

**PUBLIC VERSION**

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

LEVEL 3 COMMUNICATIONS, LLC,

Complainant,

v.

AT&T INC., BELLSOUTH  
TELECOMMUNICATIONS, LLC,  
NEVADA BELL TELEPHONE COMPANY,  
PACIFIC BELL TELEPHONE COMPANY,  
SOUTHWESTERN BELL TELEPHONE,  
L.P., ILLINOIS BELL TELEPHONE  
COMPANY, INDIANA BELL TELEPHONE  
COMPANY, MICHIGAN BELL  
TELEPHONE COMPANY, OHIO BELL  
TELEPHONE COMPANY, AND  
WISCONSIN BELL TELEPHONE  
COMPANY,

Defendants.

EB Docket No. 17-227  
File No. EB-17-MD-003

**FORMAL COMPLAINT OF LEVEL 3 COMMUNICATIONS, LLC**

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September 12, 2017

PUBLIC VERSION

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September 12, 2017

**VIA ECFS**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

**Re: *Level 3 Communications, LLC v. AT&T Inc. et al.*, EB Docket No. 17-227,  
File No. EB-17-MD-003**

Dear Ms. Dortch:

Level 3 Communications, LLC (“Level 3”) submits for filing the Public Version of its Formal Complaint (“Complaint”) against AT&T Inc., Bellsouth Telecommunications, LLC, Nevada Bell Telephone Company, Pacific Bell Telephone Company, Southwestern Bell Telephone, L.P., Illinois Bell Telephone Company, Indiana Bell Telephone Company, Michigan Bell Telephone Company, Ohio Bell Telephone Company, and Wisconsin Bell Telephone Company (collectively, “AT&T”). Consistent with the Commission’s rules<sup>1</sup> and the Protective Order entered by the Commission’s Enforcement Bureau on August 31, 2017,<sup>2</sup> this Public Version is being filed on ECFS.

Level 3 is filing by hand with the Secretary’s office a copy of the Confidential Version of the Complaint. In addition, copies of the Confidential and Public Versions of the Complaint are being served on counsel for AT&T.

Please contact me if you have any questions regarding this matter.

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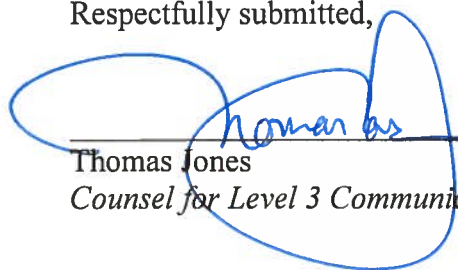
<sup>1</sup> 47 C.F.R. §§ 1.731, 1.735.

<sup>2</sup> Letter from Lisa Saks, Assistant Chief, Market Disputes Resolution Division, to Thomas Jones, Counsel for Level 3, and Christopher Shenk, Counsel for AT&T, EB Docket No. 17-227, File No. EB-17-MD-003 (Aug. 31, 2017).

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Marlene H. Dortch  
September 12, 2017  
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Respectfully submitted,



Thomas Jones  
*Counsel for Level 3 Communications, LLC*

Enclosures

cc: Rosemary McEnery  
Lisa Saks  
Lisa Boehley

PUBLIC VERSION

FCC 485  
November  
2014

Federal Communications Commission  
Washington, D.C. 20554

OMB Control Number  
3060-0411

SECTION 208 FORMAL  
COMPLAINT INTAKE FORM

1. Case Name: Level 3 Communications, LLC v. AT&T Inc. et al., EB Docket No. 17-227, File No. EB-17-MD-003
2. Complainant's Name, Address, Phone and Facsimile Number, e-mail address (if applicable): Level 3 Communications, LLC, 1220 L Street NW, Suite 6600, Washington, DC 20005 (571) 730-6533
3. Defendant's Name, Address, Phone and Facsimile Number (to the extent known), e-mail address (if applicable): AT&T Inc., 1120 20th Street NW, Suite 1000, Washington, DC 20036 (202) 463-4148
4. Complaint alleges violation of the following provisions of the Communications Act of 1934, as amended: Sections 201(b) and 202(a)

Answer (Y)es, (N)o or N/A to the following:

- Y 5. Complaint conforms to the specifications prescribed by 47 C.F.R. Section 1.734.
- Y 6. Complaint complies with the pleading requirements of 47 C.F.R. Section 1.720.
- Y 7. Complaint conforms to the format and content requirements of 47 C.F.R. Section 1.721, including but not limited to:
- Y a. Complaint contains a complete and fully supported statement of facts, including a detailed explanation of the manner in which the defendant is alleged to have violated the provisions of the Communications Act of 1934, as amended, or Commission rules or Commission orders.
- \* b. Complaint includes proposed findings of fact, conclusions of law, and legal analysis relevant to the claims and arguments set forth in the Complaint.
- Y c. If damages are sought in this Complaint, the Complaint comports with the specifications prescribed by 47 C.F.R. Section 1.722(a), (c).
- Y d. Complaint contains a certification that complies with 47 C.F.R. Section 1.721(a)(8), and thus includes, among other statements, a certification that: (1) complainant mailed a certified letter outlining the allegations that formed the basis of the complaint it anticipated filing with the Commission to the defendant carrier; (2) such letter invited a response within a reasonable period of time; and (3) complainant has, in good faith, discussed or attempted to discuss, the possibility of settlement with each defendant prior to the filing of the formal complaint.
- Y e. A separate action has been filed with the Commission, any court, or other government agency that is based on the same claim or the same set of facts stated in the Complaint, in whole or in part. If yes, please explain:  
Level 3 filed a Petition to Reject or Suspend and Investigate on June 23, 2017. CenturyLink and Sprint also filed related petitions further detailed in Paragraph 7 of the Complaint.
- N f. Complaint seeks prospective relief identical to the relief proposed or at issue in a notice-and-comment proceeding that is concurrently before the Commission. If yes, please explain:
- \* g. Complaint includes an information designation that contains:
- \* (1) A complete description of each document, data compilation, and tangible thing in the complainant's possession, custody, or control that is relevant to the facts alleged with particularity in the Complaint, including: (a) its date of preparation, mailing, transmittal, or other dissemination, (b) its author, preparer, or other source, (c) its recipient(s) or intended recipient(s), (d) its physical location, and (e) its relevance to the matters contained in the Complaint; and
- \* (2) The name, address, and position of each individual believed to have firsthand knowledge of the facts alleged with particularity in the Complaint, along with a description of the facts within any such individual's knowledge; and
- \* (3) A complete description of the manner in which the complainant identified all persons with information and designated all documents, data compilations, and tangible things as being relevant to the dispute, including, but not limited to, identifying the individual(s) that conducted the information search and the criteria used to identify such persons, documents, data compilations, tangible things, and information.
- Y h. Attached to the Complaint are copies of all affidavits, tariff provisions, written agreements, offers, counter-offers, denials, correspondence, documents, data compilations, and tangible things in the complainant's possession, custody, or control, upon which the complainant relies or intends to rely to support the facts alleged and legal arguments made in the Complaint.
- Y i. Certificate of service is attached and conforms to the specifications prescribed by 47 C.F.R. Sections 1.47(g) and 1.735(f).
- j. Verification of payment of filing fee in accordance with 47 C.F.R. Sections 1.721(13) and 1.1106 is attached.
- N/A 8. If complaint is filed pursuant to 47 U.S.C. Section 271(d)(6)(B), complainant indicates therein whether it is willing to waive the 90-day complaint resolution deadline.

\* = The Enforcement Bureau approved the parties' agreement to waivers of certain rules for purposes of this proceeding, including: 47 C.F.R. §§ 1.721(a)(6), 1.724(c), 1.726(c) governing the submission of proposed findings of fact and conclusions of law; and 47 C.F.R. §§ 1.721(a)(10), 1.724(f), 1.726(d) governing the submission of information designations. See Letter from Lisa Saks, Assistant Chief, Market Disputes Resolution Division, to Thomas Jones, Counsel for Level 3, and Christopher Shenk, Counsel for AT&T, EB Docket No. 17-227, File No. EB-17-MD-003 (Aug. 31, 2017).



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- Y 9. All reported FCC orders relied upon have been properly cited in accordance with 47 C.F.R. Sections 1.14 and 1.720(i).
- \*\* 10. Copy of Complaint has been served by hand-delivery on either the named defendant or one of the defendant's registered agents for service of process in accordance with 47 C.F.R. Section 1.47(e) and 47 C.F.R. Section 1.735(c).
- Y 11. If more than ten pages, the Complaint contains a table of contents and summary, as specified in 47 C.F.R. Section 1.49(b) and (c).
- Y 12. The correct number of copies required by 47 C.F.R. Section 1.51(c), if applicable, and 47 C.F.R. Section 1.735(b) have been filed.
- Y 13. Complaint has been properly signed and verified in accordance with 47 C.F.R. Section 1.52 and 47 C.F.R. Section 1.734(c).
- N/A 14. If Complaint is by multiple complainants, it complies with the requirements of 47 C.F.R. Section 1.723(a).
- Y 15. If Complaint involves multiple grounds, it complies with the requirements of 47 C.F.R. Section 1.723(b).
- Y 16. If Complaint is directed against multiple defendants, it complies with the requirements of 47 C.F.R. Section 1.735(a)-(b).
- Y 17. Complaint conforms to the specifications prescribed by 47 C.F.R. Section 1.49.

**\*\*** = The Enforcement Bureau approved the parties' agreement to email service of the Complaint. See Letter from Lisa Saks, Assistant Chief, Market Disputes Resolution Division, to Thomas Jones, Counsel for Level 3, and Christopher Shenk, Counsel for AT&T, EB Docket. No. 17-227, File No. EB-17-MD-003 (Sept. 11, 2017).

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1. Pursuant to Sections 201, 202, 205, 206, 207, and 208 of the Communications Act (“Act”), 47 U.S.C. §§ 201, 202, 205, 206, 207, and 208, and Sections 1.720 *et seq.* of the rules of the Federal Communications Commission (“Commission”), 47 C.F.R. §§ 1.720 *et seq.*,<sup>1</sup> Complainant Level 3 Communications, LLC (“Level 3”) brings this Formal Complaint against Defendant AT&T Inc. and its Price Cap Carrier subsidiaries, BellSouth Telecommunications, LLC (“BellSouth”), Nevada Bell Telephone Company (“Nevada Bell”), Pacific Bell Telephone Company (“PacBell”), Southwestern Bell Telephone, L.P. (“Southwestern Bell”), and the “Ameritech Operating Companies,” which include Illinois Bell Telephone Company, Indiana Bell Telephone Company, Michigan Bell Telephone Company, Ohio Bell Telephone Company, and Wisconsin Bell Telephone Company (collectively, “AT&T”) alleging violations of Sections 201(b) and 202(a) of the Act, and states in support as follows.

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<sup>1</sup> Level 3 and AT&T agreed to waive the following rules for purposes of this proceeding: 47 C.F.R. §§ 1.721(a)(6), 1.724(c), 1.726(c) governing the submission of proposed findings of fact and conclusions of law; 47 C.F.R. §§ 1.721(a)(10), 1.724(f), 1.726(d) governing the submission of information designations; and 47 C.F.R. § 1.729 governing discovery, which the parties agreed not to request. Letter from Thomas Jones, Counsel for Level 3, and Christopher Shenk, Counsel for AT&T, to Rosemary McEnery, Chief, Market Disputes Resolution Division, *et al.*, EB Docket No. 17-227, File No. EB-17-MD-003 (Aug. 25, 2017) (attached as Exhibit 5). The staff of the Enforcement Bureau’s Market Disputes Resolution Division approved this waiver agreement on August 31, 2017. Letter from Lisa Saks, Assistant Chief, Market Disputes Resolution Division, to Thomas Jones, Counsel for Level 3, and Christopher Shenk, Counsel for AT&T, EB Docket No. 17-227, File No. EB-17-MD-003 (Aug. 31, 2017) (attached as Exhibit 6). Accordingly, this Complaint does not include (1) a document setting forth proposed findings of fact and conclusions of law, (2) an information designation, or (3) discovery requests. The parties also sought a limited waiver of 47 C.F.R. § 1.720(f) governing submission of non-Commission authorities, and waiver of 47 C.F.R. § 1.735(c) requiring complaints to be served by hand delivery. Letter from Thomas Jones, Counsel for Level 3, and Michael J. Hunseder, Counsel for AT&T, to Marlene H. Dortch, Secretary, FCC, EB Docket No. 17-227, File No. EB-17-MD-003 (Sept. 7, 2017) (attached as Exhibit 7). The Commission staff approved this request on September 11, 2017. Letter from Lisa Saks, Assistant Chief, Market Disputes Resolution Division, to Thomas Jones, Counsel for Level 3, and Christopher Shenk, Counsel for AT&T, EB Docket No. 17-227, File No. EB-17-MD-003 (Sept. 11, 2017) (attached as Exhibit 8). Therefore, Level 3 includes an excerpt of a non-Commission authority as Exhibit 15 and will serve the Complaint on AT&T counsel via email.

**INTRODUCTION AND SUMMARY**

2. This dispute arises out of efforts by AT&T to delay and impede intercarrier compensation (or “ICC”) reform. In Section 51.907(g)(2) of its rules, the Commission has unambiguously required that AT&T and other “Price Cap Carriers” transition to bill-and-keep for tandem-switched transport access services for calls that traverse a tandem switch that is owned by the “terminating carrier” or its “affiliates.” This encompasses traffic that traverses a tandem switch owned by an AT&T Price Cap Carrier and terminates with an AT&T affiliate, whether it is an AT&T ILEC, CLEC, VoIP provider, or wireless carrier. By promulgating the rule in this way, the Commission ensured that calls terminated by VoIP and wireless providers, which comprise a rapidly-growing percentage of voice calls traversing Price Cap Carrier tandem switches, are part of the transition to bill-and-keep.

3. Rather than comply with Section 51.907(g)(2), AT&T has rewritten the regulation to apply only if a call traverses a tandem switch owned by a Price Cap Carrier and the Price Cap Carrier is also the “terminating carrier.” As for the term “affiliates” in the rule, AT&T contends that it too only “comes into play” when the Price Cap Carrier that owns the end office has an affiliate that owns the tandem. Based on this self-serving reformulation of Section 51.907(g)(2), AT&T has filed Step Six tariff revisions that (a) only comply with the rule’s rate cap for a shrinking percentage of calls that terminate with an AT&T Price Cap Carrier, and (b) charge rates as much as two-and-a-half times the maximum rate permitted under the Commission’s rules for the growing percentage of calls that terminate with an AT&T VoIP or wireless carrier, thereby perpetuating the very ICC inefficiencies that the regulation is intended to end. AT&T’s tariffs are unlawful, contravene the Commission’s policy objectives, and harm Level 3 and other competitive providers to the detriment of customers.

## **PUBLIC VERSION**

### **JURISDICTION**

4. The Commission has jurisdiction over this Complaint under Section 208 of the Act, 47 U.S.C. § 208. AT&T, through its subsidiaries at issue, is a common carrier, 47 U.S.C. § 153, subject to the requirements of Title II of the Act, including Sections 201, 202, 205, 206, 207, and 208.

### **DAMAGES AND BIFURCATION**

5. Level 3 requests damages for AT&T's unlawful, unreasonable, and discriminatory conduct, including for amounts Level 3 paid in excess of the lawful rate and consequential damages.

6. Pursuant to 47 C.F.R. § 1.722(d), Level 3 requests that the Commission first adjudicate the issues related to liability, and then determine Level 3's damages in a separate and subsequent proceeding.

### **PRIOR RELATED ACTIONS**

7. Pursuant to 47 C.F.R. § 1.721(a)(9), Level 3 notes that it filed a Petition to Reject or Suspend and Investigate the AT&T tariff filings at issue.<sup>2</sup> This Complaint is based on many of the same facts. Three other proceedings pending before the Commission address matters that could relate, in part, to some of the same issues here, including: (1) Petition of CenturyLink to Stay Steps 6 and 7 of ICC Transformation Order; (2) Petition of Sprint to Reject or Suspend and Investigate; and (3) Petition of CenturyLink to Reject or Suspend and Investigate.<sup>3</sup>

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<sup>2</sup> Petition of Level 3 to Reject or Suspend and Investigate, WC Docket No. 17-65 (filed June 23, 2017) (attached as Exhibit 13); *see also Protested Tariff Transmittals – No Actions Taken*, Public Notice, 32 FCC Rcd. 5500 (WCB 2017).

<sup>3</sup> CenturyLink's Petition for Limited Stay of Transformation Order Years 6 and 7 ICC Transition – As It Impacts a Subset of Tandem Switching and Transport Charges, WC Docket No. 10-90 *et al.* (Apr. 11, 2017); Petition to Reject, or in the Alternative Suspend and Investigate, of Sprint Corporation, WC Docket No. 17-65 (June 23, 2017); Petition of CenturyLink Communications,

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**THE PARTIES**

8. Complainant Level 3 is a Delaware corporation that provides communications and other services. Its principal place of business is Broomfield, Colorado. This Complaint relates to Level 3's role as an interconnecting carrier and purchaser of AT&T's tandem-switched transport access services.

9. Defendant AT&T is a Delaware corporation with its principal place of business in Dallas, Texas. For purposes of this Complaint, AT&T, through its ILEC subsidiaries, the Ameritech Operating Companies, BellSouth, Nevada Bell, PacBell, and Southwestern Bell, is operating as a common carrier, and specifically as a Price Cap Carrier, that is subject to the Act. Additionally, relevant to this Complaint are AT&T's common carrier functions as a competitive local exchange carrier ("CLEC") and a commercial mobile radio services ("CMRS" or "wireless") carrier, and its function as a provider of voice over Internet Protocol ("VoIP") services.<sup>4</sup>

**THIS IS A FIVE-MONTH COMPLAINT**

10. This Complaint relates to the "lawfulness of a charge, classification, regulation, or practice," and the Commission is required to "issue an order concluding [its] investigation within 5 months after the date on which the complaint was filed."<sup>5</sup> Specifically, Level 3 claims that AT&T's tariffs for tandem-switched transport access services are unlawful, unjust, and

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LLC to Reject and to Suspend and Investigate AT&T Tariff Filings (June 14, 2017); *see also* AT&T's Opposition to CenturyLink's Petition to Reject and to Suspend and Investigate AT&T Tariff Filings (June 20, 2017) ("AT&T Opp'n to CenturyLink").

<sup>4</sup> *See* 47 C.F.R. § 51.913(a), (b) (establishing access charges for VoIP providers and other competitive local exchange carriers).

<sup>5</sup> 47 U.S.C. § 208(b)(1).

unreasonable, which makes this Complaint subject to the five-month statutory deadline under Section 208(b)(1).<sup>6</sup>

## **FACTUAL BACKGROUND AND LEGAL ANALYSIS**

### **I. INTERCARRIER COMPENSATION AMID TECHNOLOGY TRANSITIONS**

#### **A. Calls traversing tandem switches increasingly terminate with non-ILECs.**

11. As the Commission has observed, over the past decade, “demand for traditional telephone service [has] fall[en], with consumers increasingly opting for wireless, VoIP, texting, email, and other phone alternatives.”<sup>7</sup> In 2015, the Commission reported that ““almost 75 percent of U.S. residential customers (approximately 88 million households) no longer receive[d] telephone service over traditional copper facilities””; and by USTelecom’s estimate, only 16 percent of households retained incumbent LEC (“ILEC”) switched access by the end of 2015.<sup>8</sup>

12. These trends follow for AT&T. In March 2016, AT&T stated that “our analysis now shows that by the end of 2015 the number of switched ILEC access lines in AT&T’s ILEC

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<sup>6</sup> See *Implementation of the Telecommunications Act of 1996; Amendment of Rules Governing Procedures to be Followed When Formal Complaints are Filed Against Common Carriers*, Report and Order, 12 FCC Rcd. 22497 ¶¶ 32-37 (1997).

