

**AMERITECH OPERATING COMPANIES (AMERITECH)
DESCRIPTION AND JUSTIFICATION
JULY 17, 2006**

PURPOSE

In this filing, Ameritech Operating Companies (Ameritech) proposes to:

File a revised TRP with updated exogenous cost which reflect the revised Telecommunications Relay Service factor of .00535, released by the FCC on June 29, 2006

No rate changes result from the implementation of the revised exogenous cost.

Telecommunication Relay Service

On May 12, 2006, the Federal Communications Commission (FCC) released Public Notice DA 06-1031 (CG Docket No. 03-123) with the National Exchange Carrier Association's (NECA) estimated TRS factor of .00494. The factor of .00494 released on May 12, 2006 was employed as the basis of the exogenous cost change in the 2006 Annual Access Filing, filed on June 16, 2006, in Transmittal No. 1560. On June 29, 2006, the FCC released DA 06-1345 (CG Dockets 98-67 and 03-123) which adopted a TRS factor of .00535. Therefore, Ameritech has revised its estimation of the total TRS contribution amount for the ensuing tariff period. The methodology, as shown on ***Exhibit 2.6***, calculates the difference in the factor released May 12, 2006 and the implemented factor released June 29, 2006. This "difference" is then "grossed up" to ensure recovery of a full twelve months at the newly implemented rate. The development of the TRS exogenous cost for this filing is provided on ***Exhibit 2.6***. Pursuant to the *Order*,¹ the Commission determined that Telecommunications Relay Service (TRS) fund payments may be treated as exogenous cost.

¹In 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.

EXOGENOUS COST

Part 61.45(d) (3) requires that exogenous cost changes be apportioned between price cap services and excluded services. Ameritech adjusted the TRS 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. In accordance with Part 61.45(d) (3), no exogenous adjustment is allocated to Average Traffic Sensitive (ATS) revenue. The Telecommunication Relay Service exogenous cost change is allocated to the Common Line Basket and the Special Access Basket. *Exhibit 1* demonstrates the revenue impact for corresponding rate adjustments.

PRICE CAP COMPLIANCE

The attached Tariff Review Plan (TRP) reflects the net revenue changes resulting from the exogenous cost changes associated with the revised TRS factor. There are no rate changes as a result of the implementation of the revised TRS Factor.

