous Costs With NonPrice Cap Services (Exhibit 2.2, L4)	N/A	279	131	23	54	-	71
2 Ratio To Adjust NonPrice Cap Services (L 7)	N/A	N/A	0.194843	0.106513	0.368971	0.013102	0.722306
3 Exogenous Costs Associated With Non Price Cap Services (L1*L2) (Interstate = Sum of Columns c through g)	N/A	99	26	2	20	0	52
4 Exogenous Without NonPrice Cap Services (L1-L3) (Interstate = Sum of Columns c through g)	N/A	180	106	20	34	-	20

**Distribution of Excluded Services Revenue**

5 2005 Revenues With NonPrice Cap Services (ARMIS 43-01 Line 1090 )	N/A	N/A	226,198	35,085	38,667	20,836	309,211
6 2005 NonPrice Cap Services Revenue FCC 492 Footnote	N/A	N/A	44,073	3,737	14,267	273	223,345
7 Ratio (L6/L5)	N/A	N/A	0.194843	0.106513	0.368971	0.013102	0.722306

Ameritech Operating Companies  
AIT-WISCONSIN  
Exogenous Costs Adjusted for Non-Price Cap Services  
for the 2006 Annual Filing

(000)

Company Total (a)	Interstate (b)	Common Line (c )	Information and Switching (d)	Transport (Trunking) (e)	IX (f)	Special (g)
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**Assignment of Exogenous Costs to NonPrice Cap Services**

1 Exogenous Costs With NonPrice Cap Services (Exhibit 2.2, L4)	N/A	124	60	10	19	0	35
2 Ratio To Adjust NonPrice Cap Services (L 7)	N/A	N/A	0.234539	0.093557	0.261128	0.009697	0.792868
3 Exogenous Costs Associated With Non Price Cap Services (L1*L2) (Interstate = Sum of Columns c through g)	N/A	48	14	1	5	0	28
4 Exogenous Without NonPrice Cap Services (L1-L3) (Interstate = Sum of Columns c through g)	N/A	76	46	9	14	0	7

**Distribution of Excluded Services Revenue**

5 2005 Revenues With NonPrice Cap Services (ARMIS 43-01 Line 1090 )	N/A	N/A	97,728	18,609	22,353	10,725	170,191
6 2005 NonPrice Cap Services Revenue FCC 492 Footnote	N/A	N/A	22,921	1,741	5,837	104	134,939
7 Ratio (L6/L5)	N/A	N/A	0.234539	0.093557	0.261128	0.009697	0.792868

**AMERITECH OPERATING COMPANIES**  
**2006 TELECOMMUNICATIONS RELAY SERVICE AND REGULATORY FEE**  
Exogenous Cost Change Detail

FCC 05-135				
	<u>7/05-6/06 TRS</u>	<u>7/06-6/07 TRS</u>	<u>Exogenous</u>	
<b><u>Telecommunications Relay Service Support:</u></b>	<u>0.00564</u>	<u>0.00564</u>		
** 07/05-06/06 TRS is Adjusted Rev w/factor updates (07/18/05)	6,057,830	6,273,149	215,319	
<b><u>Regulatory Fee Support:</u></b>	0.00243	0.00256		
	2,594,965	2,847,387	252,422	
<b>2005 Interstate End User Rev</b>				
Total	Interstate	Regulatory	TRS Factor	
End User Revenues		<u>Fee</u>	7/06-6/07	
<u>( 499A Row 420a)</u>	<u>( 499A Row 420d)</u>	<u>0.00256</u>	<u>0.00564</u>	
(A)	(B)	(C)=B * 0.00256	(D) = B * 0.00564	
Exogenous Amount	6,312,297,594	1,112,260,531	2,847,387	6,273,149

	<u>Common Line</u>	<u>Special</u>	<u>Excluded</u>	<u>Total Less ATS Revenue</u>
2005 End User Revenues (499A)	\$ 883,534,705	\$ 85,376,656	\$ 143,349,170	\$ 1,112,260,531
Allocation Basis	79.44%	7.68%	12.89%	100.00%
Telecom. Relay Support	\$ 171,041	\$ 16,528	\$ 27,751	\$ 215,319
Regulatory Fee Support:	\$ 200,514	\$ 19,376	\$ 32,532	\$ 252,422
	\$ 371,555	\$ 35,904	\$ 60,283	\$ 467,742