<sup>7</sup> See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd. 17663 ¶ 648 (2011) (“*Transformation Order*” or, where appropriate, “*FNPRM*”), *aff’d sub nom. In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014).

<sup>8</sup> *Technology Transitions; USTelecom Petition for Declaratory Ruling That Incumbent Local Exchange Carriers Are Non-Dominant in the Provision of Switched Access Services; Policies and Rules Governing Retirement of Copper Loops by Incumbent Local Exchange Carriers*, GN Docket No. 13-5, WC Docket No. 13-3, RM-11358, Declaratory Ruling, Second Report and Order, and Order on Reconsideration, 31 FCC Rcd. 8283 ¶ 16 (2016) (citation omitted) (“*Technology Transitions Declaratory Ruling*”).

states had fallen 83.4 percent [from 1999 levels] and that only about 14 percent of housing units in AT&T's ILEC region would subscribe to traditional voice services provided by an ILEC.”<sup>9</sup> AT&T concluded that “[t]he very large, and increasing, number of consumers that have abandoned ILECs’ traditional voice telephone services in favor of wireless and interconnected VoIP services shows that consumers themselves consider these alternatives to be competitive substitutes for ILEC switched voice services.”<sup>10</sup> AT&T also reported that the same precipitous trend is present in the business market.<sup>11</sup>

13. VoIP subscriptions have shown explosive growth. Commission data indicate that between December 31, 2010 and June 30, 2016, the total number of U.S. VoIP subscribers nearly doubled, from 31.6 million<sup>12</sup> to 60.3 million.<sup>13</sup> Mobile wireless also continues to grow nationwide, from approximately 300 million subscriptions in 2011 to 396 million at the end of 2016.<sup>14</sup>

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<sup>9</sup> Reply Comments of AT&T Services, Inc., WC Docket 13-3, at 3-4 (Mar. 7, 2016).

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 4.

<sup>12</sup> INDUSTRY ANALYSIS AND TECH. DIV., FCC, LOCAL TELEPHONE COMPETITION: STATUS AS OF DECEMBER 31, 2010, at 7 fig. 5 (Oct. 2011), [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-310264A1.pdf](https://apps.fcc.gov/edocs_public/attachmatch/DOC-310264A1.pdf).

<sup>13</sup> INDUSTRY ANALYSIS AND TECH. DIV., FCC, VOICE TELEPHONE SERVICES: STATUS AS OF JUNE 30, 2016, at 2 fig. 1 (Apr. 2017), [https://apps.fcc.gov/edocs\\_public/attachmatch/DOC-344500A1.pdf](https://apps.fcc.gov/edocs_public/attachmatch/DOC-344500A1.pdf).

<sup>14</sup> *Transformation Order* ¶ 748; CTIA, Annual Wireless Industry Survey, <https://www.ctia.org/industry-data/ctia-annual-wireless-industry-survey> (last updated May 2017).

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14. AT&T data for its services track these trends.<sup>15</sup> Between the first quarter of 2011 and the final quarter of 2016, subscriptions for AT&T's VoIP offering, U-verse Voice, increased from 1.9 million<sup>16</sup> to 5.4 million.<sup>17</sup> From the end of 2011 to the end of 2016, AT&T's total mobile subscribers increased from 103.2 million<sup>18</sup> to 134.8 million. In response to this technology evolution, AT&T held trials in 2014-2016 to migrate customers from its Time-Division-Multiplexing ("TDM")-based services to internet protocol ("IP")-based services in two test markets—Carbon Hill, Alabama and West Del Ray Beach, Florida.<sup>19</sup>

15. In today's marketplace, therefore, when someone makes a telephone call there is a very high, and growing, probability that the call will terminate not with an ILEC but with a VoIP provider or a wireless carrier. And when someone calls an AT&T customer, there is a very high, and growing, probability that the call will terminate not with an AT&T Price Cap Carrier, but with an AT&T U-verse or wireless provider.

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<sup>15</sup> See AT&T INC., A GLOBAL LEADER IN TELECOMMUNICATIONS, MEDIA, & TECHNOLOGY: 2016 ANNUAL REPORT 22 (2016), <https://investors.att.com/~media/Files/A/ATT-IR/financial-reports/annual-reports/2016/att-ar2016-completeannualreport.pdf> ("AT&T 2016 REPORT").

<sup>16</sup> Fact Sheet, AT&T, U-verse Update: 1Q11, [https://www.att.com/Common/merger/files/pdf/1Q11\\_U-verse\\_Update\\_fact\\_sheet.pdf](https://www.att.com/Common/merger/files/pdf/1Q11_U-verse_Update_fact_sheet.pdf).

<sup>17</sup> AT&T 2016 REPORT at 16.

<sup>18</sup> AT&T INC., GETTING TO THE FUTURE FIRST: 2011 ANNUAL REPORT 30 (2011), <https://investors.att.com/~media/Files/A/ATT-IR/financial-reports/annual-reports/2011/ar2011-annual-report.pdf>.

<sup>19</sup> See, e.g., Letter from Ola Oyefusi, Director – Federal Regulatory, AT&T, to Marlene H. Dortch, Secretary, FCC, GN Docket Nos. 13-5, 12-353, at 1 (July 1, 2016).

**B. The Commission ordered a transition to bill-and-keep because the intercarrier compensation system was riddled with inefficiencies and did not reflect current technology.**

16. Intercarrier compensation is the system of charges carriers pay to each other to originate, transport, or terminate telephone calls. For decades, the Commission has aimed to reform the ICC regime, which is “governed by a complex system of intercarrier compensation regulations . . . [that] treat different types of carriers and different types of services disparately, even though there may be no significant differences in the costs among carriers or services.”<sup>20</sup> Since the Communications Act of 1996, a particular policy focus of the Commission has been to remove implicit subsidies from access charges, occurring when calls begin and end in different local calling areas.<sup>21</sup>

17. In 2011, pursuant to its authority under Sections 201, 251(b)(5), 252(d)(2), and 332 of the Act, the Commission ordered a comprehensive overhaul of the intercarrier compensation regime.<sup>22</sup> The Commission found that the longstanding system of carriers charging each other transport and termination fees was “outdated,” had “become riddled with inefficiencies and opportunities for wasteful arbitrage,” and was “unfair for consumers . . . in the form of hidden,

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<sup>20</sup> *High-Cost Universal Service Support; Federal-State Joint Board on Universal Service; Lifeline and Link Up; Universal Service Contribution Methodology; Numbering Resource Optimization; Implementation of the Local Competition; Provisions in the Telecommunications Act of 1996; Developing a Unified Intercarrier Compensation Regime; Intercarrier Compensation for ISP-Bound Traffic IP-Enabled Services*, Order on Remand and Report and Order and Further Notice of Proposed Rulemaking, 24 FCC Rcd. 6475 ¶ 178 (2008) (“*ISP-Bound Traffic Order*”) (quoting *Developing a Unified Intercarrier Compensation Regime*, Notice of Proposed Rulemaking, 16 FCC Rcd. 9610 ¶ 5 (2001)).

<sup>21</sup> *See id.* ¶¶ 169-177.

<sup>22</sup> *See Transformation Order* ¶¶ 9, 33-42, 736-1011.



inefficient charges.”<sup>23</sup> The Commission also “reject[ed] the notion that only the calling party benefits from a call and therefore should bear the entire cost of originating, transporting, and terminating a call.”<sup>24</sup> Instead, “[m]ore recent analyses have recognized that both parties generally benefit from participating in a call, and therefore, that both parties should split the cost of the call. That line of economic research finds that the most efficient termination charge is less than incremental cost, and could be negative.”<sup>25</sup> Accordingly, the Commission determined to “abandon the calling-party-network-pays model that dominated ICC regimes of the last century.”<sup>26</sup>

18. In place of the outdated ICC regime, the Commission ordered a seven-step transition and end-state policy of “bill-and-keep” for access charges. Under bill-and-keep, carriers no longer charge (and are no longer charged by) competitors for transport and termination. The Commission transitioned to bill-and-keep to: (i) create an incentives-based mechanism that encourages the deployment of more efficient IP systems;<sup>27</sup> (ii) eliminate market-distorting

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<sup>23</sup> *Id.* ¶ 9.

<sup>24</sup> *Id.* ¶ 34.

<sup>25</sup> *Id.* ¶ 744.

<sup>26</sup> *Id.* ¶ 34.

<sup>27</sup> *Id.* ¶ 648 (finding that ICC system “is fundamentally in tension with and a deterrent to deployment of all IP networks”); *see also id.* ¶ 655 (concluding that adoption of bill-and-keep will “promote the nation’s transition to IP networks, creating long-term benefits for consumers, businesses, and the nation”).

intercarrier arbitrage and level the playing field among technologies;<sup>28</sup> and (iii) benefit consumers by eradicating inefficient charges.<sup>29</sup>

19. The same fundamental changes in traffic patterns and customer demand that drove the Commission's decision to adopt bill-and-keep have eroded the lucrative access revenues of AT&T and other ILECs. As the Commission found, the demand for interstate switched access service "continues to plummet as subscribership to traditional voice phone service reaches new lows."<sup>30</sup> In the face of these market forces, AT&T and other ILECs have sought to delay the implementation of the new bill-and-keep regime and to preserve ICC subsidies whenever and wherever possible. As shown below, AT&T's Step Six tariff revisions reflect this incentive in clear contravention of the Commission's goals.

**C. Transformation Step Six requires Price Cap Carriers to transition to bill-and-keep for tandem-switched transport access service where traffic traversing a Price Cap Carrier-owned tandem terminates with an affiliated carrier.**

20. "Tandem-switched transport" is defined as "transport of traffic that is switched at a tandem switch - (1) [b]etween the serving wire center and the end office, or (2) [b]etween the telephone company office containing the tandem switching equipment . . . and the end office."<sup>31</sup> It

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<sup>28</sup> Among other things, the ICC "system creates competitive distortions because traditional phone companies receive implicit subsidies from competitors for voice service, while wireless and other companies largely compete without the benefit of such subsidies." *Id.* ¶ 9; *see also id.* ¶ 745 ("a bill-and-keep framework helps reveal the true cost of the network"); *id.* ¶ 752 (bill-and-keep "better reflects the incremental cost of termination, reducing arbitrage incentives").

<sup>29</sup> *Id.* ¶ 756 ("under bill-and-keep, 'success in the marketplace will reflect a carrier's ability to serve customers efficiently, rather than its ability to extract payments from other carriers'") (quoting *Developing a Unified Intercarrier Compensation Regime*, Further Notice of Proposed Rulemaking, 20 FCC Rcd. 4685, 4787 (2005)).

<sup>30</sup> *Technology Transitions Declaratory Ruling* ¶ 16.

<sup>31</sup> 47 C.F.R. § 69.2(ss).

is a standard access service for which tariff charges must be filed by Price Cap Carriers with the Commission.<sup>32</sup>

21. Step Six of the *Transformation Order*'s transition to bill-and-keep requires AT&T and other Price Cap Carriers to establish tandem-switched transport access service rates no greater than \$0.0007 per minute when traffic traverses "a tandem switch that the terminating carrier or its affiliates owns."<sup>33</sup> Price Cap Carriers were to implement conforming rates to take effect on July 1, 2017.<sup>34</sup>

22. On June 7 and June 16, 2017, AT&T Price Cap Carriers filed their annual tariff revisions with the Commission. As explained in its accompanying documents, AT&T applies the \$0.0007 rate to traffic traversing an AT&T-owned tandem switch only when the terminating carrier is an AT&T Price Cap Carrier.<sup>35</sup> AT&T does not apply this mandated rate cap to any traffic terminating to other AT&T affiliates, including to AT&T VoIP and wireless providers. Instead,

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<sup>32</sup> *Id.* § 69.4(b)(5).

<sup>33</sup> *Id.* § 51.907(g)(2).

<sup>34</sup> *Id.* § 51.907(g).

<sup>35</sup> Ameritech Operating Companies, Transmittal No. 1859, Description and Justification, 1 (June 7, 2017); BellSouth Telecommunications, Transmittal No. 129, Description and Justification, 1 (June 7, 2017); Nevada Bell Telephone Company, Transmittal No. 300, Description and Justification, 1 (June 7, 2017); Pacific Bell Telephone Company, Transmittal No. 552, Description and Justification, 1 (June 7, 2017); Southwestern Bell Telephone Company, Transmittal No. 3443, Description and Justification, 1 (June 7, 2017); Ameritech Operating Companies, Transmittal No. 1860, Description and Justification, 34 (June 16, 2017); BellSouth Telecommunications, Transmittal No. 130, Description and Justification, 32 (June 16, 2017); Nevada Bell Telephone Company, Transmittal No. 301, Description and Justification, 31 (June 16, 2017); Pacific Bell Telephone Company, Transmittal No. 553, Description and Justification, 31 (June 16, 2017); Southwestern Bell Telephone Company, Transmittal No. 3444, Description and Justification, 32 (June 16, 2017) ("AT&T Description and Justification") (attached as Exhibits 10 and 11).

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AT&T charges rates as high as \$0.0018 per minute for such calls, over two times the permissible transitional rate.<sup>36</sup>

23. Specifically, in its June 7, 2017 tariff transmittals, AT&T restructured its tandem-switched transport access service rate elements by dividing traffic among three categories:<sup>37</sup>

Access Tandem Switching provides for the function of switching traffic through the Access Tandem from or to the end office switch(es). The Access Tandem Switching charge is assessed on all originating and terminating minutes of use switched at the Access Tandem. Access Tandem Switching charges are billed as Originating, Terminating to Telephone Company's own end office and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non-Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. Examples of 3rd party locations include terminations to other local exchange and wireless carriers.<sup>38</sup>

24. The Description and Justification narratives accompanying the June transmittals state that AT&T considers "3rd party locations" to "include[] traffic that terminates from a Price Cap ILEC owned tandem to an affiliated CLEC or wireless end office," while "Traffic Terminating from a Price Cap ILEC owned Tandem to its own or any other Price Cap ILEC End Office owned

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<sup>36</sup> Ameritech Operating Companies, Transmittal No. 1860, Tariff F.C.C. No. 2 § 6.9.1(A) (June 16, 2017); BellSouth Telecommunications, Transmittal No. 130, Tariff F.C.C. No. 1 § 6.8.1(C) (June 16, 2017); Nevada Bell Telephone Company, Transmittal No. 301, Tariff F.C.C. No. 1 § 6.8.1(C) (June 16, 2017); Pacific Bell Telephone Company, Transmittal No. 553, Tariff F.C.C. No. 1 § 6.8.2(C) (June 16, 2017); Southwestern Bell Telephone Company, Transmittal No. 3444, Tariff F.C.C. No. 73 § 6.9.2(C) (June 16, 2017) (attached as Exhibit 11).

<sup>37</sup> See Ameritech Operating Companies, Transmittal No. 1859, Tariff F.C.C. No. 2 § 6.8.2(D)(4) (June 7, 2017); BellSouth Telecommunications, Transmittal No. 129, Tariff F.C.C. No. 1 § 6.1.3(A)(2)(b)(3) (June 7, 2017); Nevada Bell Telephone Company, Transmittal No. 300, Tariff F.C.C. No. 1 § 6.7.1(D)(3) (June 7, 2017); Pacific Bell Telephone Company, Transmittal No. 552, Tariff F.C.C. No. 1 § 6.7.1(D)(3) (June 7, 2017); Southwestern Bell Telephone Company, Transmittal No. 3443, Tariff F.C.C. No. 73 § 6.8.3(E)(3) (June 7, 2017) (attached as Exhibit 10).

<sup>38</sup> BellSouth Telecommunications, Transmittal No. 129, Tariff F.C.C. No. 1 § 6.1.3(A)(2)(b)(3), (June 7, 2017) (attached as Exhibit 10). The other AT&T June 7 transmittals, *supra* note 37, include substantially similar provisions.

by the same Holding Company, will be considered ‘Tandem-to-End Office’ that will transition to \$0.0007.”<sup>39</sup>

**II. AT&T’S STEP SIX TARIFF REVISIONS VIOLATE SECTION 51.907(g)(2) AND ARE UNJUST, UNREASONABLE, AND UNREASONABLY DISCRIMINATORY**

25. AT&T’s charges under its tariff revisions violate Section 51.907(g)(2) and contravene the objectives of the *Transformation Order*.

**A. Section 51.907(g)(2) is clear and unambiguous.**

26. Section 51.907(g)(2) states: “Each Price Cap Carrier shall establish, for interstate and intrastate terminating traffic traversing a tandem switch that the terminating carrier or its affiliates owns, Tandem-Switched Transport Access Service rates no greater than \$0.0007 per minute.”<sup>40</sup> As explained in the *Transformation Order*, the goal of this provision is to phase out regulated per-minute intercarrier charges and to adopt bill-and-keep as the default methodology for all intercarrier traffic.<sup>41</sup>

27. The terms used in Section 51.907(g)(2) are clear and unambiguous under Commission rules and precedent. The term “Price Cap Carrier” is defined in the regulations governing transitional access service pricing to have the same meaning as the term “Price Cap Local Exchange Carrier.”<sup>42</sup> A Price Cap Local Exchange Carrier is “[a] local exchange carrier subject to

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<sup>39</sup> AT&T Description and Justification at 32.

<sup>40</sup> 47 C.F.R. § 51.907(g)(2).

<sup>41</sup> *Transformation Order* ¶ 741.

<sup>42</sup> 47 C.F.R. § 51.903(f) (“Price Cap Carrier has the same meaning as that term is defined in § 61.3(aa) of this chapter”). The reference to Section 61.3(aa) in Section 51.903(f) appears to be a typographical error, since Section 61.3(aa) defines the term “Other participating carrier.” The Commission almost certainly meant to refer instead to Section 61.3(bb), which defines the term Price Cap Local Exchange Carrier. *See id.* § 61.3(bb).

regulation pursuant to § 61.41 through 61.49,” in other words, a local exchange carrier subject to price cap regulation.<sup>43</sup> Section 51.907(g)(2) thus applies to LECs that file access charge tariffs pursuant to the Commission’s price cap rules and requires those entities to set the price for tandem-switched transport access service equal to \$0.0007 or less for all calls traversing the tandem switch where the “terminating carrier” or its affiliates owns the tandem.<sup>44</sup>

28. “Terminating carrier” has a well-settled meaning under Commission precedent. It refers to the carrier that “terminates” a call—i.e., the carrier that performs end office switching functions, or their equivalent, and then delivers the call to the called party.<sup>45</sup> This definition encompasses *any* party that performs these functions, no matter what type.<sup>46</sup> The Commission

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<sup>43</sup> *Id.*

<sup>44</sup> In other words, if the charge is being invoiced from an AT&T Price Cap Carrier, pursuant to its tariff, then Section 51.907(g)(2) applies. In other situations, other rules may apply (e.g., if AT&T has a competitive tandem operation serving an area not served by its ILECs, the rule governing tariffing of competitive interstate switched exchange access services (*see id.* § 61.26) would apply).

<sup>45</sup> *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up*, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, 26 FCC Rcd. 4554 ¶ 510 (2011) (“*CANPRM*”) (referring to the “called party’s carrier” as the “terminating carrier”); *see also* 47 C.F.R. § 51.701 (similarly defining “termination” in the context of non-access traffic as “the switching of Non-Access Telecommunications Traffic at the terminating carrier’s end office switch, or equivalent facility, and delivery of such traffic to the called party’s premises”).