Ameritech Operating Companies

Exhibit 1

TRS Revenue Impact

		2005				
	RATE ELEMENT	BASE PERIOD DEMAND	CURRENT RATE	PROPOSED RATE	CURRENT REVENUE	PROPOSED REVENUES
Illinois	MULTILINE BUSINESS EUCL	15,471,982	\$4.50	\$4.50	\$69,649,434	\$69,684,751
Illinois	PRI ISDN EUCL	173,234	\$4.50	\$4.50	\$779,839	\$780,234
Illinois	BUSINESS CENTREX EUCL	6,478,437	\$4.50	\$4.50	\$29,163,650	\$29,178,438
Illinois	PRIMARY RESIDENCE EUCL	29,450,860	\$4.50	\$4.50	\$132,577,438	\$132,644,663
Illinois	SINGLE LINE BUSINESS EUCL	1,623,978	\$4.50	\$4.50	\$7,310,579	\$7,314,286
Illinois	LIFELINE EUCL	887,135	\$4.50	\$4.50	\$3,993,570	\$3,995,595
Illinois	NONPRIMARY RESIDENCE EUCL	5,049,313	\$4.50	\$4.50	\$22,730,235	\$22,741,761
Illinois	BRI ISDN EUCL	308,559	\$4.50	\$4.50	\$1,389,024	\$1,389,729
					\$267,593,771	\$267,729,457
Indiana	MULTILINE BUSINESS EUCL	3,092,482	\$5.53	\$5.53	\$17,095,010	\$17,102,069
Indiana	PRI ISDN EUCL	43,502	\$5.53	\$5.53	\$240,476	\$240,575
Indiana	BUSINESS CENTREX EUCL	4,381,992	\$5.53	\$5.53	\$24,223,325	\$24,233,328
Indiana	PRIMARY RES	11,643,685	\$5.53	\$5.53	\$64,365,423	\$64,392,001
Indiana	SINGLE LINE BUSINESS EUCL	458,178	\$5.53	\$5.53	\$2,532,774	\$2,533,820
Indiana	LIFELINE EUCL	449,963	\$5.53	\$5.53	\$2,487,362	\$2,488,389
Indiana	NONPRIMARY RES EUCL	1,166,630	\$5.53	\$5.53	\$6,449,044	\$6,451,707
Indiana	BRI ISDN EUCL	80,976	\$5.53	\$5.53	\$447,629	\$447,814
					\$117,841,043	\$117,889,703
Michigan	MULTILINE BUSINESS	9,433,928	\$5.35	\$5.35	\$50,480,015	\$50,501,549
Michigan	PRI ISDN EUCL	98,658	\$5.35	\$5.35	\$527,909	\$528,134
Michigan	BUSINESS CENTREX EUCL	5,763,302	\$5.35	\$5.35	\$30,838,859	\$30,852,014
Michigan	PRIMARY RES	21,049,068	\$5.35	\$5.35	\$112,631,480	\$112,679,527
Michigan	SINGLE LINE BUSINESS EUCL	1,322,610	\$5.35	\$5.35	\$7,077,155	\$7,080,174
Michigan	LIFELINE EUCL	947,316	\$5.35	\$5.35	\$5,068,994	\$5,071,157
Michigan	NONPRIMARY RES EUCL	2,059,278	\$5.35	\$5.35	\$11,018,993	\$11,023,693
Michigan	BRI ISDN EUCL	236,870	\$5.35	\$5.35	\$1,267,468	\$1,268,009
					\$218,910,873	\$219,004,257
Ohio	MULTILINE BUSINESS	6,303,932	\$5.39	\$5.39	\$33,986,441	\$34,000,830
Ohio	PRI ISDN EUCL	105,763	\$5.39	\$5.39	\$570,201	\$570,442
Ohio	BUSINESS CENTREX EUCL	3,690,029	\$5.39	\$5.39	\$19,894,084	\$19,902,507
Ohio	PRIMARY RES	19,040,259	\$5.39	\$5.39	\$102,651,906	\$102,695,367
Ohio	SINGLE LINE BUSINESS EUCL	945,877	\$5.39	\$5.39	\$5,099,515	\$5,101,674
Ohio	LIFELINE EUCL	2,081,809	\$5.39	\$5.39	\$11,223,674	\$11,228,426
Ohio	NONPRIMARY RES EUCL	1,888,937	\$5.39	\$5.39	\$10,183,842	\$10,188,153
Ohio	BRI ISDN EUCL	153,518	\$5.39	\$5.39	\$827,663	\$828,013
					\$184,437,325	\$184,515,413
Wisconsin	MULTILINE BUSINESS EUCL	3,306,550	\$5.07	\$5.07	\$16,758,083	\$16,765,631
Wisconsin	PRI ISDN EUCL	69,458	\$5.07	\$5.07	\$352,023	\$352,182
Wisconsin	BUSINESS CENTREX EUCL	2,256,821	\$5.07	\$5.07	\$11,437,899	\$11,443,051
Wisconsin	PRIMARY RESIDENCE EUCL	9,499,290	\$5.07	\$5.07	\$48,143,803	\$48,165,486
Wisconsin	SINGLE LINE BUSINESS EUCL	377,229	\$5.07	\$5.07	\$1,911,852	\$1,912,713
Wisconsin	LIFELINE EUCL	557,186	\$5.07	\$5.07	\$2,823,901	\$2,825,173
Wisconsin	NONPRIMARY RESIDENCE EUCL	1,081,140	\$5.07	\$5.07	\$5,479,377	\$5,481,845
Wisconsin	BRI ISDN EUCL	97,590	\$5.07	\$5.07	\$494,601	\$494,823
					\$87,401,539	\$87,440,903

July 17, 2006

AMERITECH OPERATING COMPANIES
2006 Telecommunications Relay Service and Regulatory Fee
Exogenous Cost Detail

FCC 05-135	<u>7/05-6/06 TRS</u>	<u>7/06-6/07 TRS</u>	Revised TRS .00535	<u>Current</u>	<u>Revised</u>
<u>Telecommunications Relay Service Support:</u>	<u>0.00564</u>	<u>0.00494</u>	<u>7/06-6/07</u>	<u>Exogenous</u>	<u>Exogenous</u>
			<u>0.00045</u>		
** 07/05-06/06 TRS is Adjusted Rev w/factor updates (07/18/05)	6,057,830	5,494,567	497,484	(563,263)	(65,779)
<u>Regulatory Fee Support:</u>	0.00243	0.00256			
	2,594,965	2,847,387	252,422		
2005 Interstate End User Rev					
	Total	Interstate	Regulatory	TRS Factor	Revised TRS .00535
	End User Revenues	End User Revenues	Fee	7/06-6/07	7/06-6/07
	<u>(499A Row 420a)</u>	<u>(499A Row 420d)</u>	<u>0.00256</u>	<u>0.00494</u>	<u>0.00045</u>
	(A)	(B)	(C)=B * 0.00256	(D) = B * 0.00494	(E) = B * 0.00535
Exogenous Amount	6,312,297,594	1,112,260,531	2,847,387	5,494,567	497,484
	<u>Common Line</u>	<u>Special</u>	<u>Excluded</u>	<u>Total Less</u>	
				<u>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	\$ 395,181	\$ 38,187	\$ 64,116	\$ 497,484	
Regulatory Fee Support:	\$ -	\$ -	\$ -	\$ -	
	\$ 395,181	\$ 38,187	\$ 64,116	\$ 497,484	

CG Docket 03-123, FCC 06-1345 June 29, 2006