

BellSouth Telecommunications, Inc.
2nd Quarter 2007 Federal Universal Service Fund (FUSF) Adjustments
DESCRIPTION AND JUSTIFICATION
Transmittal No. 1060
March 26, 2007

1. Introduction

2. 2nd Quarter Federal Universal Service Fund Adjustments

- **Exhibit 1**
- **Exhibit 2**

1. Introduction

On March 19, 2007, BellSouth issued Transmittal No. 1059, which proposed to update the line counts used in the calculation of the Federal Universal Service Fund (FUSF) recovery charges billed to residential and business customers. In Transmittal 1059, the Description and Justification describes calculations that result in an increased Universal Service Fund Contribution Factor, however, the tariff page reflecting the increased factor was inadvertently omitted from Transmittal No. 1059. The purpose of this transmittal is to submit the tariff page with the revised factor. The following Description and Justification is the same as submitted in Transmittal No. 1059. This transmittal is scheduled to become effective on April 10, 2007.

2. 2nd Quarter Federal Universal Service Fund Adjustments

This portion of the filing is to revise BellSouth's USF obligation based on updated line counts. The 2nd Quarter 2007 contribution factor, 11.7%, was provided in the Commission's Public Notice, DA 07-1330, released March 15, 2007. Recovery of this contribution is allowable pursuant to C.F.R. 69.158. The methodology used to calculate end user charges assessed to recover this liability is detailed below.

Calculation of the Federal Universal Service Fund Flat Rate End User Charge

To ensure compliance with the Commission's *Interim Contribution Methodology Order*, BellSouth recovers its USF obligation associated with switched access services through various flat-rate end user charges.¹ The charges will be assessed with respect to the interstate end user

¹ See *Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability*, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170, *Report and Order and Second Further Notice of Proposed Rule Making*, 17 FCC RCD 24952 (2002) (*Interim Contribution Methodology Order*).

service that generates the USF obligation. BellSouth assesses two general types of USF charges (Basic and Port) for switched access customers. These charges are calculated using the following methodology, as shown on *Exhibit 1* and *Exhibit 2*.

Basic USF Recovery Charges

These charges are assessed to switched access lines to recover the USF obligation associated with the assessment of End User Common Line (EUCL) and End User Port charges.

1. Residential / Single Line Business (SLB) / Additional Residential

BellSouth develops the Basic USF charge for residential and single line business customers by multiplying EUCL charges assessed to these customers by the relevant contribution factor released by the Commission. The calculation for the Basic FUSF Residential/Single Line Business/Additional Residential rate is demonstrated in *Exhibit 1*.

2. BRI ISDN / BRI ISDN Port

BellSouth develops the Basic USF charge for BRI ISDN by adding the BRI ISDN EUCL rate to the BRI ISDN LINE PORT rate, to arrive at the TOTAL BRI ISDN basic interstate revenue. The TOTAL BRI ISDN interstate revenue is then multiplied by the relevant contribution factor released by the Commission. The calculation for the BRI ISDN USF Recovery Charge is demonstrated in *Exhibit 1*.

3. Multi Line Business, PRI ISDN, and Centrex

On March 14, 2003, the Commission released its *USF Waiver Order* granting an interim waiver to enable ILECs to recover their universal service contributions from Centrex customers using an

“equivalency ratio” as provided in Sections 69.131, 69.153(e) and 69.158 of the Commission’s Rules.² Based on the interim waiver, BellSouth’s Monthly Federal Universal Service Charges for Centrex, Multi-Line Business, and Primary Rate ISDN are initially calculated by applying the Second Quarter 2007 Contribution Factor of 11.7% to the sum of the charges representing the interstate portion of the customer’s bill in the same manner described above. Next, Centrex Equivalent Units are calculated for Centrex, Multi-Line Business and Primary Rate ISDN utilizing the following two equivalency relationships: (1) nine Centrex Equivalent Units per Multi-Line Business line, and (2) five Multi-Line Business charges per Primary Rate ISDN service or 45 Centrex Equivalent Units per PRI ISDN service (that is, nine Centrex Equivalent Units per Multi-Line Business line times five Multi-Line Business charges per PRI ISDN service). A Centrex Equivalent rate is then developed by calculating the revenue derived from the initially calculated rates for Centrex, Multi-Line Business and Primary Rate ISDN (excluding the revenue derived from Excess Line Port Charges), and dividing by the total number of Centrex Equivalent Units for these three services. The resulting Centrex Equivalent rate becomes the basis of the rates for Centrex, Multi-Line Business and Primary Rate ISDN as follows: (1) the Centrex Equivalent rate becomes the Monthly Federal Universal Service Charge for Centrex customers, (2) the Multi-Line Business rate equals that for nine Equivalent Centrex Units, that is, the Multi-Line Business Monthly Federal Universal Service Charge is nine times the Centrex Equivalent rate, and (3) the Primary Rate ISDN rate equals that for 45 Equivalent Centrex Units, that is, the Primary Rate ISDN Monthly Federal Universal Service Charge is 45 times the Centrex Equivalent rate (plus the effect of the Excess Line Port Charge). These calculations are shown on *Exhibit 2*.

² *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, *Order and Second Order on Reconsideration*, FCC 03-58, released March 14, 2003 (*USF Waiver Order*).