<sup>46</sup> *See, e.g., New Cingular Wireless PCS, LLC v. Finley*, 674 F.3d 225, 230-32 (4th Cir. 2012) (involving an interconnection dispute under Section 251 in which the “terminating carrier” is a CMRS provider); *Sprint Commc’ns Co., L.P. v. Lozier*, 860 F.3d 1052, 1057 n.4 (8th Cir. 2017) (recognizing that Section 251(b)(5) applies to all “traffic exchanged over [public switched telephone network] facilities that originates and/or terminates in IP format”) (quoting *Transformation Order* ¶ 940); *CANPRM* ¶ 510 (recognizing that a “terminating carrier” can be a “rate-of-return carrier, price-cap carrier, competitive carrier, or mobile wireless provider”).

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knows how to clarify a rule when it intends a narrower construction.<sup>47</sup> Nothing in Section 51.907(g)(2) indicates any intent to deviate from the ordinary meaning of “terminating carrier,” which serves the Commission’s objectives to eliminate ICC inefficiencies and to adopt bill-and-keep.<sup>48</sup>

29. “Affiliate” is likewise a well-established term both in statute and Commission precedent. Under the Communications Act:

The term “affiliate” means a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For purposes of this paragraph, the term “own” means to own an equity interest (or the equivalent thereof) of more than 10 percent.<sup>49</sup>

30. The Commission consistently relies on this definition of “affiliate” within the telecommunications context.<sup>50</sup> As with other terms, the Commission knows how to modify this

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<sup>47</sup> See, e.g., *Transformation Order* ¶ 102 n.163 (“For purposes of this order, we define ‘community anchor institutions’ to mean schools, libraries, medical and healthcare providers, [etc.] . . . . We draw upon the definition used in implementing American Recovery and Reinvestment Act of 2009.”); *id.* ¶ 126 n.197 (“Throughout this document, ‘Tribal lands’ include any federally recognized Indian tribe’s reservation, pueblo or colony . . . .”).

<sup>48</sup> See *Sec’y of Labor v. Twentymile Coal Co.*, 411 F.3d 256, 260-61 (D.C. Cir. 2005) (declining to interpret a regulation in a way that would undermine its regulatory objective). Furthermore there is no question the Commission intended to include “traffic exchanged over PSTN facilities that originates and/or terminates in IP format” “within the section 251(b)(5) framework” subject to the transitional bill-and-keep framework. See, e.g., *Transformation Order* ¶¶ 33, 940-945.

<sup>49</sup> 47 U.S.C. § 153(2).

<sup>50</sup> See, e.g., 47 C.F.R. § 52.12(a)(1)(i) (applying the Communications Act definition of “affiliate” to North American Numbering Plan Administrator neutrality requirements); *id.* § 52.20(d)(1) (applying the Communications Act definition of “affiliate” to Thousands-Block Pooling Administrator neutrality requirements); *id.* § 52.26(a); *Telcordia Technologies, Inc. Petition to Reform Amendment 57 and to Order a Competitive Bidding Process for Number Portability Administration*; *Petition of Telcordia Technologies, Inc. to Reform or Strike Amendment 70, to Institute Competitive Bidding for Number Portability Administration, and to End the NAPM LLC’s Interim Role in Number Portability Administration Contract Management*; *Telephone Number Portability*, Order, 30 FCC Rcd. 3082 ¶ 160 (2015) (applying the Communications Act definition of “affiliate” to Local Number Portability Administrator neutrality requirements); 47

definition of “affiliate”—and does so expressly—when it determines that circumstances require a different meaning.<sup>51</sup> Indeed, where, as here, a federal agency does not expressly modify the meaning of a statutorily-defined term, such as “affiliate,” in a given regulation, the agency may not substitute a different meaning of that term when later interpreting the regulation.<sup>52</sup> To do so would be reversible error.<sup>53</sup>

31. Nothing in the *Transformation Order* suggests, much less states, that the Commission intended to deviate from the statutory definition of “affiliates” in Section 51.907(g)(2).

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C.F.R. § 64.613(b)(1) (applying the Communications Act definition of “affiliate” to the TRS Numbering Administrator neutrality requirements); 47 C.F.R. § 1.2112; FCC Form 602, FCC Ownership Disclosure Information for the Wireless Telecommunications Services, at 2 (adopting the Communications Act “affiliate” definition’s ten percent direct or indirect ownership or control threshold for competitive bidding disclosures); 47 C.F.R. § 20.22(b); *Policies Regarding Mobile Spectrum Holdings; Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, Report and Order, 29 FCC Rcd. 6133 ¶ 300 n.803 (2014) (affirming that the “ten percent” equity standard for attribution of mobile spectrum holdings “is consistent with that adopted by Congress in defining ownership interests for purposes of the affiliation definition in the Communications Act, 47 U.S.C. § 153(2)”).

<sup>51</sup> See, e.g., 47 C.F.R. § 1.2110(c)(5); *Amendment of Part 1 of the Commission’s Rules -- Competitive Bidding Procedures; Allocation of Spectrum Below 5 GHz Transferred from Federal Government Use; 4660–4685 MHz*, Third Report and Order and Second Further Notice of Proposed Rulemaking, 13 FCC Rcd. 374 ¶¶ 26-27 (1997) (establishing a specific definition of “affiliate” for the purposes of determining “designated entity” eligibility); 47 C.F.R. § 76.1300(a) (establishing a specific definition of “affiliated” for purposes of the program carriage rules); 47 C.F.R. § 32.9000 (establishing a specific definition of “affiliated companies” for the purposes of the Uniform System of Accounts for Telecommunications Companies).

<sup>52</sup> See *Fabi Constr. Co. v. Sec’y of Labor*, 508 F.3d 1077, 1087 (D.C. Cir. 2007) (“Although we give ‘substantial deference’ to [an agency’s] interpretation of . . . regulations, we must set it aside if the plain language of the regulation requires another interpretation.”).

<sup>53</sup> See *Thomas Jefferson Univ. v. Shalala*, 512 U.S. 504, 512 (1994) (finding that an agency’s interpretation of its own regulations is “plainly erroneous” when contrary to the plain meaning or regulatory purpose at the time of promulgation); *Fabi Constr. Co.*, 508 F.3d at 1079, 1087 (overturning the Secretary of Labor’s interpretation because it unreasonably contravened the plain language of the regulation and failed to provide fair notice to regulated entities, among other reasons).



And, in its prior pleadings, AT&T does not seriously question that the Commission intended for this same, statutory definition to apply in Section 51.907(g)(2). Because the sister AT&T entities subject to the regulation have a common 100 percent controlling owner, there is no question that they are “affiliates” within the meaning of the regulation.<sup>54</sup>

**B. AT&T’s view of Section 51.907(g)(2) ignores its plain meaning and purpose.**

32. AT&T’s tariff revisions reflect a self-serving and improper attempt to rewrite Section 51.907(g)(2) and evade its requirements. Specifically, AT&T contends that the term “terminating carrier” should apply only when an AT&T Price Cap Carrier terminates a call.<sup>55</sup> Thus, instead of adhering to the rate cap for traffic “traversing a tandem switch that the terminating carrier or its affiliates owns,” as Section 51.907(g)(2) clearly states, AT&T contends that the rate cap only applies when the Price Cap Carrier is the “‘terminating carrier’ and, as such, owns the end office.”<sup>56</sup> AT&T further contends “that the term ‘affiliate’ comes into play only when the ‘terminating’ Price Cap Carrier that owns the end office has an affiliate that owns the tandem.”<sup>57</sup>

33. By AT&T’s own description, its view of Section 51.907(g)(2) is not a question of properly interpreting the actual terms used by the Commission, but rather requires a wholesale *rewriting* of the regulation to fit AT&T’s preferred objective of perpetuating ICC subsidies. In

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<sup>54</sup> AT&T Inc., Annual Report (Form 10-K), Exhibit 21 (filed Feb. 17, 2017) (attached as Exhibit 12).

<sup>55</sup> AT&T’s Opposition to Petitions of Level 3 and Sprint Corporation to Reject or to Suspend and Investigate AT&T Tariff Filings, WC Docket No. 17-65, at 5 (filed June 27, 2017) (“AT&T Opp’n to Level 3 and Sprint”) (attached as Exhibit 14).

<sup>56</sup> *Id.* at 5 & n.15 (emphasis added).

<sup>57</sup> *Id.* at 6 (emphasis added).

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AT&T's Wonderland, "terminating carrier" means "Price Cap Carrier" and "affiliates" means a "Price Cap Carrier that owns the end office and has an affiliate that owns the tandem."

34. AT&T's attempt to rewrite Section 51.907(g)(2) is improper and has resulted in excessive, unlawful rates for tandem-switched transport access services. As shown above, "Price Cap Carrier" is a defined term in the regulations. The Commission uses this defined term throughout Section 51.907 where it means to do so, and in each of the transition steps to bill-and-keep.<sup>58</sup> Similarly, where the Commission uses a different term, viz., "terminating carrier," it likewise does so purposefully. The two terms are not interchangeable. "Terminating carrier" cannot be properly interpreted to mean the same thing as "Price Cap Carrier." Had the Commission intended to cabin "terminating carrier" in this way, it would have said so in the regulation—as basic administrative law principles require.<sup>59</sup> To be sure, Commission rules and precedent make clear that a "terminating carrier" may at times be a "Price Cap Carrier," but may also be—and increasingly is—a wireless carrier, VoIP provider, or CLEC.

35. Similarly, the statutory definition of "affiliate" centers on ownership or control of, or common ownership or control with, other entities.<sup>60</sup> While AT&T does not dispute the ordinary meaning of this term, it contends that "affiliates" only "comes into play" in the limited instance

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<sup>58</sup> 47 C.F.R. § 51.907.

<sup>59</sup> See, e.g., *Keene Corp. v. United States*, 508 U.S. 200, 208 (1993) ("Where Congress includes particular language in one section of a statute but omits it in another . . . , it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.") (quoting *Russello v. United States*, 464 U.S. 16, 23 (1983)); *Long Island Care at Home, Ltd. v. Coke*, 551 U.S. 158, 170 (2007) (applying the canon of "specific governs the general" in affirming agency's interpretation of its regulation); *AT&T Corp. v. FCC*, 323 F.3d 1081, 1086 (D.C. Cir. 2003) (stating that the Commission cannot import an otherwise absent statutory term where Congress has expressly included the specific term elsewhere in the Act).

<sup>60</sup> 47 U.S.C. § 153(2).

where a Price Cap Carrier is the “terminating” carrier. In that case, and only that case, AT&T posits that the tandem owner must also be an “affiliate” of the terminating Price Cap Carrier for the mandated \$0.0007 rate cap to apply.<sup>61</sup> But had the Commission intended to cabin its use of “affiliates” to the limited circumstance that AT&T suggests, the Commission would have made—and, indeed, been required to make—that clear in the regulation. Instead, nothing in the regulation remotely suggests any such limitation of this statutorily-defined term. Under Section 51.907(g)(2)’s plain terms, therefore, “affiliates” comes into play whenever an AT&T Price Cap Carrier owns the tandem and *any* AT&T affiliate is the “terminating carrier.”<sup>62</sup>

**C. AT&T’s interpretation of Section 51.907(g)(2) undermines the Commission’s policy objectives.**

36. AT&T’s failure to comply with Section 51.907(g)(2) also undermines the policy objectives of the regulation and the *Transformation Order*. As shown above, the Commission adopted bill-and-keep to eliminate the market distortions created by intercarrier compensation, to promote market-based pricing and competition, and to incentivize AT&T and other ILECs to migrate away from TDM networks to more efficient all-IP networks.

37. Section 51.907(g)(2) serves each of these objectives by transitioning tandem-switched transport access service to bill-and-keep when a call traverses a tandem owned by the terminating carrier or its affiliates.<sup>63</sup> Application of the plain language and requirements of the

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<sup>61</sup> AT&T Opp’n to Level 3 and Sprint at 6.

<sup>62</sup> See *Fabi Constr. Co.*, 508 F.3d at 1087 (holding that plain meaning of one term in a regulation must be given effect in context with other terms in the regulation).

<sup>63</sup> As further discussed *infra* ¶ 54, the regulation does not cover circumstances where calls traverse a third-party-owned tandem, such as one owned by a competitive tandem provider that is neither the terminating carrier nor its affiliate, or where a Price Cap Carrier owns the tandem but the call terminates with an unaffiliated LEC serving a rural area. The Commission sought comment on how to address those situations in the *FNPRM*.

regulation is especially important given the rapidly declining percentage of calls terminated by Price Cap Carriers, and the increasing percentage of calls terminated by VoIP and wireless providers.

38. AT&T's improper rewriting of the regulation, in contrast, undermines the *Transformation Order's* objectives by perpetuating intercarrier compensation subsidies, impeding market-based competition, and prolonging the use of outdated TDM networks. By improperly shielding the rising tide of VoIP- and CMRS-terminated calls from bill-and-keep, AT&T is artificially inflating tandem-switched access service costs and reducing the resources available to Level 3 and other providers to invest in competitive IP networks. AT&T's tariffs thus *exacerbate* the very problems that Section 51.907(g)(2) intends to correct. Such a result likewise violates hornbook canons of statutory construction.<sup>64</sup>

39. Of course, when it suited its purposes elsewhere, AT&T has *decried* the “arbitrarily asymmetric” imbalance of “some carriers in certain circumstances . . . be[ing] permitted to tariff transport charges indefinitely, whereas others will have already transitioned to bill-and-keep” causing “precisely the type of arbitrary intercarrier compensation system the Commission has been trying to eradicate by its reforms.”<sup>65</sup> There is hardly a better example of effectuating an “arbitrarily asymmetric” rate structure than what AT&T has contrived in its Step Six tariff revisions.

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<sup>64</sup> See *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000) (“It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.”) (internal quotation marks and citation omitted); *Twentymile Coal Co.*, 411 F.3d at 260-61 (terms in a regulation should be interpreted consistently with its regulatory objective); *Nat’l Cable Television Ass’n, Inc. v. FCC*, 33 F.3d 66, 75 (D.C. Cir. 1994) (finding that the FCC must take into account “the provisions of the whole law, and . . . its object and policy” in interpreting the Cable Communications Policy Act of 1984) (internal quotation marks and citation omitted).

<sup>65</sup> Petition of AT&T Services, Inc. for Forbearance under 47 U.S.C. § 160(c), WC Docket No. 16-363, at 3 (Sept. 30, 2016) (“*AT&T 2016 Forbearance Petition*”).

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40. In particular, AT&T's tariffs harm competition by impeding Level 3 and other competitors from competing for customers of downstream services. Level 3 and other competitors must continue to purchase tandem-switched transport access services from AT&T when their customers' calls traverse an AT&T-owned tandem that terminates at an end office owned by a non-Price Cap Carrier affiliate of AT&T. As Edwin Stocker, Level 3's Director of Product Management, states, "[s]ince AT&T's legacy tandem-switched transport access service charges are likely well above the incremental costs that AT&T incurs to provide those services, retaining its high legacy charges gives AT&T a competitive advantage over Level 3 and others in providing services for which tandem-switched transport access services are an input."<sup>66</sup>

41. Moreover, the volume of the overcharges is significant. Level 3 pays "[BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] more per month in tandem-switched transport access service charges than it would pay if AT&T applied the Step Six maximum rate of \$0.0007 per minute to traffic that terminates with non-Price Cap Carrier AT&T affiliates."<sup>67</sup> AT&T's overcharges will only increase as "the percentage of calls terminated with non-Price Cap Carrier AT&T affiliate end offices increases."<sup>68</sup> Mr. Stocker projects "that the total volume of Level 3-delivered long-distance calls, measured in minutes of use, [BEGIN CONFIDENTIAL] [REDACTED]

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<sup>66</sup> Declaration of Edwin Stocker ("Stocker Decl.") ¶ 13 (attached as Exhibit 9). In addition, because AT&T Price Cap Carriers are no longer subject to the imputation requirement set forth in Section 272(e)(3) of the Communications Act, there is an increased likelihood that this harm would occur. See 47 U.S.C. § 272(e)(3) (requiring a BOC to charge a separate affiliate, as set forth in 47 U.S.C. § 272(a), "or impute to itself (if using the access for its provision of its own services), an amount for access to its telephone exchange service and exchange access that is no less than the amount charged to any unaffiliated interexchange carriers for such service").

<sup>67</sup> Stocker Decl. ¶ 6.

<sup>68</sup> *Id.*

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[REDACTED] [END CONFIDENTIAL] He also projects “that the total volume of long-distance calls, measured in minutes of use, that Level 3 delivers to all VoIP, CMRS, and CLEC end offices combined (via all switches, including tandems and direct connections to end office switches and their equivalents) [BEGIN CONFIDENTIAL] [REDACTED]

██████ [END CONFIDENTIAL] Based on these projections, Level 3's estimated increased costs for tandem-switched transport access services for the next two years are set forth in the table below.<sup>71</sup>

<sup>69</sup> *Id.* ¶ 7.

<sup>70</sup> *Id.* Mr. Stocker explains that this analysis also indicates that “while the total volume of long-distance voice traffic is declining, (1) the rate at which the volume of long-distance calls delivered to VoIP and CLEC end offices is declining is slower than the rate at which the volume of long-distance calls delivered to Price Cap ILEC end offices is declining, and (2) the volume of long-distance calls delivered to CMRS end offices is increasing.” *Id.*

<sup>71</sup> *Id.* ¶ 8. “Level 3 Monthly Minutes of Use” represents Mr. Stocker’s estimate “of the volume, in minutes of use, of Level 3 long-distance voice traffic per month for the relevant time periods that [he] project[s] will terminate with non-Price Cap Carrier AT&T affiliate end offices homed exclusively behind AT&T tandems.” *Id.* ¶ 9. “Cost Per Minute Difference” figures represent Mr. Stocker’s estimates “of the difference between what Level 3 believes is the correct charge per minute for tandem-switched transport access service for calls terminating with AT&T’s non-Price Cap Carrier affiliates pursuant to 47 C.F.R. §§ 51.907(g)-(h) (‘Correct Cost Per Minute’), and what AT&T will charge per minute for such service under its existing tariffs (‘AT&T Cost Per Minute’).” *Id.* ¶ 10. “Monthly Cost Difference” figures represent Mr. Stocker’s estimates “of the difference between what Level 3 believes is the correct charge per month for tandem-switched transport access service for traffic terminating with non-Price Cap Carrier AT&T affiliates pursuant to 47 C.F.R. §§ 51.907(g)-(h) (‘Correct Monthly Charge’), and what AT&T will charge per month for such service (‘AT&T Monthly Charge’).” *Id.* ¶ 11.

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Period	Level 3 Monthly Minutes of Use	AT&T Cost Per Minute	Correct Cost Per Minute	Cost Per Minute Difference	AT&T Monthly Charge	Correct Monthly Charge	Monthly Cost Difference
2017-2018	[BEGIN CONFIDENTIAL] [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [END CONFIDENTIAL]
2018-2019	[BEGIN CONFIDENTIAL] [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [END CONFIDENTIAL]

42. Further, AT&T’s tandem-switched transport access services impose additional inefficiencies on Level 3 by requiring that Level 3 exchange traffic in legacy TDM format rather than in more efficient IP format. As Mr. Stocker explains, “in order to take advantage of its high access charges for calls terminated with non-Price Cap Carrier affiliates, AT&T must insist that carriers interconnect in TDM format.”<sup>72</sup> The Commission’s intercarrier compensation rules apply to voice traffic exchanged in TDM format, but they do not apply to voice traffic exchanged in IP format.<sup>73</sup> By dramatically expanding the scope of access traffic subject to high, legacy tandem-switched transport access charges, the AT&T tariff revisions give AT&T a strong incentive to maintain TDM-based interconnection arrangements rather than transition to more-efficient IP interconnection.