CC Docket 98-67, FCC 05-135 June 28, 2006



FEDERAL COMMUNICATION COMMISSION  
Washington, D.C. 20554

See reverse side for instruction  
regarding public burden estimates

Approved By OMB  
3060-0355  
Expires 07/31/04

**1. Name and Address of Reporting Company**  
Ameritech Operating Companies  
Ameritech Services  
2000 West Ameritech Ctr. Drive – 4G50  
Hoffman Estates, IL 60196

**2. Reporting Calendar Year**  
(A) From: January 1, 2005 To: December 31, 2005  
(B) First Report Filed: 04/01/06

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 Col A	Final Report Col B	Difference Col C = (B-A)
1. Total Revenues	\$ 1,689,021		
2. Total Expenses and Taxes	\$ 1,291,342		
3. Operating Income (Net Return)(Ln1-Ln2)	\$ 397,679		
4. Rate Base (Avg. Net Investment)	\$ 1,424,172		
5. Rate of Return (Ln3 / Ln4)	27.92%		
6. Sharing/Low End Adjustment Amount	N/A		
7. FCC Ordered Refund – Amortized for Current Period	N/A		

**Remarks**

Excluded services revenues of \$1,283,429K have been removed from the amounts shown above as required in the Order on Reconsideration (CC Docket 87-313) released April 17, 1991. Excluded services revenues represent 43.18% of total revenues prior to their exclusion. Excluded services expenses and investment have likewise been excluded from the earnings calculation.

The federal income tax rate is 35% and the state composite income tax rate is 6.19%. The composite tax rate is 39.02% and is calculated as  $(6.19\% + ([100\% - 6.19\%]) * 35\%)$ .

**4. 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	Typed Name of person Signing	Title of Person Signing	Signature
\ \06 Telephone No.	John J. Stephens 314-923-0103	Vice Pres. – Controller	

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.

FCC492A

Letter Filing  
May 1, 2006

FEDERAL COMMUNICATION COMMISSION  
Washington, D.C. 20554

See reverse side for instruction  
regarding public burden estimates

Approved By OMB  
3060-0355  
Expires 07/31/04

**1. Name and Address of Reporting Company**  
Ameritech Operating Companies  
Ameritech Services  
2000 West Ameritech Ctr. Drive – 4G50  
Hoffman Estates, IL 60196

**2. Reporting Calendar Year**  
(A) From: January 1, 2004 To: December 31, 2004  
(B) First Report Filed: 04/01/05  
(C) Final Report Filed: 04/01/06

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 Col A	Final Report Col B	Difference Col C = (B-A)
1. Total Revenues	\$ 1,687,572	\$ 1,688,691	\$ 1,119
2. Total Expenses and Taxes	\$ 1,336,991	\$ 1,342,541	\$ 5,550
3. Operating Income (Net Return)(Ln1-Ln2)	\$ 350,581	\$ 346,150	\$ (4,431)
4. Rate Base (Avg. Net Investment)	\$ 1,522,844	\$ 1,537,644	\$ 14,800
5. Rate of Return (Ln3 / Ln4)	23.02 %	22.51%	(.51%)
6. Sharing/Low End Adjustment Amount	N/A	N/A	N/A
7. FCC Ordered Refund – Amortized for Current Period	N/A	N/A	N/A

**Remarks**

Certain adjustments and corrections not received in time to be processed in Submission 2 were included in Submission 3.

Excluded services revenues of \$1,209,639K have been removed from the amounts shown above as required in the Order on Reconsideration (CC Docket 87-313) released April 17, 1991. Excluded services revenues represent 41.74% of total revenues prior to their exclusion. Excluded services expenses and investment have likewise been excluded from the earnings calculation.

The federal income tax rate is 35% and the state composite income tax rate is 6.33%. The composite tax rate is 39.12% and is calculated as  $(6.33\% + [(100\% - 6.33\%)] * 35\%)$ .