43. Moreover, as Mr. Stocker explains, “AT&T’s approach to implementing . . . Step Six . . . will likely create opportunities for carriers to engage in wasteful schemes to maximize the volume of traffic” that is subject to the per-minute rate for traffic terminating with non-Price Cap

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<sup>72</sup> See *id.* ¶ 14.

<sup>73</sup> See *Transformation Order* ¶¶ 40, 940, 969.

Carrier affiliates.<sup>74</sup> These tariff manipulation schemes will “result in costly disputes in which the harmed carrier would be required to incur the time and expense of ensuring that it is charged the correct price for tandem-switched transport access service.”<sup>75</sup>

44. Finally, “AT&T’s approach to implementing Step Six harms purchasers of downstream services provided by Level 3.”<sup>76</sup> That is because “the competitive nature of the long-distance voice market” may well “force retail and wholesale prices to decline if AT&T were to reduce the rates it charges for tandem-switched transport access services associated with traffic terminated by all AT&T-affiliated providers of voice service.” However, as Mr. Stocker explains, “if AT&T’s tariff revisions are permitted to remain in effect, Level 3’s downstream customers will be harmed because they will continue to pay higher prices that must incorporate AT&T’s legacy tandem-switched transport access service charges.”<sup>77</sup> Level 3 and other competitors are thus at a significant competitive disadvantage because they must continue to purchase these inputs from AT&T when their downstream customers’ calls traverse an AT&T-owned tandem and terminate at an end office owned by a non-Price Cap Carrier affiliate of AT&T.

**D. AT&T’s cost recovery theory contravenes the Commission’s policy goals.**

45. In a prior attempt to defend its non-compliant tariffs, AT&T argued that restricting Section 51.907(g)(2)’s transitional bill-and-keep rate to the shrinking number of Price Cap Carrier-

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<sup>74</sup> Stocker Decl. ¶ 15.

<sup>75</sup> *Id.*

<sup>76</sup> *Id.* ¶ 16.

<sup>77</sup> *Id.*



terminated calls was necessary because AT&T could only recover its transport and termination costs from its Price Cap Carrier customers.<sup>78</sup> There is no basis in law or policy for this argument.

46. As shown above, Section 51.907(g)(2) applies as a matter of law to *all* “terminating carriers” that are affiliates of a Price Cap Carrier that owns the tandem. Thus, it makes no difference whether an AT&T-affiliated VoIP or wireless provider is the “terminating carrier” as long as the owner of the tandem switch is an AT&T affiliate.

47. AT&T’s cost-recovery theory is especially weak given the Commission’s finding that termination costs are *de minimis*.<sup>79</sup> The Commission specifically found that “[r]ecord evidence indicates that the incremental cost of termination for circuit-switched networks is . . . extremely small.”<sup>80</sup>

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<sup>78</sup> AT&T Opp’n to Level 3 and Sprint at 5-6 n.18; AT&T’s Opp’n to CenturyLink at 2-3.

<sup>79</sup> See, e.g., *Transformation Order* ¶ 753 (“Our conclusion that the incremental cost of call termination is very nearly zero . . . further supports our adoption of bill-and-keep.”); *id.* ¶ 746 n.1309 (“The Commission has cited evidence suggesting that the forward-looking incremental cost of terminating traffic was extremely low, and very near \$0 . . .”).

<sup>80</sup> *Id.* ¶ 752. These terminating costs encompass any terminating tandem-switched transport access “functions and services,” which likewise will transition to bill-and-keep. To support a finding of negligible costs, the Commission relied upon language and record evidence from the 2008 *ISP-Bound Traffic Order*, in which the Commission looked at average costs for local switching and common transport – the identical functions of terminating tandem switching and transport – to conclude that the incremental costs of terminating calls were *de minimis*. See, e.g., *ISP-Bound Traffic Order* ¶¶ 254-255. Likewise, as AT&T itself recognized, costs for next-generation terminating access services are “comfortably below” the \$0.0007 rate. Letter from Henry Hultquist, Vice President – Federal Regulatory, AT&T Services, Inc., to Marlene H. Dortch, Secretary, FCC, CC Docket Nos. 96-45, 01-92; WC Docket Nos. 99-68, 05-337, 07-135, at 4 (filed Oct. 13, 2008); *Transformation Order* ¶ 752. Moreover, ILEC costs for tandem switching and transport are extremely low and have been for at least a dozen years. See, e.g., *Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration; Petition of AT&T Communications of Virginia Inc., Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc.*, Memorandum Opinion and Order, 20 FCC Rcd. 5279, 5299 (WCB 2005) (listing a \$0.00029 per MOU rate for terminating traffic delivered

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48. To the extent that its affiliates incur costs when providing tandem-switched transport access services, AT&T would have ample opportunity to recover those costs from its end users. To begin with, since its VoIP, mobile wireless, and CLEC affiliates are wholly owned by AT&T, it can recover the termination costs as an enterprise from any set of AT&T end users. Further, voice service providers that are unaffiliated with ILECs must account for any tandem-switched transport access costs in the same way, usually with no tariffing opportunity to recover even these costs from customers. As the Commission found in the *Transformation Order*, “bill-and-keep is most consistent with the models used for wireless and IP networks, models that have flourished and promoted innovation and investment without any symmetry or balanced traffic requirement.”<sup>81</sup> Those providers have been pricing their services at market value, and have been able to absorb AT&T’s high tandem-switched transport access service charges. AT&T would have the far less difficult task of recovering its incremental tandem switching and transport *costs*, which are much lower than its legacy tandem-switched transport access *charges*. This is precisely the market-driven outcome the Commission sought when it adopted bill-and-keep as the policy objective for intercarrier compensation.<sup>82</sup>

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at Verizon Virginia’s ILEC tandem). It is worth further noting that Verizon Virginia’s \$0.00029 figure, while already less than half of the \$0.0007 rate, is inflated given that it (1) was based on the TELRIC model rather than the Commission’s revised incremental cost principle, (2) reflects facilities that have since depreciated, and (3) reflects switching technology that has become even more efficient. *See, e.g., Transformation Order* ¶ 753 n.1332; *ISP-Bound Traffic Order* ¶¶ 262-268 (adopting the “additional cost” methodology to measure incremental costs).

<sup>81</sup> *Transformation Order* ¶ 756.

<sup>82</sup> When it suited its purposes elsewhere, AT&T has railed against such attempts to prop up ICC subsidies, asserting that “charges imposed on long distance carriers for . . . transport rate elements, even though they are mostly capped . . . continue to reflect implicit subsidies and to be priced inefficiently, based on out-of-date rates structures,” and that “IXCs are often billed for inefficient and costly tandem and transport services.” *AT&T 2016 Forbearance Petition* at 5, 8.

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49. But even if AT&T were somehow unable to recover all of the modest costs of providing tandem-switched transport access services for calls terminating with its VoIP, mobile wireless, and CLEC affiliates, that would be no basis for adopting AT&T's proposed interpretation of Section 51.907(g)(2). The Commission expressly rejected the "notion that ICC reform should be revenue neutral."<sup>83</sup> Rather than looking to other carriers to cover costs, the Commission decided to encourage innovation and competition by shifting recovery of such costs to improved products and services. Carriers may also look to the CAF system for subsidies where appropriate.<sup>84</sup> But in all events, Price Cap Carriers and their affiliates must comply with the transition to bill-and-keep under Section 51.907(g)(2).

50. Indeed, the Commission used the broad terms "terminating carrier" (rather than "Price Cap Carrier") and "affiliates" in Section 51.907(g)(2) precisely to ensure that Price Cap Carriers implement bill-and-keep for calls terminating with all of their voice service businesses. Otherwise, AT&T and other Price Cap Carriers could too easily evade the Commission's mandates through corporate gamesmanship.

51. Finally, this is not the first time that an ILEC has attempted to use its affiliates to avoid the application and objectives of the Commission's regulations. The D.C. Circuit has upheld other Commission rules designed to prevent "the systematic abuse of ratepayers" that occurs when ILECs attempt to cross-subsidize their affiliates' costs through inflated tariffs.<sup>85</sup> More generally,

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<sup>83</sup> *Transformation Order* ¶ 38.

<sup>84</sup> *See id.* ¶ 757 ("Although a bill-and-keep approach will not provide for the recovery of certain costs via *intercarrier* compensation, it will still allow for cost recovery via end-user compensation and, where necessary, explicit universal service support.") (emphasis in original).

<sup>85</sup> *Sw. Bell Corp. v. FCC*, 896 F.2d 1378, 1379 (D.C. Cir. 1990) (upholding FCC rules governing the transfer of assets between a regulated telephone company and its nonregulated affiliates, finding that the rules were reasonably designed to prevent systematic abuse of ratepayers from cost-shifting); *see also United States v. W. Elec. Co.*, 673 F. Supp. 525, 553-55 (D.D.C. 1987)

the D.C. Circuit has instructed that the Commission may not permit an ILEC to avoid its statutory obligations “by setting up a wholly owned affiliate.”<sup>86</sup>

52. AT&T is playing a similar corporate shell game here through its contrived interpretation of Section 51.907(g)(2). Giving proper effect to the ordinary meaning of “terminating carrier” and “affiliates” in the regulation not only serves the policy objectives of the *Transformation Order*,<sup>87</sup> but is also necessary to prevent AT&T from unlawfully evading the Commission’s bill-and-keep mandates.

**E. AT&T cannot rely on the *FNPRM* to muddle Section 51.907(g)(2)’s plain meaning and purpose.**

53. AT&T has previously argued that Level 3’s interpretation of Section 51.907(g)(2) “pre-judges” issues on which the Commission separately sought comment in the *FNPRM* that accompanied the *Transformation Order*.<sup>88</sup> In fact, this is an improper attempt by AT&T to rewrite the *FNPRM*.

54. The Commission’s request for comments in the *FNPRM* involving tandem-switched transport access services relates to the end state for those tandem switching and transport

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(discussing the Bell Operating Companies’ history and incentives for using rate payers to cross-subsidize costs incurred by affiliates), *aff’d in part, rev’d in part*, 900 F.2d 283 (D.C. Cir. 1990).

<sup>86</sup> *Ass’n of Commc’ns Enters. v. FCC*, 235 F.3d 662, 668 (D.C. Cir. 2001) (holding that “the Commission may not permit an ILEC to avoid § 251(c) obligations as applied to advanced services by setting up a wholly owned affiliate to offer those services”).

<sup>87</sup> *Transformation Order* ¶ 752 (“Bill-and-keep will address arbitrage and marketplace distortions arising from the current intercarrier compensation regimes, and therefore will promote competition in the telecommunications marketplace.”) (citing ¶¶ 1306-1310 and ¶¶ 1312-1313).

<sup>88</sup> AT&T Opp’n to Level 3 and Sprint at 5-6 & n.18.

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charges that are not fully addressed in the *Transformation Order*.<sup>89</sup> These include tandem-switched transport access service charges for calls where a third party owns the tandem.<sup>90</sup> For example, this would be the case where a competitive tandem provider or a Price Cap Carrier provides tandem-switched transport access service but is unaffiliated with the terminating carrier.<sup>91</sup> This scenario raises especially complex and as-yet-unresolved issues where a Price Cap Carrier owns the tandem and the terminating carrier is an unaffiliated LEC serving a rural area. Also not fully addressed in the *Transformation Order* are situations in which the tandem-switched transport access service provider is a Rate-of-Return carrier.<sup>92</sup> These further issues have no bearing here.

55. AT&T has cited language in the *FNPRM* noting “that commenters had ‘express[ed] concern with the end state for tandem switching and transport for price cap carriers when the tandem owner does not own the end office . . . .’”<sup>93</sup> But this language simply refers to the situations discussed just above, where the tandem owner is not affiliated with the entity subtending that tandem. The very language in the *FNPRM* cited by AT&T itself cites comments by NCTA in which NCTA describes the “pet project” of Bell Companies like AT&T to eliminate regulatory oversight

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<sup>89</sup> See *Transformation Order* ¶ 1306.

<sup>90</sup> *Id.* ¶ 819 (“[T]ransport charges . . . where the terminating carrier does not own the tandem, are not addressed at this time.”).

<sup>91</sup> See *id.* ¶¶ 1306-1310. At the time of the *Transformation Order*, competitive tandem providers included, for example, entities such as Inteliquent (formerly known as Neutral Tandem), Peerless Network, and West Telecom Services (formerly known as HyperCube).

<sup>92</sup> The Commission did not establish an end state (e.g., bill-and-keep) for tandem-switched transport access service charges in this scenario, choosing instead to cap rates charged by Rate-of-Return carriers at interstate levels as of the date when the rules took effect. See *id.* ¶ 819 (“[U]nder the transition for rate-of-return carriers . . . interstate and intrastate transport charges will be capped at interstate levels in effect as of the effective date of the rules through the transition.”).

<sup>93</sup> AT&T Opp’n to CenturyLink at 3 (citing and quoting *Transformation Order* ¶ 1312).

of the transport and transit services they provide to enable indirect interconnection between non-Bell companies.<sup>94</sup> In these situations, AT&T and other ILECs providing transit may own the tandem, but an unaffiliated service provider would own the end office and would be the “terminating” carrier. The *FNPRM* suggests that the Commission may choose to regulate such traffic under a bill-and-keep regime but has not yet decided the issue.<sup>95</sup> These and other topics in the *FNPRM* have no bearing on the proper interpretation of Section 51.907(g)(2) or the Commission’s adoption of bill-and-keep for tandem-switched transport access services encompassed by that rule, which, as the text of that regulation makes plain, includes all traffic where the terminating carrier or its affiliate owns the tandem. Those regulatory questions have been decided.

**F. AT&T’s reliance on informal, non-binding Commission staff guidance is no excuse for non-compliance with the regulation.**

56. AT&T has further claimed that its restrictive view of Rule 51.907(g)(2) “follow[s] the Commission’s informal guidance,” which, it alleges, represents “the most reasonable interpretation of the rules.”<sup>96</sup> These vague assertions are likewise irrelevant.

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<sup>94</sup> Comments of NCTA, WC Docket No. 10-90 *et al.*, at 19-20 (Aug. 24, 2011).

<sup>95</sup> *Transformation Order* ¶ 1313 (the *FNPRM* seeks “comment on the need for regulatory involvement and the appropriate end state for transit service”).

<sup>96</sup> AT&T Opp’n to Level 3 and Sprint at 5; AT&T Opp’n to CenturyLink at 2.

**PUBLIC VERSION**

57. Informal staff guidance on rules is not binding on the Commission.<sup>97</sup> Nor can staff ignore the plain meaning and purpose of a statute or regulation.<sup>98</sup> As shown above, AT&T's self-serving construction of Section 51.907(g)(2) fails to give proper effect to the plain language and purpose of the regulation. Informal guidance by Commission staff cannot excuse AT&T's unlawful evasion of Section 51.907(g)(2).

**COUNT I: Section 201, 47 U.S.C. § 201(b), Unjust and Unreasonable Practice**

58. Level 3 repeats and re-alleges each and every allegation contained in paragraphs 1 to 57 of this Complaint as if set forth fully herein.

59. Section 201(b) of the Act provides that “[a]ll charges, practices, classifications, and regulations for and in connection with [interstate or foreign] communication service, shall be just and reasonable, and any such charge, practice, classification, or regulation that is unjust or unreasonable is declared to be unlawful.”<sup>99</sup>

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<sup>97</sup> See, e.g., *Transformation Order* App. E ¶ 15 (“[I]nformal staff guidance cannot bind the Commission.”); *Lifeline and Link Up Reform and Modernization*; *Telecommunications Carriers Eligible for Universal Service Support*; *Connect America Fund*, Order Denying Stay Petition, 30 FCC Rcd. 12379 ¶ 9 n.24 (WCB 2016) (“It is well-established that informal staff guidance is not binding on the Commission.”); see also *Vernal Enters., Inc. v. FCC*, 355 F.3d 650, 660 (D.C. Cir. 2004) (discussing the “well-established view” that an agency is not bound by the informal actions of its staff).

<sup>98</sup> Agencies receive no deference for interpretations of their own rules that are “plainly erroneous or inconsistent with the regulation.” *Auer v. Robbins*, 519 U.S. 452, 461 (1997) (citation omitted). Likewise, agencies receive no deference “when there is reason to suspect that the agency’s interpretation,” such as the informal verbal staff opinion in question here, “does not reflect the agency’s fair and considered judgement on the matter in question.” *Christopher v. SmithKline Beecham Corp.*, 567 U.S. 142, 155 (2012) (quoting *Auer*, 519 U.S. at 462).

<sup>99</sup> 47 U.S.C. § 201(b).

**PUBLIC VERSION**

60. The Commission implements and enforces Section 201(b)'s "just and reasonable" requirement through various rules and regulations.<sup>100</sup> A tariff filer's violation of these rules and regulations is considered an action that is unjust and unreasonable under Section 201(b).<sup>101</sup> A tariff provision is also unjust and unreasonable in violation of Section 201(b) if it violates public policy and harms consumers.<sup>102</sup>

61. AT&T's interpretation of Section 51.907(g)(2), as reflected in the challenged tariffs, is unjust and unreasonable. It ignores the plain terms and purpose of the regulation and forces carriers using AT&T-owned tandem switches to pay excessive rates for services terminated by AT&T-affiliated VoIP providers, wireless carriers, and CLECs, in violation of the rate cap established by the Commission. AT&T's tariffs and practices result in monetary and competitive advantages to AT&T to the detriment of other carriers and consumers.

62. AT&T's interpretation is also contrary to public policy because it impedes and delays the efficient transition to bill-and-keep, which the Commission found promotes competition

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<sup>100</sup> See *Glob. Crossing Telecomms., Inc. v. Metrophones Telecomms., Inc.*, 550 U.S. 45, 53 (2007) ("History [] makes clear that the FCC has long implemented § 201(b) through the issuance of rules and regulations.").

<sup>101</sup> See *id.* at 54 ("Insofar as the statute's language is concerned, to violate a regulation that lawfully implements § 201(b)'s requirements *is* to violate the statute.") (emphasis in original).

<sup>102</sup> See, e.g., *Business Data Services in an Internet Protocol Environment; Investigation of Certain Price Cap Local Exchange Carrier Business Data Services Tariff Pricing Plans; Special Access for Price Cap Local Exchange Carriers; AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services*, Tariff Investigation Order and Further Notice of Proposed Rulemaking, 31 FCC Rcd. 4723 ¶ 96 (2016) (finding all-or-nothing provisions in ILEC pricing plans to be unjust and unreasonable because "they restrict a customer's purchase option without a corresponding reasonable business concern").



in the telecommunications marketplace and incentivizes carriers to serve customers more efficiently.<sup>103</sup>

63. Accordingly, AT&T's tariffs and practices are unjust and unreasonable in violation of Section 201(b) of the Act.

64. As a direct and proximate result of AT&T's violations of the Act, Level 3 has been billed by AT&T and forced to pay tandem-switched transport access service rates that exceed the rate cap mandated in Section 51.907(g)(2). Level 3 has no obligation to pay unjust and unreasonable rates, and is entitled to a full refund of any such amounts paid as will be more fully established during the damages phase of this proceeding.

**COUNT II: Section 202, 47 U.S.C. § 202(a), Unjust and Unreasonable Discrimination**

65. Level 3 repeats and re-alleges each and every allegation contained in paragraphs 1-64 of this Complaint as if set forth fully herein.

66. Section 202(a) of the Act states, "[i]t shall be unlawful for any common carrier to make any unjust or unreasonable discrimination in charges, practices, classifications, regulations, facilities, or services for or in connection with like communication service, directly or indirectly, by any means or device, or to make or give any undue or unreasonable preference or advantage to any particular person, class of persons, or locality, or to subject any particular person, class of persons, or locality to any undue or unreasonable prejudice or disadvantage."<sup>104</sup>

67. In *Competitive Telecommunications Association v. FCC*, the D.C. Circuit, applying the standard the Commission has adopted, instructed that: "An inquiry into whether a carrier is discriminating in violation of § 202(a) involves a three-step inquiry: (1) whether the services are

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<sup>103</sup> *Transformation Order* ¶ 741.

<sup>104</sup> 47 U.S.C. § 202(a).

‘like’; (2) if they are, whether there is a price difference between them; and (3) if there is, whether that difference is reasonable.”<sup>105</sup> The Commission applies the same test when evaluating formal complaints filed with the Commission.<sup>106</sup>

68. AT&T’s tariffs and practices challenged here are unreasonably discriminatory. The services at issue are “like,” involving tandem-switched transport access service.<sup>107</sup> AT&T’s unlawful interpretation of Section 51.907(g)(2) results in significantly higher charges for traffic terminating with certain AT&T affiliates than for traffic terminating with an AT&T Price Cap Carrier. The difference between the two charges imposed is unreasonable, forcing Level 3 to pay significantly higher rates for essentially the same service in violation of Section 51.907(g)(2).<sup>108</sup>

69. Accordingly, AT&T’s tariffs and practices are unreasonably discriminatory in violation of Section 202(a) of the Act.

70. As a direct and proximate result of AT&T’s violations of the Act, Level 3 has been, and is currently being, unjustly and unreasonably billed higher rates for tandem-switched transport access service than permitted under Section 51.907(g)(2). Level 3 has no obligation to pay

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<sup>105</sup> *Competitive Telecomms. Ass’n v. FCC*, 998 F.2d 1058, 1061 (D.C. Cir. 1993); *see also Am. Message Ctrs. v. FCC*, 50 F.3d 35, 40 (D.C. Cir. 1995) (applying same three-part test); *C.F. Commc’ns Corp. v. FCC*, 128 F.3d 735, 742 (D.C. Cir. 1997) (same).

<sup>106</sup> *See, e.g., Nina Shahin v. Verizon Delaware LLC, Verizon Long Distance, and Verizon Online LLC*, Memorandum Opinion and Order, 29 FCC Rcd. 4200 ¶ 9 (2014) (“A complainant alleging discrimination under Section 202(a) of the Act must demonstrate that (1) there are ‘like’ services at issue; (2) there are differences in the terms and conditions pursuant to which the services are provided; and (3) the differences are not reasonable.”).

<sup>107</sup> Stocker Decl. ¶ 3.

<sup>108</sup> Level 3 will provide a detailed accounting of the unreasonable charges incurred during the bifurcated damages phase of this proceeding, but can presently estimate the unreasonable fees to amount to [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] per month. *Id.* ¶ 6.

**PUBLIC VERSION**

discriminatory rates, and is entitled to a full refund for any such amounts paid, as will be more fully established during the damages phase of this proceeding.

**PRAYER FOR RELIEF**

71. Wherefore, and pursuant to Section 1.721(a)(7) of the Commission's rules, 47 C.F.R. § 1.721(a)(7), Level 3 requests that the Commission:

- (a) find that AT&T has violated Section 201(b) of the Act, 47 U.S.C. § 201(b), and engaged in unjust and unreasonable practices by failing to comply with Section 51.907(g)(2);
- (b) find that AT&T has violated Section 202(a) of the Act, 47 U.S.C. § 202(a), and engaged in unjust and unreasonable discriminatory practices by charging unreasonably high rates for tandem-switched access service that do not comply with Section 51.907(g)(2);
- (c) order AT&T to charge \$0.0007 for traffic that traverses an AT&T-owned tandem and is terminated by any AT&T affiliate, including VoIP providers, CMRS carriers, and CLECs; and
- (d) order a second phase of the proceeding to determine and award Level 3 its damages.

**CERTIFICATION OF SETTLEMENT EFFORTS**

Pursuant to 47 C.F.R. § 1.721(a)(8), Level 3 hereby certifies that it has attempted in good faith to discuss the possibility of settlement with AT&T prior to filing this Complaint. By a certified letter dated August 3, 2017, counsel for Level 3 inquired whether AT&T would be willing to revise the tariffs that are the subject of this Complaint or engage in a discussion

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regarding revising the tariffs and invited AT&T to respond by August 10, 2017.<sup>109</sup> On August 10, 2017, counsel for AT&T informed Level 3 that AT&T would be willing to discuss “issues of mutual concern” but did not indicate that AT&T would be willing to revise its tariffs.<sup>110</sup> On August 14, counsel for Level 3 informed AT&T of Level 3’s intention to file a formal complaint under Section 208 of the Communications Act absent contrary clarification that AT&T would be willing to revise its tariffs.<sup>111</sup> Via a certified letter sent August 15, 2017, outside counsel for Level 3 served notice on AT&T, pursuant to 47 C.F.R. § 1.721(a)(8), outlining the allegations that form the basis of this Complaint and requesting a response from AT&T by August 22, 2017 as to AT&T’s willingness to discuss a settlement prior to the initiation of the formal complaint process.<sup>112</sup> AT&T did not respond to that letter. On August 17, 2017, representatives of Level 3 and AT&T met with Bureau staff to discuss substantive and procedural issues in anticipation of Level 3’s initiation of the formal complaint process. In light of the foregoing, Level 3 does not believe that it would be fruitful to take additional steps to resolve the instant dispute.

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<sup>109</sup> Letter from Joseph C. Cavender, Vice President & Assistant General Counsel, Level 3, to David L. Lawson, Senior Vice President - Assistant General Counsel, AT&T (Aug. 3, 2017) (attached as Exhibit 1).

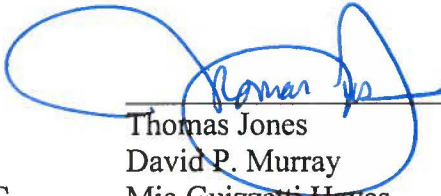
<sup>110</sup> Letter from Gary L. Phillips, Vice President – Associate General Counsel, AT&T, to Joseph C. Cavender, Vice President & Assistant General Counsel, Level 3 (Aug. 10, 2017) (attached as Exhibit 2).

<sup>111</sup> Letter from Joseph C. Cavender, Vice President & Assistant General Counsel, Level 3, to Gary L. Phillips, Vice President – Associate General Counsel, AT&T, and Thomas Pajda, Assistant Vice President – Senior Legal Counsel, AT&T (Aug. 14, 2017) (attached as Exhibit 3).

<sup>112</sup> Letter from Thomas Jones, Counsel for Level 3, to Gary L. Phillips, Vice President – Associate General Counsel, AT&T, and Thomas Pajda, Assistant Vice President – Senior Legal Counsel, AT&T (Aug. 15, 2017) (attached as Exhibit 4).

PUBLIC VERSION

Respectfully submitted,



Joseph C. Cavender  
Nicholas G. Alexander  
LEVEL 3 COMMUNICATIONS, LLC  
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Washington, DC 20005  
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joseph.cavender@level3.com  
nick.alexander@level3.com

Thomas Jones  
David P. Murray  
Mia Guizzetti Hayes  
Gorana Neskovic  
Samuel Eckland\*  
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*Counsel for Level 3 Communications, LLC*

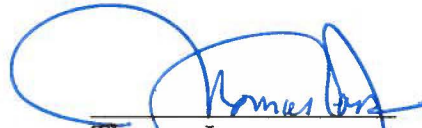
September 12, 2017

\*Admitted only to the MD Bar. Practicing under the supervision of members of the DC Bar.

**PUBLIC VERSION**

**CERTIFICATE OF FEE PAYMENT**

I hereby declare under penalty of perjury that (1) the \$230 fee required for each of the ten defendants named in the Formal Complaint is being paid today by Level 3, pursuant to 47 C.F.R. §§ 1.735, 1.1106, via electronic payment submitted contemporaneously with the Formal Complaint by Willkie Farr and Gallagher LLP, and (2) Level 3 Communications, LLC's FRN is 0003723822.



Thomas Jones  
WILLKIE FARR & GALLAGHER LLP  
1875 K Street, NW  
Washington, DC 20006  
(202) 303-1000  
*Counsel for Level 3 Communications, LLC*

September 12, 2017

**PUBLIC VERSION**


**CERTIFICATE OF SERVICE**

I, Gorana Neskovic, hereby certify that on September 12, 2017, I caused a true and correct copy of the foregoing Formal Complaint, as well as all accompanying materials, to be served by email to the following:

Michael J. Hunseder  
Christopher T. Shenk  
James P. Young  
Sidley Austin LLP  
1501 K Street, NW  
Washington, DC 20005  
MHunseder@Sidley.com  
CSchenk@Sidley.com  
JYoung@Sidley.com

Keith M. Krom  
Matthew Nodine\*  
Thomas Pajda  
Jeanine Poltronieri\*  
AT&T Services, Inc.  
1120 20th Street, NW  
Suite 1000  
Washington, DC 20036  
kk1643@att.com  
mn7317@att.com  
tp1653@att.com  
jp7321@att.com

\* Public Version only.

  
\_\_\_\_\_  
Gorana Neskovic

September 12, 2017

**PUBLIC VERSION**

**TABLE OF EXHIBITS IN SUPPORT OF LEVEL 3'S FORMAL COMPLAINT**

<b>Ex.</b>	<b>Description</b>
<b>1</b>	Letter from Joseph C. Cavender, Vice President & Assistant General Counsel, Level 3, to David L. Lawson, Senior Vice President - Assistant General Counsel, AT&T (Aug. 3, 2017)
<b>2</b>	Letter from Gary L. Phillips, Vice President – Associate General Counsel, AT&T, to Joseph C. Cavender, Vice President & Assistant General Counsel, Level 3 (Aug. 10, 2017)
<b>3</b>	Letter from Joseph C. Cavender, Vice President & Assistant General Counsel, Level 3, to Gary L. Phillips, Vice President – Associate General Counsel, AT&T, and Thomas Pajda, Assistant Vice President – Senior Legal Counsel, AT&T (Aug. 14, 2017)
<b>4</b>	Letter from Thomas Jones, Counsel for Level 3, to Gary L. Phillips, Vice President – Associate General Counsel, AT&T, and Thomas Pajda, Assistant Vice President – Senior Legal Counsel, AT&T (Aug. 15, 2017)
<b>5</b>	Letter from Thomas Jones, Counsel for Level 3, and Christopher Shenk, Counsel for AT&T, to Rosemary McEnery, Chief, Market Disputes Resolution Division, <i>et al.</i> , EB Docket No. 17-227, File No. EB-17-MD-003 (Aug. 25, 2017)
<b>6</b>	Letter from Lisa Saks, Assistant Chief, Market Disputes Resolution Division, to Thomas Jones, Counsel for Level 3, and Christopher Shenk, Counsel for AT&T, EB Docket No. 17-227, File No. EB-17-MD-003 (Aug. 31, 2017)
<b>7</b>	Letter from Thomas Jones, Counsel for Level 3, and Michael J. Hunseder, Counsel for AT&T, to Marlene H. Dortch, Secretary, FCC, EB Docket No. 17-227, File No. EB-17-MD-003 (Sept. 7, 2017)
<b>8</b>	Letter from Lisa Saks, Assistant Chief, Market Disputes Resolution Division, to Thomas Jones, Counsel for Level 3, and Christopher Shenk, Counsel for AT&T, EB Docket No. 17-227, File No. EB-17-MD-003 (Sept. 11, 2017)
<b>9</b>	Declaration of Edwin Stocker
<b>10</b>	Excerpts from AT&T Price Cap Carrier June 7, 2017 Tariff Filings
<b>(a)</b>	Ameritech Operating Companies: Cover Letter, Description & Justification, Revised Tariff Pages
<b>(b)</b>	Bell South: Cover Letter, Description & Justification, Revised Tariff Pages
<b>(c)</b>	Nevada Bell: Cover Letter, Description & Justification, Revised Tariff Pages
<b>(d)</b>	PacBell: Cover Letter, Description & Justification, Revised Tariff Pages
<b>(e)</b>	Southwestern Bell: Cover Letter, Description & Justification, Revised Tariff Pages
<b>11</b>	Excerpts from AT&T Price Cap Carrier June 16, 2017 Tariff Filings
<b>(a)</b>	Ameritech Operating Companies: Cover Letter, Description & Justification, Revised Tariff Pages
<b>(b)</b>	Bell South: Cover Letter, Description & Justification, Revised Tariff Pages
<b>(c)</b>	Nevada Bell: Cover Letter, Description & Justification, Revised Tariff Pages



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<b>Ex.</b>	<b>Description</b>
<b>(d)</b>	PacBell: Cover Letter, Description & Justification, Revised Tariff Pages
<b>(e)</b>	Southwestern Bell: Cover Letter, Description & Justification, Revised Tariff Pages
<b>12</b>	AT&T Inc. Form 10-K, Exhibit 21: Principal Subsidiaries (filed Feb. 17, 2017)
<b>13</b>	Petition of Level 3 to Reject or Suspend and Investigate, WC Docket No. 17-65 (filed June 23, 2017)
<b>14</b>	AT&T's Opposition to Petitions of Level 3 and Sprint Corporation to Reject or to Suspend and Investigate AT&T Tariff Filings, WC Docket No. 17-65 (filed June 27, 2017)
<b>15</b>	Excerpt from Atlantic – ACM, <i>U.S. Telecom Wired and Wireless Sizing and Share Forecast: 2015-2020</i> (Aug. 2015)

# **EXHIBIT 1**

**Letter from Joseph C. Cavender, Vice  
President & Assistant General  
Counsel, Level 3, to David L. Lawson,  
Senior Vice President - Assistant  
General Counsel, AT&T  
(Aug. 3, 2017)**


**Level(3)**  
COMMUNICATIONS

 Connecting and Protecting  
 the Networked World™

 Joseph G. Cavender  
 Vice President & Assistant General Counsel  
 Federal Affairs  
 1220 L Street, NW Suite #660  
 Washington, DC 20005  
 (571) 730-6533  
 Joseph.Cavender@Level3.com

August 3, 2017

 David L. Lawson  
 AT&T Inc.  
 1120 20th Street, NW  
 Suite 1000  
 Washington, DC 20036

Dear Mr. Lawson:

As you know, Level 3 Communications, LLC ("Level 3") believes that certain tariff revisions transmitted by affiliates of AT&T Inc. ("AT&T") that became effective on June 22, 2017<sup>1</sup> and July 1, 2017<sup>2</sup> do not comply with Section 51.907(g)(2) of the Federal Communications Commission's rules for the Step Six transition to bill-and-keep for tandem-switched transport access services.<sup>3</sup> As more fully set forth in Level 3's June 23, 2017 Petition to Reject or Suspend and Investigate,<sup>4</sup> Level 3 believes those transmittals violate Section 51.907(g)(2) because they fail to apply the Step Six maximum tandem-switched transport

<sup>1</sup> Ameritech Operating Companies, Transmittal No. 1859, Tariff F.C.C. No. 2 § 6.8.2(D)(4), 9th Revised Page 180 (June 7, 2017); BellSouth Telecommunications, Transmittal No. 129, Tariff F.C.C. No. 1 § 6.1.3(A)(2)(b)(3), 1st Revised Page 6-17 (June 7, 2017); Nevada Bell Telephone Company, Transmittal No. 300, Tariff F.C.C. No. 1 § 6.7.1(D)(3), 1st Revised Page 6-112, 2nd Revised Page 6-113 (June 7, 2017); Pacific Bell Telephone Company, Transmittal No. 552, Tariff F.C.C. No. 1 § 6.7.1(D)(3), 2nd Revised Page 6-167 (June 7, 2017); Southwestern Bell Telephone Company, Transmittal No. 3443, Tariff F.C.C. No. 73 § 6.8.3(E)(3), 5th Revised Page 6-149.4, 6th Revised Page 6-149.5 (June 7, 2017).

<sup>2</sup> Ameritech Operating Companies, Transmittal No. 1860, Tariff F.C.C. No. 2 § 6.9.1(A), 13th Revised Page 207.1.1.1 (June 16, 2017); BellSouth Telecommunications, Transmittal No. 130, Tariff F.C.C. No. 1 § 6.8.1(C), 4th Revised Page 6-273 (June 16, 2017); Nevada Bell Telephone Company, Transmittal No. 301, Tariff F.C.C. No. 1 § 6.8.1(C), 11th Revised Page 6-146 (June 16, 2017); Pacific Bell Telephone Company, Transmittal No. 553, Tariff F.C.C. No. 1 § 6.8.2(C), 15th Revised Page 6-214 (June 16, 2017); Southwestern Bell Telephone Company, Transmittal No. 3444, Tariff F.C.C. No. 73 § 6.9.2(C), 29th Revised Page 6-179.11 (June 16, 2017).

<sup>3</sup> See 47 C.F.R. § 51.907(g)(2) (requiring Price Cap Carriers to implement by July 1, 2017 Step Six of the transition to bill-and-keep for tandem-switched transport access services, the rates for which are not to exceed \$0.0007 per minute when traffic traverses "a tandem switch that the terminating carrier or its affiliates owns").

<sup>4</sup> Petition of Level 3 to Reject or Suspend and Investigate, WC Docket No. 17-65 (June 23, 2017).

August 3, 2017

Page 2

service rate of \$0.0007 per minute to traffic that traverses an AT&T-owned tandem and terminates with an AT&T affiliate that is not a Price Cap LEC.

Level 3 would like to determine whether AT&T is amenable to revising the tariffs in question based on what we believe is the clear meaning and purpose of Section 51.907(g)(2). If AT&T is willing to engage with Level 3 in a discussion regarding this issue, please contact me at the email address or telephone number below by no later than close of business on August 10, 2017.

Very truly yours,



Joseph C. Cavender  
Vice President & Assistant General Counsel  
Level 3 Communications, LLC  
1220 L Street, NW, Suite #660  
Washington, DC 20005  
(571) 730-6533  
Joseph.Cavender@Level3.com

# **EXHIBIT 2**

**Letter from Gary L. Phillips, Vice  
President – Associate General Counsel,  
AT&T, to Joseph C. Cavender, Vice  
President & Assistant General  
Counsel, Level 3 (Aug. 10, 2017)**



Gary L. Phillips  
Vice President -  
Associate General Counsel

AT&T Services, Inc.  
1120 20th Street NW, Suite 1000  
Washington, D.C. 20036  
Phone 202 457-3055  
gary.l.phillips@att.com

August 10, 2017

Joseph C. Cavender  
Vice President and Assistant General Counsel  
Level 3 Communications, Inc.  
1220 L Street N.W.  
Washington D.C. 20005

Dear Mr. Cavender:

The letter you sent to David Lawson of AT&T on August 3, 2017 has been forwarded to me for response. In that letter, you asked whether AT&T would be "amenable to revising" AT&T's recently filed tariffs implementing Rule 51.907(g)(2) and whether AT&T "would be willing to engage with Level 3 in a discussion regarding the issue."

As you know, Commission staff provided guidance to the industry indicating that the Step Six transition in Rule 51.907(g)(2) does not apply to call flows where the tandem is owned by a price cap carrier and the end office is owned by an affiliated CMRS carrier or CLEC. Nonetheless, AT&T is always willing to engage with Level 3 regarding issues of mutual concern, including this one. If Level 3 would like to set up a time for such discussions, please contact Thomas Pajda, Assistant Vice President-Senior Legal Counsel, at (214) 757-3497 or tp1653@att.com.

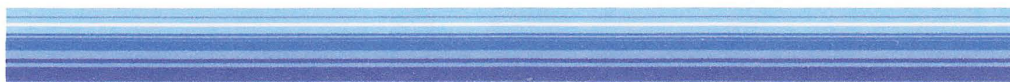
Sincerely,

A handwritten signature in black ink, appearing to read "Gary L. Phillips", written over a horizontal line.