**4. 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	Typed Name of person Signing	Title of Person Signing	Signature
\ \06 Telephone No.	John J. Stephens 314-923-0103	Vice Pres. – Controller	

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.

FCC492A

Letter Filing  
May 1, 2006

**Ameritech Operating Companies**  
**SUMMARY OF EXOGENOUS COSTS & DISTRIBUTIONS**  
**TO NON-ATS SERVICES**

LINE	DESCRIPTION	'R' VALUE	DISTRIBUTION	EDT EXOG	ITC EXOG	TRS EXOG	REG FEE EXOG	TOTAL
		(A)	(B) = (A/LINE 9A)	(C)	(D)	(E)	(F)	
1	INTERSTATE EXOGENOUS COST TO BE DISTRIBUTED (Exhibit 2.4 b)			485,000	733,000			
2	% OF EDT AND ITC EXOG COST W/EXCLUDED SERVICES EXHIBIT 2.5			43.20%	43.20%			
3	EXOGENOUS COSTS TO BE DISTRUBUTED (L1*(1-L2))			275,480	416,344	187,569	219,890	1,099,283
4	COMMON LINE EUCL AND PICC 'R' (Sum1 Column A, Row 100)	885,555,456	55.92%	154,061	232,839	171,041	200,514	758,455
5	DATABASE SERVICE CATEGORY 'R'	25,463,179	1.61%	4,430	6,695	-	-	11,125
6	BNA SERVICE CATEGORY 'R'	173,422	0.01%	30	46	-	-	76
7	INTEREXCHANGE BASKET 'R'	-	0.00%	-	-	-	-	-
8	SPECIAL ACCESS BASKET 'R'	672,287,560	42.46%	116,959	176,764	16,528	19,376	329,627
9	TOTAL (SUM L4 THRU L8)	1,583,479,617	100.00%	275,480	416,344	187,569	219,890	1,099,283

\*\*Effective 10/01/2003 TRS and Reg Fee Exogenous is only spread between the Common Line and Special Access Baskets

Services Outside of Price Cap  
Company Name: Ameritech Operating Companies  
Filing Date: 05/01/2006

OUTPC-1

**Rate Element Detail**

**Tariff Section**

**Collocation/Interconnection**

Interconnection Services

FCC #2 16

**Packet Services**

Frame Relay - Recurring and Nonrecurring  
Packet Switched Network Service  
DNAL Local Distribution Channel Digital  
DNAL Features and Functions

FCC #2 8.5.7  
FCC #2 8.2.5 B thru G  
FCC #2 8.3.5.1 A (3) (4)  
FCC #2 8.3.5.1 E (7) thru (10)

**Switched Access Elements**

Transport Termination Chargeable Options  
Installation and Rearrangement Charges  
Optional Payment Plan Vintage Rates

FCC #2 6.9.2 F  
FCC #2 6.9.3 A  
FCC #2 6.9.6 C

**Special Access Elements**

Special Access Wideband Analog Service ICBs  
Special Access Wideband Data Service ICBs  
Special Access Surcharge  
Special Access ICBs

FCC #2 7.5.6  
FCC #2 7.5.7  
FCC #2 7.5.14  
FCC #2 7.6

**End User Charges**

Federal USF End User Charge  
Service Provider Number Portability Monthly Charges  
900 Call Restriction  
International Call Blocking  
PIC Change Charge

FCC #2 4.1.7 C  
FCC #2 4.7  
FCC #2 4.4 B  
FCC #2 4.3.C  
FCC #2 4.2.C

**Gov't Services**

Federal Gov't Specialized Svcs or Arrangements - VG Special Access Service  
Federal Gov't Specialized Svcs or Arrangements - Wideband Digital Special Access Service  
Federal Gov't Specialized Svcs or Arrangements - Special Routing Access Service  
Federal Gov't Specialized Svcs or Arrangements - Telecommunications Svc Priority (TSP ) Service  
Individual Case Filings - Special Routing Access Svc - State of Indiana  
Individual Case Filings - Special Routing Access Svc - All States - GETS  
Individual Case Filings - Special Routing Access Svc - All States - GETS-EQ