# **EXHIBIT 3**

**Letter from Joseph C. Cavender, Vice  
President & Assistant General  
Counsel, Level 3, to Gary L. Phillips,  
Vice President – Associate General  
Counsel, AT&T, and Thomas Pajda,  
Assistant Vice President – Senior  
Legal Counsel, AT&T (Aug. 14, 2017)**





**Level(3)**  
COMMUNICATIONS  
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the Networked World<sup>SM</sup>

**Joseph C. Cavender**  
Vice President & Assistant General Counsel  
Federal Affairs  
1220 L Street, NW, Suite #660  
Washington, DC 20005  
(571) 730-6533  
Joseph.Cavender@Level3.com

August 14, 2017

Gary L. Phillips  
Vice President-  
Associate General Counsel  
Thomas Pajda  
Assistant Vice President-  
Senior Legal Counsel  
AT&T Services, Inc.  
1120 20th Street, NW  
Suite 1000  
Washington, DC 20036

Dear Gentlemen:

Thank you for your response to my August 3, 2017 letter. Level 3 appreciates AT&T's willingness to discuss issues of mutual concern, as stated in your letter. However, my August 3, 2017 letter inquired whether AT&T would be at all amenable to changing the terms of its tariffs implementing Step Six of the transition to bill-and-keep for tandem-switched transport access service in accordance with what Level 3 believes is the correct interpretation of Section 51.907(g)(2) of the Commission's rules. AT&T's response does not indicate any willingness to make such changes. Accordingly, further discussion of this matter appears unlikely to be productive. Absent any contrary clarification from AT&T on this issue, therefore, Level 3 intends to file a complaint under Section 208 of the Communications Act seeking Commission resolution of our different interpretations of Section 51.907(g)(2).

Very truly yours,

Joseph C. Cavender  
Vice President & Assistant General Counsel  
Federal Affairs  
Level 3 Communications, LLC  
1220 L Street, NW, Suite #660  
Washington, DC 20005  
(571) 730-6533  
Joseph.Cavender@Level3.com



# **EXHIBIT 4**

**Letter from Thomas Jones, Counsel  
for Level 3, to Gary L. Phillips, Vice  
President – Associate General Counsel,  
AT&T, and Thomas Pajda, Assistant  
Vice President – Senior Legal Counsel,  
AT&T (Aug. 15, 2017)**

## WILLKIE FARR &amp; GALLAGHER LLP

1875 K Street, N.W.  
Washington, DC 20006-1238

Tel: 202 303 1000  
Fax: 202 303 2000

## VIA CERTIFIED U.S. MAIL

August 15, 2017

Gary L. Phillips  
Vice President-Associate General Counsel  
Thomas Pajda  
Assistant Vice President-Senior Legal Counsel  
AT&T Services, Inc.  
1120 20th Street, NW  
Suite 1000  
Washington, DC 20036

Dear Gentlemen:

I am writing as outside counsel to Level 3 Communications, LLC (“Level 3”) in reference to the correspondence exchanged between Level 3 and AT&T Inc. (“AT&T”)<sup>1</sup> regarding Level 3’s request that AT&T change the terms of its tariffs implementing Step Six of the transition to bill-and-keep for tandem-switched transport access service. Level 3 has asked that AT&T revise the tariffs in question in accordance with what Level 3 believes is the correct interpretation of Section 51.907(g)(2) of the rules of the Federal Communications Commission (“Commission”).<sup>2</sup> Because AT&T has yet to indicate a willingness to make the requested changes, this letter serves as notice pursuant to the requirements of Section 1.721(a)(8) of the Commission’s rules<sup>3</sup> that, unless AT&T is amenable to revising its tariffs, Level 3 intends to file a formal complaint under Section 208 of the Communications Act<sup>4</sup> seeking Commission resolution of Level 3’s and AT&T’s different interpretations of Section 51.907(g)(2).

The following outlines the allegations that would form the basis of Level 3’s complaint. Step Six of the transition to bill-and-keep for tandem-switched transport access services requires AT&T and other Price Cap Carriers to establish rates for such services no greater than \$0.0007 per minute when

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<sup>1</sup> Letter from Joseph Cavender, Level 3, to Gary L. Phillips & Thomas Pajda, AT&T (Aug. 14, 2017); Letter from Gary L. Phillips, AT&T, to Joseph Cavender, Level 3 (Aug. 10, 2017); Letter from Joseph Cavender, Level 3, to David Lawson, AT&T (Aug. 3, 2017).

<sup>2</sup> 47 C.F.R. § 51.907(g)(2).

<sup>3</sup> *Id.* § 1.721(a)(8).

<sup>4</sup> 47 U.S.C. § 208.

Gary L. Phillips & Thomas Pajda  
 August 15, 2017  
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traffic traverses “a tandem switch that the terminating carrier or its affiliates owns.”<sup>5</sup> Price Cap Carriers were required to implement conforming rates to take effect on July 1, 2017. As a result of tariff revisions that became effective on June 22, 2017<sup>6</sup> and July 1, 2017,<sup>7</sup> AT&T applies the \$0.0007 per minute rate to traffic traversing an AT&T-owned tandem only when the terminating carrier is an AT&T Price Cap Carrier.

In its complaint, Level 3 will argue that, under the unambiguous terms of Section 51.907(g)(2), AT&T is required to apply the mandated rate cap of \$0.0007 per minute to traffic terminating with any AT&T affiliate, including AT&T affiliates that provide VoIP and wireless services. Specifically, Commission precedent dictates that “terminating carrier” refers to the carrier that “terminates” a call—*i.e.*, the carrier that performs end office switching functions, or their equivalent, and then delivers the call to the called party. This definition encompasses *any* party that performs these functions, no matter what type. “Affiliates” is likewise a well-established term.<sup>8</sup> AT&T’s VoIP, wireless, and CLEC affiliates are all wholly owned and therefore qualify as “affiliates” under this definition. AT&T’s view of Section 51.907(g)(2) therefore constitutes a wholesale *rewriting* of the regulation to fit AT&T’s preferred objective of perpetuating intercarrier compensation (“ICC”) subsidies.

In addition, Level 3 will argue that AT&T’s interpretation of Section 51.907(g)(2) undermines the Commission’s policy objectives, harms competition, and harms purchasers of voice services. As a result of its refusal to comply with the terms of Section 51.907(g)(2), AT&T charges rates as high as two-and-a-half times the maximum Step Six rate of \$0.0007 per minute for the growing number of

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<sup>5</sup> 47 C.F.R. § 51.907(g)(2).

<sup>6</sup> Ameritech Operating Companies, Transmittal No. 1859, Tariff F.C.C. No. 2 § 6.8.2(D)(4), 9th Revised Page 180 (June 7, 2017); BellSouth Telecommunications, Transmittal No. 129, Tariff F.C.C. No. 1 § 6.1.3(A)(2)(b)(3), 1st Revised Page 6-17 (June 7, 2017); Nevada Bell Telephone Company, Transmittal No. 300, Tariff F.C.C. No. 1 § 6.7.1(D)(3), 1st Revised Page 6-112, 2nd Revised Page 6-113 (June 7, 2017); Pacific Bell Telephone Company, Transmittal No. 552, Tariff F.C.C. No. 1 § 6.7.1(D)(3), 2nd Revised Page 6-167 (June 7, 2017); Southwestern Bell Telephone Company, Transmittal No. 3443, Tariff F.C.C. No. 73 § 6.8.3(E)(3), 5th Revised Page 6-149.4, 6th Revised Page 6-149.5 (June 7, 2017).

<sup>7</sup> Ameritech Operating Companies, Transmittal No. 1860, Tariff F.C.C. No. 2 § 6.9.1(A), 13th Revised Page 207.1.1.1 (June 16, 2017); BellSouth Telecommunications, Transmittal No. 130, Tariff F.C.C. No. 1 § 6.8.1(C), 4th Revised Page 6-273 (June 16, 2017); Nevada Bell Telephone Company, Transmittal No. 301, Tariff F.C.C. No. 1 § 6.8.1(C), 11th Revised Page 6-146 (June 16, 2017); Pacific Bell Telephone Company, Transmittal No. 553, Tariff F.C.C. No. 1 § 6.8.2(C), 15th Revised Page 6-214 (June 16, 2017); Southwestern Bell Telephone Company, Transmittal No. 3444, Tariff F.C.C. No. 73 § 6.9.2(C), 29th Revised Page 6-179.11 (June 16, 2017).

<sup>8</sup> *See* 47 U.S.C. § 153(2) (“The term ‘affiliate’ means a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For purposes of this paragraph, the term ‘own’ means to own an equity interest (or the equivalent thereof) of more than 10 percent.”).



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calls that terminate with AT&T VoIP or wireless affiliates. These charges undermine the Commission's policy objectives in adopting bill-and-keep because they perpetuate the inefficiencies of the ICC regime that the regulation was designed to end. Among other things, the AT&T tariffs impose inefficiencies by giving AT&T the incentive to require Level 3 and other competitors to exchange traffic in legacy TDM format rather than in more efficient IP format. AT&T's tariffs harm competition by requiring Level 3 and other competitors to purchase tandem-switched transport access service at rates that are likely well above the incremental costs that AT&T incurs to provide that service, whereas AT&T merely incurs the actual costs of switching and transport when providing the service to its affiliates. This cost differential gives AT&T an arbitrary and unjustifiable cost advantage over its competitors. Moreover, the excessive rates AT&T charges for tandem-switched transport access service terminating with a non-Price Cap ILEC harm those that purchase downstream services from Level 3 and other competitors at prices that must incorporate AT&T's legacy tandem-switched transport access service charges.

Finally, Level 3 will argue that the purported justifications AT&T has offered in defense of its interpretation of Section 51.907(g)(2) have no merit. *First*, AT&T has argued that restricting Section 51.907(g)(2)'s transitional bill-and-keep rate to the shrinking number of Price Cap Carrier-terminated calls is necessary because AT&T can only recover its termination costs from its Price Cap Carrier customers.<sup>9</sup> There is no basis in fact or law for this cost-recovery theory. AT&T's switching and transport costs are at most *de minimis* and can be readily recovered from end user customers. In all events, AT&T has no right to be compensated for access charge revenues that are eliminated as a result of the transition to bill-and-keep.

*Second*, AT&T has previously asserted that Level 3's interpretation of Section 51.907(g)(2) "pre-judges" issues on which the Commission separately sought comment in the *FNPRM* that accompanies the *Transformation Order*.<sup>10</sup> In fact, this is an improper attempt by AT&T to rewrite the *FNPRM*, which seeks comment on issues that have no bearing on the instant dispute.<sup>11</sup>

*Third*, the informal Commission staff guidance upon which AT&T claims to have relied in implementing these tariff revisions does not excuse AT&T's non-compliance with Section

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<sup>9</sup> AT&T's Opposition to Petitions of Level 3 and Sprint Corporation to Reject or to Suspend and Investigate AT&T Tariff Filings, WC Docket No. 17-65, at 5-6 n.18 (June 27, 2017) ("AT&T Opp'n to Level 3 and Sprint"); AT&T's Opposition to CenturyLink's Petition to Reject and to Suspend and Investigate AT&T Tariff Filings at 2-3 (June 20, 2017).

<sup>10</sup> AT&T Opp'n to Level 3 and Sprint at 6-7 & n.18.

<sup>11</sup> See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd. 17663 (2011) ("*Transformation Order*" or "*FNPRM*"), *aff'd sub nom. In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014).

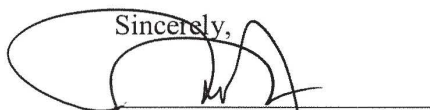
Gary L. Phillips & Thomas Pajda  
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51.907(g)(2) because, even if such staff guidance had been given, staff guidance has no force of law. It is well established that staff guidance does not constitute Commission action and does not bind the Commission in any way.

For the foregoing reasons, AT&T's tariffs violate Sections 201(b), 202(a), and 203(c) of the Communications Act, contravene the Commission's policy objectives, and harm Level 3 and other competitive providers to the detriment of competition and consumers.<sup>12</sup> Accordingly, Level 3's complaint will request that the Commission (1) find that AT&T has violated each of these statutory provisions; (2) order AT&T to charge \$0.0007 per minute for traffic that traverses an AT&T-owned tandem and is terminated by any AT&T affiliate, including VoIP providers, CMRS carriers, and CLECs; and (3) order a second phase of the proceeding to determine and award damages to Level 3.

Should AT&T wish to discuss settlement of this matter prior to Level 3's initiation of the formal complaint process, please contact me at the email address or telephone number below no later than close of business on August 22, 2017.

Sincerely,

A handwritten signature in black ink, appearing to be 'T. Jones', is written over a horizontal line.

Thomas Jones  
*Counsel for Level 3 Communications, LLC*  
(202) 303-1111  
tjones@willkie.com

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<sup>12</sup> Level 3's June 23, 2017 Petition to Reject or Suspend and Investigate, which argues that the AT&T tariff transmittals violate Section 51.907(g)(2), is also incorporated by reference. *See* Petition of Level 3 to Reject or Suspend and Investigate, WC Docket No. 17-65 (June 23, 2017).

# **EXHIBIT 5**

**Letter from Thomas Jones, Counsel  
for Level 3, and Christopher Shenk,  
Counsel for AT&T, to Rosemary  
McEnery, Chief, Market Disputes  
Resolution Division, et al., EB Docket  
No. 17-227, File No. EB-17-MD-003  
(Aug. 25, 2017)**

August 25, 2017

Rosemary McEnery, Chief  
Lisa Boehley  
Lisa Saks  
Market Disputes Resolution Division  
Enforcement Bureau  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Dear Ms. McEnery, Ms. Boehley, and Ms. Saks:

Thank you again for meeting with us on August 17, 2017. As discussed during our meeting, representatives of Level 3 Communications, LLC (“Level 3”) and AT&T Inc. (“AT&T,” and, together with Level 3, the “Parties”) have conferred regarding rules and procedures governing the Section 208 complaint that Level 3 anticipates filing against AT&T and certain of its affiliates, as well as the Parties’ related submissions. Subject to the approval of Enforcement Bureau staff, the Parties agree that waiver of the following Commission rules will result in a more efficient complaint process without compromising fairness to either of the Parties:

- Sections 1.721(a)(6), 1.724(c), and 1.726(c) governing the submission of proposed findings of fact, conclusions of law, and legal analysis relevant to claims;<sup>1</sup>
- Sections 1.721(a)(10), 1.724(f), and 1.726(d) governing the submission of information designations;<sup>2</sup> and
- Section 1.729 governing discovery, which the Parties agree not to request.<sup>3</sup>

There is good cause for the Bureau to waive application of these rules given the Parties’ agreement and the limited nature of the dispute between the Parties.<sup>4</sup>

In addition, the Parties agree that certain modifications to the required contents of and schedule for submission of pleadings will allow the Parties to more fully brief the issues in dispute. First, the Parties request permission for Level 3 to file a full reply to AT&T’s answer

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<sup>1</sup> 47 C.F.R. §§ 1.721(a)(6), 1.724(c), 1.726(c).

<sup>2</sup> *Id.* §§ 1.721(a)(10), 1.724(f), 1.726(d).

<sup>3</sup> *Id.* § 1.729.

<sup>4</sup> *See id.* § 1.3.

Ms. McEnery, Ms. Boehley, and Ms. Saks

August 25, 2017

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rather than the limited reply to affirmative defenses permitted under the Commission's rules.<sup>5</sup> Second, the Parties request permission for AT&T to file a surreply to Level 3's reply. Third, the Parties request that the Bureau waive the filing deadlines set forth in Sections 1.724(a) and 1.726(a) of the Commission's rules<sup>6</sup> and adopt the following extended pleading schedule:

- answer due 25 days from service of complaint;
- reply due 15 days from service of answer; and
- surreply due 15 days from service of reply.

Because the Parties have agreed to forego discovery, the proposed extended schedule will produce a full set of pleadings within 55 days of service of the complaint, which will aid the Bureau in concluding its investigation in a timely fashion, whether or not the Bureau determines that the complaint is governed by the five-month deadline in 47 U.S.C. § 208(b)(1).<sup>7</sup> The Parties' agreement and the limited nature of the instant dispute again provide good cause for the Bureau to grant the waivers requested in this paragraph.<sup>8</sup>

Finally, the Parties expect that they will generate materials that contain proprietary information during the course of the anticipated formal complaint proceeding. The Parties therefore have agreed that the handling of those materials should be governed by the terms of a protective order. The Parties hereby request that the Bureau enter the proposed protective order attached hereto, which is based largely upon the Model Protective Order approved by the Commission in the *Confidential Information Policy*<sup>9</sup> and is of the type that the Bureau has entered in previous formal complaint proceedings.<sup>10</sup>

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<sup>5</sup> See *id.* § 1.726(a).

<sup>6</sup> *Id.* §§ 1.724(a), 1.726(a).

<sup>7</sup> The Parties acknowledge that the Enforcement Bureau does not determine whether a complaint is subject to the five-month deadline under Section 208(b)(1) until after the complaint has been filed. As indicated to staff, Level 3 believes that the complaint it intends to file will be subject to the five-month statutory deadline. Irrespective of whether the Enforcement Bureau determines that the complaint meets the requirements of Section 208(b)(1), the Parties agree that the proposed waivers and pleading schedule should govern.

<sup>8</sup> See 47 C.F.R. § 1.3.

<sup>9</sup> *Examination of Current Policy Concerning the Treatment of Confidential Information Submitted to the Commission*, Report and Order, 13 FCC Rcd. 24816, App. C (1998) ("Confidential Information Policy").

<sup>10</sup> See, e.g., *AT&T Services Inc. and AT&T Corp. v. Great Lakes Comnet, Inc. and Westphalia Telephone*, Protective Order, File No. EB-14-MD-012 (Oct. 3, 2014).



Ms. McEnery, Ms. Boehley, and Ms. Saks  
August 25, 2017  
Page 3

Please contact the undersigned with any questions regarding this submission. We look forward to the staff's response at its earliest convenience.

Sincerely,

/s/ Thomas Jones

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Enclosure

# **EXHIBIT 6**

**Letter from Lisa Saks, Assistant Chief,  
Market Disputes Resolution Division,  
to Thomas Jones, Counsel for Level 3,  
and Christopher Shenk, Counsel for  
AT&T, EB Docket No. 17-227, File No.  
EB-17-MD-003 (Aug. 31, 2017)**

**FEDERAL COMMUNICATIONS COMMISSION**

**Enforcement Bureau  
Market Disputes Resolution Division  
445 12<sup>th</sup> St., SW  
Washington, DC 20554**

**Via Email and U.S. Mail**

August 31, 2017

Thomas Jones  
David P. Murray  
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Counsel for AT&T Inc.

Keith M. Krom  
Matthew Nodine  
Jeanine Poltronieri  
AT&T Services, Inc.  
1120 20<sup>th</sup> Street, NW, Suite 1000  
Washington, DC 20036

**Re: *Level 3 Communications, LLC v. AT&T Inc.*, Proceeding No. 17-227,  
Bureau ID No. EB-17-MD-003**

Counsel,

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On August 25, 2017, Level 3 Communications, LLC (Level 3) and AT&T Inc. (AT&T) requested Commission action with respect to several matters relating to Level 3's anticipated filing of a formal complaint in the above-referenced proceeding.<sup>1</sup> This letter ruling adopts, with minor modifications and clarifications, the proposals contained in the Joint Letter regarding the waiver of certain procedural rules, a schedule for the submission of pleadings, and the entry of a Protective Order establishing procedures for the use and disclosure of proprietary information.

**Waiver of Procedural Rules**

Having reviewed the Joint Letter's request for waiver of certain procedural rules,<sup>2</sup> we hereby grant the parties' request to waive the portions of Commission rules 1.721(a)(6), 1.724(c), and 1.726(c)

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<sup>1</sup> Letter from Thomas Jones, Counsel for Level 3 Communications, LLC, and Christopher T. Shenk, Counsel for AT&T Inc., to Rosemary McEnery, Chief, Market Disputes Resolution Division (dated Aug. 25, 2017) (Joint Letter).

<sup>2</sup> Joint Letter at 1-2.

that require a complaint, answer, and reply to include “proposed findings of fact” and “conclusions of law.”<sup>3</sup> This waiver does *not* include the portions of rules 1.721(a)(6), 1.724(c), and 1.726(c) that require a complaint, answer, and reply to include “legal analysis relevant to the claims and arguments” set forth in the pleadings, as we find that such analysis enhances the Commission’s understanding of the legal bases for claims and defenses.<sup>4</sup>

We also grant the parties’ request to waive the portion of rule 1.726(a) that limits the complainant to addressing, in its reply, only the “specific factual allegations and legal arguments made by the defendant *in support of its affirmative defenses*.”<sup>5</sup> Instead, Level 3 must file a reply addressing any factual allegation or legal argument in the answer, regardless of whether it purports to support an affirmative defense. We find that waiving this provision encourages joinder of the issues by the parties and results in a more complete record. Finally, given the limited nature of this dispute and the parties’ agreement to forego discovery, we grant the parties’ requested waiver of rules 1.721(a)(10), 1.724(f), and 1.726(d), governing the submission of information designations, and rule 1.729, governing the management of discovery.<sup>6</sup>

### **Schedule for Further Proceedings**

We establish the following schedule for the submission of pleadings in this case consistent with the Joint Letter:

- Answer due 25 days from service of Complaint;
- Reply due 15 days from service of Answer;
- Surreply due 15 days from service of Reply

In adopting this schedule, we grant the parties’ request for leave to file a surreply and for waiver of the filing deadlines in rules 1.724(a) and 1.726(a), as we find that these actions will help to develop a more complete record in this case.<sup>7</sup> We retain discretion to modify this schedule and to require additional written submissions as appropriate to meet the needs of this case.<sup>8</sup>

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<sup>3</sup> 47 CFR §§ 1.721(a)(6), 1.724(c), 1.726(c).

<sup>4</sup> *Id.* In addition, this ruling does not relieve the parties of their obligation to support legal arguments by citation to “appropriate judicial, Commission, or statutory authority” and to distinguish “[o]pposing authorities.” See 47 CFR § 1.720(d),(e).

<sup>5</sup> Joint Letter at 1-2. See 47 C.F.R. § 1.726(a) (emphasis added).

<sup>6</sup> Joint Letter at 1. See 47 CFR §§ 1.721(a)(10), 1.724(7), 1.726(d); and 1.729.

<sup>7</sup> Joint Letter at 2. See 47 CFR §§ 1.724(a), 1.726(a).

<sup>8</sup> We note that counsel for the parties have indicated that there are no disputed issues of fact in this case. If disputed issues of fact should arise, the parties may be required to file a Joint Statement of Stipulated Facts, Disputed Facts, and Key Legal Issues, in accordance with Commission rules 1.732(f),(g) and 1.733(b)(1)(v). See 47 CFR §§ 1.732(f),(g), 1.733(b)(1)(v).

**Protective Order**

The Joint Letter requests that the Commission enter the attached Protective Order, which establishes procedures governing the use and disclosure of proprietary information for purposes of this proceeding. The Joint letter states that the parties' proposed Protective Order is based largely upon the Model Protective Order approved by the Commission in *Examination of Current Policy Concerning the Treatment of Confidential Information Submitted to the Commission*, Report and Order, 13 FCC Rcd 24816, Appendix C (1998) and is "of the type that the Bureau has entered in previous formal complaint proceedings."<sup>9</sup> We find that granting the parties' request will serve the public interest. Accordingly, we hereby adopt the proposed Protective Order, which is appended to this letter ruling.

This letter ruling is issued pursuant to Sections 4(i), 4(j), and 208 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 208, Sections 0.457(d), 0.459, 0.461, and 1.720-1.736 of the Commission's rules, 47 C.F.R. §§ 0.457(d), 0.459, 0.461, and 1.720-1.736, and the authority delegated by sections 0.111 and 0.311 of the Commission's rules, 47 C.F.R. §§ 0.111 and 0.311.

FEDERAL COMMUNICATIONS COMMISSION



Lisa Saks, Assistant Division Chief,  
Market Disputes Resolution Division  
Enforcement Bureau

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<sup>9</sup> Joint Letter at 2. We note that the Commission staff suggested certain minor changes to the proposed Protective Order, as originally filed. The parties agreed to those changes, which are included in the version of the proposed Protective Order that the parties submitted with the Joint Letter.

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
LEVEL 3 COMMUNICATIONS, LLC,	)	
	)	
Complainant,	)	
	)	
v.	)	
	)	
AT&T INC., BELLSOUTH	)	
TELECOMMUNICATIONS, LLC,	)	
NEVADA BELL TELEPHONE COMPANY,	)	File No. EB-17-MD-003
PACIFIC BELL TELEPHONE COMPANY,	)	Proceeding No. 17-227
SOUTHWESTERN BELL TELEPHONE,	)	
L.P., ILLINOIS BELL TELEPHONE	)	
COMPANY, INDIANA BELL TELEPHONE	)	
COMPANY, MICHIGAN BELL	)	
TELEPHONE COMPANY, OHIO BELL	)	
TELEPHONE COMPANY, AND	)	
WISCONSIN BELL TELEPHONE	)	
COMPANY,	)	
	)	
Defendants.	)	
	)	

**PROTECTIVE ORDER**

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This Protective Order is intended to facilitate and expedite the review of documents containing trade secrets and commercial or financial information obtained from a person and which is privileged or confidential. It reflects the manner in which "Confidential Information," as that term is defined herein, is to be treated. The Order is not intended to constitute a resolution of the merits concerning whether any Confidential Information would be released publicly by the Commission upon a proper request under the Freedom of Information Act or other applicable law or regulation, including 47 C.F.R. § 0.442.

1. Definitions.

a. Authorized Representative. "Authorized Representative" shall have the meaning set forth in Paragraph 7.

b. Commission. "Commission" means the Federal Communications Commission or any arm of the Commission acting pursuant to delegated authority.



c. Confidential Information. “Confidential Information” means (i) information submitted to the Commission by the Submitting Party that has been so designated by the Submitting Party and which the Submitting Party has determined in good faith constitutes trade secrets or commercial or financial information which is privileged or confidential within the meaning of Exemption 4 of the Freedom of Information Act, 5 U.S.C. § 552(b)(4); (ii) information submitted to the Commission by the Submitting Party that has been so designated by the Submitting Party and which the Submitting Party has determined in good faith falls within the terms of Commission orders designating the items for treatment as Confidential Information; and (iii) information that the Commission has allowed to be examined off-site and that otherwise complies with the requirements of this paragraph. Confidential Information includes additional copies of and information derived from Confidential Information.

d. Declaration. “Declaration” means the Attachment to this Protective Order.

e. Reviewing Party. “Reviewing Party” means a person or entity participating in this proceeding or considering in good faith filing a document in this proceeding. The definition of Reviewing Party does not include the Commission or Commission staff.

f. Submitting Party. “Submitting Party” means a person or entity that seeks confidential treatment of Confidential Information pursuant to this Protective Order.

2. Claim of Confidentiality. The Submitting Party, may designate information as “Confidential Information” consistent with the definition of that term in Paragraph 1 of this Protective Order. The Commission may, *sua sponte* or upon petition, pursuant to 47 C.F.R. §§ 0.459 & 0.461, determine that all or part of the information claimed as “Confidential Information” is not entitled to such treatment.

3. Procedures for Claiming Information is Confidential. Confidential Information submitted to the Commission shall be filed under seal and shall bear on the front page in bold print, “CONTAINS PRIVILEGED AND CONFIDENTIAL INFORMATION - DO NOT RELEASE.” Confidential Information shall be segregated by the Submitting Party from all non-confidential information submitted to the Commission. To the extent a document contains both Confidential Information and non-confidential information, the Submitting Party shall designate the specific portions of the document claimed to contain Confidential Information and shall, where feasible, also submit a redacted version not containing Confidential Information. The redacted version of a pleading shall bear on the front page the legend “PUBLIC VERSION” and shall clearly indicate where confidential material has been redacted from an individual page. If any pages are removed in their entirety to prevent disclosure of confidential information, the Submitting Party shall insert a placeholder that (a) identifies each omitted document by its page, exhibit, or appendix number, (b) includes a descriptive title for the omitted document, and (c) contains the words “CONFIDENTIAL MATERIALS OMITTED” below the descriptive title. The confidential version of a pleading shall identify any Confidential Information by including the legend “BEGIN CONFIDENTIAL” and “END CONFIDENTIAL” at the beginning and end of any such information.

4. Storage of Confidential Information at the Commission. The Secretary of the Commission or other Commission staff to whom Confidential Information is submitted shall place the Confidential Information in a non-public file. Confidential Information shall be segregated in the files of the Commission, and shall be withheld from inspection by any person not bound by the terms of this Protective Order, unless such Confidential Information is released from the restrictions of this Protective Order either through agreement of the parties, or pursuant to the order of the Commission or a court having jurisdiction.

5. Access to Confidential Information. Confidential Information shall only be made available to Commission staff, Commission consultants and to counsel to the Reviewing Parties, or if a Reviewing Party has no counsel, to a person designated by the Reviewing Party. Before counsel to a Reviewing Party or such other designated person designated by the Reviewing Party may obtain access to Confidential Information, counsel or such other designated person must execute the attached Declaration. Consultants under contract to the Commission may obtain access to Confidential Information only if they have signed, as part of their employment contract, a non-disclosure agreement or if they execute the attached Declaration.

6. Counsel to a Reviewing Party or such other person designated pursuant to Paragraph 5 may disclose Confidential Information to other Authorized Representatives to whom disclosure is permitted under the terms of Paragraph 7 of this Protective Order only after advising such Authorized Representatives of the terms and obligations of the Protective Order. In addition, before Authorized Representatives may obtain access to Confidential Information, each Authorized Representative must execute the attached Declaration.

7. Authorized Representatives shall be limited to:

a. Counsel for the Reviewing Parties to this proceeding, including in-house counsel actively engaged in the conduct of this proceeding, and their associated attorneys, paralegals, clerical staff and other employees, to the extent reasonably necessary to render professional services in this proceeding;

b. Specified persons, including employees of the Reviewing Parties, requested by counsel to furnish technical or other expert advice or service, or otherwise engaged to prepare material for the express purpose of formulating filings in this proceeding; or

c. Any person designated by the Commission in the public interest, upon such terms as the Commission may deem proper, but the term Authorized Representative shall not include the Commission or Commission staff.

8. Copies of Confidential Information. The Submitting Party shall provide a copy of the Confidential Material to Authorized Representatives upon request and may charge a reasonable copying fee not to exceed twenty five cents per page. Authorized Representatives may make additional copies of Confidential Information but only to the extent required and solely for the preparation and use in this proceeding. Authorized Representatives must maintain a written record of any additional copies made and provide this record to the Submitting Party upon reasonable request. The original copy and all other copies of the Confidential Information shall remain in the care and control of Authorized Representatives at all times. Authorized



Representatives having custody of any Confidential Information shall keep the documents properly secured at all times.

9. Filing of Declaration. Counsel for Reviewing Parties shall provide to the Submitting Party and the Commission a copy of the attached Declaration for each Authorized Representative within five (5) business days after the attached Declaration is executed, or by any other deadline that may be prescribed by the Commission.

10. Use of Confidential Information. Confidential Information shall not be used by any person granted access under this Protective Order for any purpose other than for use in this proceeding (including any subsequent administrative or judicial review) unless otherwise ordered by the Commission or a court of competent jurisdiction, shall not be used for competitive business purposes, and shall not be used or disclosed except in accordance with this Protective Order. This shall not preclude the use of any material or information that is in the public domain or has been developed independently by any other person who has not had access to the Confidential Information nor otherwise learned of its contents.

11. Pleadings Using Confidential Information. Submitting Parties and Reviewing Parties may, in any pleadings that they file in this proceeding, reference the Confidential Information, but only if they comply with the following procedures:

a. Any portions of the pleadings that contain or disclose Confidential Information must be physically segregated from the remainder of the pleadings and filed under seal;

b. The portions containing or disclosing Confidential Information must be covered by a separate letter referencing this Protective Order;

c. Each page of any Party's filing that contains or discloses Confidential Information subject to this Protective Order must be clearly marked:

"Confidential Information included pursuant to Protective Order, [cite proceeding];" and

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d. The confidential portion(s) of the pleading, to the extent they are required to be served, shall be served upon the Secretary of the Commission, the Submitting Party, and those Reviewing Parties that have signed the attached Declaration. Such confidential portions shall be served under seal. They shall not be placed in the Commission's Public File unless the Commission directs otherwise (with notice to the Submitting Party and an opportunity to comment on such proposed disclosure). A Submitting Party or a Reviewing Party filing a pleading containing Confidential Information shall also file a redacted copy of the pleading containing no Confidential Information, which copy shall be placed in the Commission's public files. A Submitting Party or a Reviewing Party may provide courtesy copies of pleadings containing Confidential Information to Commission staff so long as the notation required by subsection c of this paragraph is not removed.

12. Violations of Protective Order. Should a Reviewing Party that has properly obtained access to Confidential Information under this Protective Order violate any of its terms,

it shall immediately convey that fact to the Commission and to the Submitting Party. Further, should such violation consist of improper disclosure or use of Confidential Information, the violating party shall take all necessary steps to remedy the improper disclosure or use. The Violating Party shall also immediately notify the Commission and the Submitting Party, in writing, of the identity of each party known or reasonably suspected to have obtained the Confidential Information through any such disclosure. The Commission retains its full authority to fashion appropriate sanctions for violations of this Protective Order, including but not limited to suspension or disbarment of attorneys from practice before the Commission, forfeitures, cease and desist orders, and denial of further access to Confidential Information in this or any other Commission proceeding. Nothing in this Protective Order shall limit any other rights and remedies available to the Submitting Party at law or equity against any party using Confidential Information in a manner not authorized by this Protective Order.

13. Termination of Proceeding. Unless otherwise ordered by the Commission or a court of competent jurisdiction, within two weeks after final resolution of this proceeding (which includes any administrative or judicial appeals), Authorized Representatives of Reviewing Parties shall destroy or return to the Submitting Party all Confidential Information as well as all copies and derivative materials made. Authorized Representatives shall certify in a writing served on the Commission and the Submitting Party that no material whatsoever derived from such Confidential Information has been retained by any person having access thereto, except that counsel to a Reviewing Party may retain two copies of pleadings submitted on behalf of the Reviewing Party and other attorney work product. Any Confidential Information contained in any copies of pleadings retained by counsel to a Reviewing Party or in materials that have not been destroyed pursuant to this paragraph shall be protected from disclosure or use indefinitely in accordance with Paragraphs 10 and 11 of this Protective Order unless such Confidential Information is released from the restrictions of this Protective Order either through agreement of the parties, or pursuant to the order of the Commission or a court having jurisdiction.

14. No Waiver of Confidentiality. Disclosure of Confidential Information as provided herein shall not be deemed a waiver by the Submitting Party of any privilege or entitlement to confidential treatment of such Confidential Information. Reviewing Parties, by viewing these materials: (a) agree not to assert any such waiver; (b) agree not to use information derived from any confidential materials to seek disclosure in any other proceeding; and (c) agree that accidental disclosure of Confidential Information shall not be deemed a waiver of any privilege.

15. Additional Rights Preserved. The entry of this Protective Order is without prejudice to the rights of the Submitting Party to apply for additional or different protection where it is deemed necessary or to the rights of Reviewing Parties to request further or renewed disclosure of Confidential Information.

16. Effect of Protective Order. This Protective Order constitutes an Order of the Commission and an agreement between the Reviewing Party, executing the attached Declaration, and the Submitting Party.

17. Authority. This Protective Order is issued pursuant to Sections 4(i), 4(j) and 208 of the Communications Act as amended, 47 U.S.C. §§ 154(i), 154(j) and 208, sections 0.457(d),

0.459, 0.461, and 1.720-1.736 of the Commission's rules, 47 C.F.R. §§ 0.457(d), 0.459, 0.461, and 1.720-1.736, and the authority delegated by sections 0.111 and 0.311 of the Commission's rules, 47 C.F.R. §§ 0.111 and 0.311.

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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554**

In the Matter of	)	
	)	
LEVEL 3 COMMUNICATIONS, LLC,	)	
	)	
Complainant,	)	
	)	
v.	)	
	)	
AT&T INC., BELLSOUTH	)	
TELECOMMUNICATIONS, LLC,	)	
NEVADA BELL TELEPHONE COMPANY,	)	File No. EB-17-MD-003
PACIFIC BELL TELEPHONE COMPANY,	)	Proceeding No. 17-227
SOUTHWESTERN BELL TELEPHONE,	)	
L.P., ILLINOIS BELL TELEPHONE	)	
COMPANY, INDIANA BELL TELEPHONE	)	
COMPANY, MICHIGAN BELL	)	
TELEPHONE COMPANY, OHIO BELL	)	
TELEPHONE COMPANY, AND	)	
WISCONSIN BELL TELEPHONE	)	
COMPANY,	)	
	)	
Defendants.	)	
	)	

**DECLARATION**

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I, \_\_\_\_\_, hereby declare under penalty of perjury that I have read the Protective Order in this proceeding, and that I agree to be bound by its terms pertaining to the treatment of Confidential Information submitted by parties to this proceeding. I understand that the Confidential Information shall not be disclosed to anyone except in accordance with the terms of the Protective Order and shall be used only for purposes of the proceedings in this matter. I acknowledge that a violation of the Protective Order is a violation of an order of the Federal Communications Commission. I acknowledge that this Protective Order is also a binding agreement with the Submitting Party.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Representing: \_\_\_\_\_

Title: \_\_\_\_\_

Employer: \_\_\_\_\_

Address: \_\_\_\_\_

Tel: \_\_\_\_\_

Date: \_\_\_\_\_

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# **EXHIBIT 7**

**Letter from Thomas Jones, Counsel  
for Level 3, and Michael J. Hunseder,  
Counsel for AT&T, to Marlene H.  
Dortch, Secretary, FCC, EB Docket  
No. 17-227, File No. EB-17-MD-003  
(Sept. 7, 2017)**

September 7, 2017

**VIA ECFS**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

**Re:    *Level 3 Communications, LLC v. AT&T Inc. et al.*, EB Docket No. 17-227,  
      File No. EB-17-MD-003**

Dear Ms. Dortch:

Level 3 Communications, LLC (“Level 3”) and AT&T Inc. (“AT&T,” and, together with Level 3, the “Parties”) have further discussed certain rules and procedures governing the Section 208 complaint that Level 3 anticipates filing against AT&T and certain of its affiliates this week, as well as the Parties’ related submissions. Subject to the approval of Enforcement Bureau staff, the Parties agree that waiver of the following Commission rules will result in a more efficient complaint process without compromising fairness to either of the Parties.