FCC #2 10.6.3 B  
FCC #2 10.6.3 C  
FCC #2 10.6.3 D  
FCC #2 10.6.3 E  
FCC #2 10.7.1 B  
FCC #2 10.7.1 F  
FCC #2 10.7.1 F

**Miscellaneous/Other**

Special Facilities Routing of Access Services - ICBs  
Specialized Services or Arrangements - ICBs  
Promotional Offerings  
Internet Transport Access- Recurring and Nonrecurring

FCC #2 11.4  
FCC #2 12.3.1 thru 12.3.6  
FCC # 2 17.2(6)(A) thru (6)(B)  
FCC #2 20.5 A

**Services Outside of Price Cap**  
**Company Name: Ameritech Operating Companies**  
**Filing Date: 05/01/2006**

**OUTPC-2**

**Rate Element Detail**  
**Service that were in PC and have been removed**

**Tariff Section**

**Order**  
**Allowing Removal**

**Trunking**

SS7  
Voice Grade  
LT-1  
LT-3  
Switched Sonet  
Signaling  
Telecom Relay Service

FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21

FCC 99-206 Fifth Report and Order and Further Notice of Proposed Rulemaking  
( Pricing Flexibility Order )

**Special Access**

Metallic  
Telegraph Grade  
Direct Analog  
Program Audio  
Video  
Base Rate Services  
DS1  
DS3  
Optical Carrier Network (OCN) 3, 12, 48, 192 Point to Point  
OC-3, 12, 48, 192 Dedicated Ring  
Sonet Xpress Service  
GigaMAN® (Gigabit Ethernet Metropolitan Area Network)  
MON (Multi-Service Optical Network)  
DecaMAN<sup>sm</sup> (10 Gigabit Ethernet Metropolitan Area Network)  
WaveMAN<sup>sm</sup> (Wavelength Metropolitan Aea Network)

FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
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FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21  
FCC #2, 21

FCC 99-206 Fifth Report and Order and Further Notice of Proposed Rulemaking  
( Pricing Flexibility Order )

Interstate IntraLATA Toll

FCC #4

## AMERITECH OPERATING COMPANIES

Exhibit 13

Price Cap Tariff Review Plan Indices								
	PROPOSED PCI (A)	PROPOSED API (B)	PROPOSED SBI (C)	PROPOSED SBI LIMIT (D)	Last Limit Update Transmittal # PCI	Last Limit Update Transmittal # API	Last Limit Update Transmittal # SBI	Last Limit Update Transmittal # SBI LIMIT
Common Line Basket								
100 Total Common Line	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Traffic Sensitive Basket								
200 Local Switching	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1270	TR # 1270
210 Information	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1242	TR # 1270
220 Database Access	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1351	TR # 1481
230 800 DB VertSvcs Sub-Cat	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1351	TR # 1481
240 Billing Name and Address	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1242	TR # 1481
250 Local Switching Trunk Ports	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1260	TR # 1270
260 STP Port Terminations	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1242	TR # 1270
299 Total Traffic Sensitive	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1351	N/A	N/A
Trunking Basket								
300 Interconnection Charge	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
Tandem Switched Transport	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
311 TST Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
312 TST Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
313 TST Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
314 TST Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
315 TST Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
316 TST Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
317 TST Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
320 VoiceGrade - Switched	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1270	TR # 1270
321 VG DTT/EF Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
322 VG DTT/EF Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
323 VG DTT/EF Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
324 VG DTT/EF Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
325 VG DTT/EF Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
326 VG DTT/EF Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
327 VG DTT/EF Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
340 High Cap & Other - Switched	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
350 DS-1 SubCat - Switched	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
351 DS1 DTT Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
352 DS1 DTT Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
353 DS1 DTT Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
354 DS1 DTT Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
355 DS1 DTT Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1481
356 DS1 DTT Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
357 DS1 DTT Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
360 DS-3 SubCat - Switched	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1365	TR # 1365
361 DS3 DTT Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1270	TR # 1270
362 DS3 DTT Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1270	TR # 1270
363 DS3 DTT Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1270	TR # 1270
364 DS3 DTT Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1270	TR # 1270
365 DS3 DTT Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1270	TR # 1270
366 DS3 DTT Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
367 DS3 DTT Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A

Letter Filing  
May 1, 2006

## AMERITECH OPERATING COMPANIES

Exhibit 13

Price Cap Tariff Review Plan  
Indices

		PROPOSED	PROPOSED	PROPOSED	PROPOSED	Last Limit Update	Last Limit Update	Last Limit Update	Last Limit Update
		PCI	API	SBI	SBI LIMIT	Transmittal #	Transmittal #	Transmittal #	Transmittal #
		(A)	(B)	(C)	(D)	PCI	API	SBI	SBI LIMIT
370	HC Other Sw Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
371	HC Other Sw Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
372	HC Other Sw Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
373	HC Other Sw Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
374	HC Other Sw Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
375	HC Other Sw Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
376	HC Other Sw Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
380	Signalling Interconnection	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1206	TR # 1270
381	SigIntCon Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
382	SigIntCon Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
383	SigIntCon Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
384	SigIntCon Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
385	SigIntCon Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
386	SigIntCon Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
387	SigIntCon Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
499	Total Trunking	June Filing	June Filing	N/A	N/A	TR # 1365	TR # 1365	N/A	N/A
	Interexchange Basket								
600	Total Interexchange	June Filing	June Filing	N/A	N/A	N/A	N/A	N/A	N/A
	Special Access Basket								
720	VG/WATS, Met, Tgh - Special	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1452	TR # 1487
721	VG Spec Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
722	VG Spec Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
723	VG Spec Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
724	VG Spec Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
725	VG Spec Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
726	VG Spec Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
727	VG Spec Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
730	Audio & Video	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
731	Audio/Video Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
732	Audio/Video Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
733	Audio/Video Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
734	Audio/Video Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
735	Audio/Video Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
736	Audio/Video Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
737	Audio/Video Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
740	High Cap & DDS - Special	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1498	TR # 1498
750	DS-1 SubCat - Special	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
751	DS1 Spec Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
752	DS1 Spec Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
753	DS1 Spec Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
754	DS1 Spec Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
755	DS1 Spec Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
756	DS1 Spec Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
757	DS1 Spec Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A

Letter Filing

May 1, 2006

## AMERITECH OPERATING COMPANIES

Exhibit 13

Price Cap Tariff Review Plan  
Indices

		PROPOSED PCI (A)	PROPOSED API (B)	PROPOSED SBI (C)	PROPOSED SBI LIMIT (D)	Last Limit Update Transmittal # PCI	Last Limit Update Transmittal # API	Last Limit Update Transmittal # SBI	Last Limit Update Transmittal # SBI LIMIT
760	DS-3 SubCat - Special	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
761	DS3 Spec Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
762	DS3 Spec Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
763	DS3 Spec Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
764	DS3 Spec Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
765	DS3 Spec Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	TR # 1481	TR # 1487
766	DS3 Spec Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
767	DS3 Spec Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
770	DDS&Other Sp Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
771	DDS&Other Sp Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
772	DDS&Other Sp Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
773	DDS&Other Sp Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
774	DDS&Other Sp Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
775	DDS&Other Sp Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
776	DDS&Other Sp Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
790	Wideband	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
791	WB Density Zone 1	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
792	WB Density Zone 2	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
793	WB Density Zone 3	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
794	WB Density Zone 4	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
795	WB Density Zone 5	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
796	WB Density Zone 6	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
797	WB Density Zone 7	N/A	N/A	June Filing	June Filing	N/A	N/A	N/A	N/A
899	Total Special Access	June Filing	June Filing	N/A	N/A	TR # 1498	TR # 1498	N/A	N/A

Letter Filing

May 1, 2006



**SBC - Ameritech LEC Transport MOUs**

<b>TIC MOUs</b>	25,038,554,447
<b>MeetPoint MOUs</b>	
<b>Ameritech Tandem to ICO EO</b>	10,701,816,128
<b>Ameritech SWC to ICO EO</b>	227,240,139
<b>TOTAL LEC Transport MOUs</b>	35,967,610,714