*First*, the Parties request a limited waiver of Section 1.720(f),<sup>1</sup> which requires submission of all “non-Commission authorities relied upon which are not routinely available in national reporting systems,”<sup>2</sup> in order that they may submit relevant excerpts of supporting documents as part of briefing. For its part, Level 3 proposes to file only an excerpt from an otherwise voluminous Level 3-commissioned analyst report. Level 3 has only relied on one page of this report to support its complaint. The remainder of the report is both extraneous and competitively sensitive, addressing a number of competitive business forecasting issues not relevant to the instant dispute. AT&T would retain (and not waive) the right to seek the entire document at a later time. AT&T would also be able to take advantage of this approach to the extent that it seeks to rely on portions of larger documents in its answer or surreply, and Level 3 would retain (and not waive) the right to seek the entire versions of such documents at a later time. This limited waiver would align with the logic of Section 1.720(h), which allows filers to submit excerpts of the relevant portions of tariffs relied up on in a complaint, rather than requiring submission of entire tariffs.<sup>3</sup>

*Second*, the Parties seek a waiver of the Section 1.735(c) provision requiring service of a complaint by “hand delivery”<sup>4</sup> to instead permit email service of Level 3’s complaint.

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<sup>1</sup> 47 C.F.R. § 1.720(f).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* § 1.720(h).

<sup>4</sup> *Id.* § 1.735(c).

Ms. Dortch  
September 7, 2017  
Page 2

Permitting email service of the complaint aligns with Section 1.735(f) because email is already an approved method of service for subsequent filings.<sup>5</sup>

For the reasons set forth above, and in light of the Parties' agreement and the limited nature of the dispute, there is good cause for the Bureau to waive application of these rules.<sup>6</sup>

Please contact the undersigned with any questions regarding this submission. We look forward to the staff's response at its earliest convenience.

Sincerely,

/s/ Thomas Jones

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Willkie Farr & Gallagher LLP  
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cc: Rosemary McEnergy  
Lisa Saks  
Lisa Boehley

/s/ Michael J. Hunseder

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<sup>5</sup> See *id.* § 1.735(f).

<sup>6</sup> See *id.* § 1.3.



# **EXHIBIT 8**

**Letter from Lisa Saks, Assistant Chief,  
Market Disputes Resolution Division,  
to Thomas Jones, Counsel for Level 3,  
and Christopher Shenk, Counsel for  
AT&T, EB Docket No. 17-227, File No.  
EB-17-MD-003 (Sept. 11, 2017)**

**FEDERAL COMMUNICATIONS COMMISSION**  
**Enforcement Bureau**  
**Market Disputes Resolution Division**  
**445 12<sup>th</sup> St., SW**  
**Washington, DC 20554**

**Via Email and U.S. Mail**

September 11, 2017

Thomas Jones  
David P. Murray  
Willkie Farr & Gallagher LLP  
1875 K Street, NW  
Washington, DC 20006

Counsel for Level 3  
Communications, LLC

Joseph C. Cavender  
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1220 L Street, NW  
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Counsel for AT&T Inc.

Keith M. Krom  
Matthew Nodine  
Jeanine Poltronieri  
AT&T Services, Inc.  
1120 20<sup>th</sup> Street, NW, Suite 1000  
Washington, DC 20036

**Re:    *Level 3 Communications, LLC v. AT&T Inc., Proceeding No. 17-227,***  
**Bureau ID No. EB-17-MD-003**

Counsel,

On September 7, 2017, Level 3 Communications, LLC (Level 3) and AT&T Inc. (AT&T) jointly requested a limited waiver of two Commission rules governing Level 3's anticipated filing of a formal complaint in the above-referenced proceeding.<sup>1</sup> This letter ruling grants the requested waivers subject to the conditions and/or clarifications set forth below.

First, the September 7<sup>th</sup> Joint Letter requests a limited waiver of Commission rule 1.720(f), which requires submission "of all non-Commission authorities relied upon which are not routinely available in

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<sup>1</sup> Letter from Thomas Jones, Counsel for Level 3 Communications, LLC, and Michael J. Hunseder, Counsel for AT&T Inc., to Marlene H. Dortch, Office of the Secretary (dated Sept. 7, 2017) (September 7<sup>th</sup> Joint Letter). On August 31, 2017, we adopted, with minor modifications and/or clarifications, proposals contained in an earlier Joint Letter filed by the parties regarding the waiver of certain procedural rules, a schedule for the submission of pleadings, and the entry of a Protective Order. See Letter from Lisa Saks, Assistant Division Chief, Market Disputes Resolution Division, to Thomas Jones, Counsel for Level 3 Communications, LLC, and Christopher T. Shenk, Counsel for AT&T Inc. (Aug. 31, 2017) (addressing procedural matters raised in the parties' August 25, 2017 Joint Letter).

national reporting systems, such as unpublished decisions or slip opinions of courts or administrative agencies.”<sup>2</sup> The parties seek a waiver of rule 1.720(f) to the extent that it requires a party to submit, in its entirety, a voluminous supporting document where the party intends to rely upon only a small excerpt of that document.<sup>3</sup> Instead, the parties propose to submit only the portions of the document they deem relevant, subject to the condition that the opposing party shall “retain (and not waive) the right to seek the entire document at a later time.”<sup>4</sup> We agree that the proposed waiver will produce a more efficient complaint process without compromising fairness. Accordingly, we grant the parties’ joint request for a limited waiver of rule 1.720(f) provided that, with respect to any excerpted document relied upon by either party, (a) staff retain discretion to require submission of the entire document or an expanded excerpt of such document at a later time; and (b) the grant of this limited waiver shall not be deemed a ruling on the probative value of any excerpted material.

Second, the September 7<sup>th</sup> Joint Letter requests a limited waiver of Commission rule 1.735(c) to the extent that it requires service of a complaint on a named defendant “by hand delivery.”<sup>5</sup> The parties argue that permitting email service, rather than hand delivery, of Level 3’s complaint “aligns with” rule 1.735(f), which includes email among the approved methods of service for all “subsequent pleadings” in a formal complaint proceeding.<sup>6</sup> We grant the requested waiver of rule 1.735(c), which will permit Level 3 to serve its complaint on AT&T via email, as agreed to by the parties. Given *staff’s* affirmative request for hard copies of all submissions, as provided in rule 1.735(e), however, we note that this waiver does not eliminate the parties’ obligation to submit hard copies of all submissions, including the complaint, to staff in the Market Disputes Resolution Division of the Enforcement Bureau.<sup>7</sup>

This letter ruling is issued pursuant to Sections 4(i), 4(j), and 208 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 208, Sections 1.720-1.736 of the Commission’s rules, 47 C.F.R. §§ 1.720-1.736, and the authority delegated by sections 0.111 and 0.311 of the Commission’s rules, 47 C.F.R. §§ 0.111 and 0.311.

## FEDERAL COMMUNICATIONS COMMISSION



Lisa Saks, Assistant Division Chief  
Market Disputes Resolution Division  
Enforcement Bureau

<sup>2</sup> September 7<sup>th</sup> Joint Letter at 1 (citing 47 CFR § 1.720(f)).

<sup>3</sup> For example, the September 7<sup>th</sup> Joint Letter states that Level 3 intends to rely upon only a single page of a “voluminous Level 3-commissioned analyst report” and notes that the “remainder of the report is both extraneous and competitively sensitive.” September 7<sup>th</sup> Joint Letter at 1.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.* at 1 (citing 47 CFR § 1.735(c)).

<sup>6</sup> *Id.* at 2 (citing 47 CFR § 1.735(f)).

<sup>7</sup> See 47 CFR § 1.735(e).

# **EXHIBIT 9**

## **Declaration of Edwin Stocker**

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

LEVEL 3 COMMUNICATIONS, LLC,

Complainant,

v.

AT&T INC., BELLSOUTH  
TELECOMMUNICATIONS, LLC,  
NEVADA BELL TELEPHONE COMPANY,  
PACIFIC BELL TELEPHONE COMPANY,  
SOUTHWESTERN BELL TELEPHONE,  
L.P., ILLINOIS BELL TELEPHONE  
COMPANY, INDIANA BELL TELEPHONE  
COMPANY, MICHIGAN BELL  
TELEPHONE COMPANY, OHIO BELL  
TELEPHONE COMPANY, AND  
WISCONSIN BELL TELEPHONE  
COMPANY,

Defendants.

EB Docket No. 17-227  
File No. EB-17-MD-003

**DECLARATION OF EDWIN STOCKER**

I, Edwin Stocker, hereby declare and certify as follows:

1. I have been employed by the Complainant, Level 3 Communications, LLC (“Level 3”) since 2004. I have held the title of Director, Product Management since March 2014. In this role, I manage Level 3’s Wholesale Local Voice Services product portfolio. My responsibilities include overseeing Level 3’s relationships with the providers from which Level 3 purchases tariffed tandem-switched transport access services as inputs to Level 3’s voice services. I have extensive experience with AT&T’s Access Services Tariffs, including the recent

revisions to those tariffs that AT&T claims implement Step Six of the transition of Price Cap Carrier access charges from the legacy intercarrier compensation system to a bill-and-keep regime.<sup>1</sup>

2. The purpose of this declaration is to describe (1) the manner and extent to which Level 3 purchases and relies on AT&T's tandem-switched transport access services; (2) the harmful effects that AT&T's tariff revisions have had and will continue to have on Level 3 if the Commission permits them to remain in effect; and (3) the harmful effects that AT&T's tariff revisions have had and will continue to have on competition and consumers if the Commission permits the tariff revisions to remain in effect.

3. Level 3 provides switched long-distance voice services, among other services, to wholesale and retail customers. Long-distance calls initiated by Level 3 customers (and/or customers of Level 3's customers) that terminate in AT&T's incumbent LEC territory commonly traverse a tandem switch that is owned by AT&T. Where that is the case, Level 3 must purchase tandem-switched transport access services from AT&T. Level 3 purchases from AT&T the same

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<sup>1</sup> See 47 C.F.R. § 51.907(g)(2) (requiring Price Cap Carriers to implement by July 1, 2017 Step Six of the access charge transition to bill-and-keep, i.e., to establish tandem-switched transport access service rates no greater than \$0.0007 per minute when traffic traverses "a tandem switch that the terminating carrier or its affiliates owns"); *see also* Ameritech Operating Companies, Transmittal No. 1859, Description and Justification, 1 (June 7, 2017); BellSouth Telecommunications, Transmittal No. 129, Description and Justification, 1 (June 7, 2017); Nevada Bell Telephone Company, Transmittal No. 300, Description and Justification, 1 (June 7, 2017); Pacific Bell Telephone Company, Transmittal No. 552, Description and Justification, 1 (June 7, 2017); Southwestern Bell Telephone Company, Transmittal No. 3443, Description and Justification, 1 (June 7, 2017); Ameritech Operating Companies, Transmittal No. 1860, Description and Justification, 34 (June 16, 2017); BellSouth Telecommunications, Transmittal No. 130, Description and Justification, 32 (June 16, 2017); Nevada Bell Telephone Company, Transmittal No. 301, Description and Justification, 31 (June 16, 2017); Pacific Bell Telephone Company, Transmittal No. 553, Description and Justification, 31 (June 16, 2017); Southwestern Bell Telephone Company, Transmittal No. 3444, Description and Justification, 32 (June 16, 2017) ("AT&T Description and Justification") (attached to Complaint as Exhibits 10 and 11).

tandem-switched transport access services—under the same tariffs and consisting of the same network functionalities—regardless of whether the call is terminated by an AT&T-affiliated ILEC, VoIP provider, CMRS provider, or CLEC.

4. AT&T applies the Step Six maximum tandem-switched transport access service rate of \$0.0007 per minute only to calls that terminate with an AT&T Price Cap Carrier.<sup>2</sup> AT&T does not apply the Step Six maximum rate of \$0.0007 per minute to traffic that terminates with other AT&T affiliates, including AT&T affiliates that provide VoIP, wireless service, and CLEC service.<sup>3</sup> Instead, AT&T charges tandem-switched transport access service rates as high as \$0.0018 per minute for termination of such traffic, which is over two times the maximum Step Six rate.<sup>4</sup>

5. Level 3 frequently is exposed to the higher tandem-switched transport access service charges that AT&T applies to traffic that terminates with its non-Price Cap Carrier affiliates. That is because when a customer makes a switched voice call there is a very high, and growing, probability that the call will terminate not with an incumbent LEC but with a VoIP provider or a wireless carrier. And when a call that traverses a tandem switch owned by an AT&T Price Cap Carrier is bound for an AT&T-owned end office, there is a high, and growing,

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<sup>2</sup> Ameritech Operating Companies, Transmittal No. 1860, Tariff F.C.C. No. 2 § 6.9.1(A) (June 16, 2017); BellSouth Telecommunications, Transmittal No. 130, Tariff F.C.C. No. 1 § 6.8.1(C) (June 16, 2017); Nevada Bell Telephone Company, Transmittal No. 301, Tariff F.C.C. No. 1 § 6.8.1(C) (June 16, 2017); Pacific Bell Telephone Company, Transmittal No. 553, Tariff F.C.C. No. 1 § 6.8.2(C) (June 16, 2017); Southwestern Bell Telephone Company, Transmittal No. 3444, Tariff F.C.C. No. 73 § 6.9.2(C) (June 16, 2017) (attached to Complaint as Exhibit 11).

<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

probability that the call will terminate not with an AT&T Price Cap Carrier's end office, but with an AT&T VoIP provider's end office or an AT&T wireless carrier's end office.

6. For as long as AT&T's tariff revisions remain in effect, when long-distance voice traffic that traverses an AT&T Price Cap Carrier's tandem terminates with a non-Price Cap Carrier AT&T affiliate, Level 3 will have no choice but to pay AT&T rates that are significantly higher than the rates Level 3 pays when long-distance traffic that traverses an AT&T Price Cap Carrier's tandem terminates with an AT&T Price Cap Carrier. As a result of this disparity, Level 3 is already paying [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] more per month in tandem-switched transport access service charges than it would pay if AT&T applied the Step Six maximum rate of \$0.0007 per minute to traffic that terminates with non-Price Cap Carrier AT&T affiliates. The frequency with which Level 3 will be forced to incur those charges will only increase as the percentage of calls terminated with non-Price Cap Carrier AT&T affiliate end offices increases.

7. Based on industry analysis available to Level 3,<sup>5</sup> and Level 3's own analysis of its performance, I project that the total volume of Level 3-delivered long-distance calls, measured in minutes of use, [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] Based on my analysis of two years of termination data for enterprise long-distance voice traffic compiled by Level 3 in the ordinary course of business, I project that the total volume of long-distance calls, measured in minutes of use, that Level 3 delivers to all VoIP, CMRS, and CLEC end offices combined (via all switches, including tandems and direct connections to end office switches and their equivalents) [BEGIN

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<sup>5</sup> See Excerpt from Atlantic – ACM, *U.S. Telecom Wired and Wireless Sizing and Share Forecast: 2015-2020*, at 21 (Aug. 2015) (attached to Complaint as Exhibit 15).



**CONFIDENTIAL]** [REDACTED][REDACTED] **[END**

**CONFIDENTIAL]** This analysis further indicates that, while the total volume of long-distance voice traffic is declining, (1) the rate at which the volume of long-distance calls delivered to VoIP and CLEC end offices is declining is slower than the rate at which the volume of long-distance calls delivered to Price Cap ILEC end offices is declining, and (2) the volume of long-distance calls delivered to CMRS end offices is increasing.

8. In light of these changes in traffic patterns, I estimate that AT&T's implementation of the Step Six maximum rate, and its anticipated implementation of the Step Seven transition to bill-and-keep in July 2018, will increase the difference between what Level 3 believes is the correct total cost for tandem-switched transport access services and what AT&T will charge for such services. Set forth in the table below are Level 3's estimated increased costs for tandem-switched transport access services for traffic terminating with non-Price Cap Carrier AT&T affiliate end offices homed exclusively behind AT&T tandems for the July 2017 to July 2018 and July 2018 to July 2019 time periods.

Period	Level 3 Monthly Minutes of Use	AT&T Cost Per Minute	Correct Cost Per Minute	Cost Per Minute Difference	AT&T Monthly Charge	Correct Monthly Charge	Monthly Cost Difference
2017-2018	[BEGIN CONFIDENTIAL] [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [END CONFIDENTIAL]
2018-2019	[BEGIN CONFIDENTIAL] [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED] [END CONFIDENTIAL]

9. The column labeled “Level 3 Monthly Minutes of Use” represents my estimate of the volume, in minutes of use, of Level 3 long-distance voice traffic per month for the relevant time periods that I project will terminate with non-Price Cap Carrier AT&T affiliate end offices homed exclusively behind AT&T tandems.

10. The column labeled “Cost Per Minute Difference” represents my estimates for each of the relevant time periods of the difference between what Level 3 believes is the correct charge per minute for tandem-switched transport access service for calls terminating with AT&T’s non-Price Cap Carrier affiliates pursuant to 47 C.F.R. §§ 51.907(g)-(h) (“Correct Cost Per Minute”), and what AT&T will charge per minute for such service under its existing tariffs (“AT&T Cost Per Minute”). To calculate the Cost Per Minute Difference for the July 2017 to July 2018 time period, I subtracted the \$0.0007 per minute rate from the weighted average of the rates for traffic terminating with non-Price Cap Carrier AT&T affiliates set forth in AT&T’s tariffs. For the July 2018 to July 2019 time period, Level 3 believes that the rate for tandem-switched transport access service AT&T provides for calls terminating with its non-Price Cap Carrier affiliates should be zero. Accordingly, the Cost Per Minute Difference for the July 2018 to July 2019 time period is equal to the weighted average of the per-minute rates set forth in AT&T’s existing tariffs for traffic terminating with non-Price Cap Carrier AT&T affiliates.

11. The column labeled “Monthly Cost Difference” represents my estimates for each of the relevant time periods of the difference between what Level 3 believes is the correct charge per month for tandem-switched transport access service for traffic terminating with non-Price Cap Carrier AT&T affiliates pursuant to 47 C.F.R. §§ 51.907(g)-(h) (“Correct Monthly Charge”), and what AT&T will charge per month for such service (“AT&T Monthly Charge”). To calculate Monthly Cost Difference for the July 2017 to July 2018 and July 2018 to July 2019

time periods, I subtracted the product of the Correct Cost Per Minute and Level 3 Monthly Minutes of Use from the product of the AT&T Cost Per Minute and Level 3 Monthly Minutes of Use.

12. It is my understanding that, as a result of changes in traffic patterns and the reduction in customer demand for circuit-switched telephone service provided by Price Cap Carriers, not to mention the transition to bill-and-keep, the substantial revenues that AT&T earns from tandem-switched transport access service charges are declining. It therefore is my belief that AT&T's tariff revisions are an attempt to maximize and prolong the implicit subsidies AT&T receives from tandem-switched transport access service charges, thereby benefitting AT&T while delaying the transition to a bill-and-keep regime. AT&T has an especially strong incentive to engage in this conduct because, unlike other Price Cap Carriers except for Verizon, AT&T owns an affiliate that provides CMRS service. If AT&T were to apply the Step Six maximum rate to the growing volume of calls terminated with its CMRS affiliate, its tandem-switched transport access charge revenues would be lower than is the case under the current AT&T tariffs. As explained herein, AT&T's tariff manipulation scheme has several harmful effects.

13. *First*, the excessive rates that AT&T charges for tandem-switched transport access service terminating with a non-Price Cap Carrier affiliate give AT&T an unjustifiable cost advantage over Level 3 and other competitors. AT&T is well aware that Level 3 and other competitors have no choice but to continue to purchase these inputs from AT&T when their customers' calls must traverse a tandem owned by an AT&T Price Cap Carrier that terminates at an end office owned by a non-Price Cap Carrier affiliate of AT&T. Since AT&T's legacy tandem-switched transport access service charges are likely well above the incremental costs that

AT&T incurs to provide those services, retaining its high legacy charges gives AT&T a competitive advantage over Level 3 and others in providing services for which tandem-switched transport access services are an input.

14. *Second*, AT&T's limited application of the Step Six maximum rate delays the transition to IP interconnection. My understanding is that AT&T only has the right to charge tariffed tandem-switched transport access rates for traffic exchanged with other carriers in time division multiplexing ("TDM") format. TDM interconnection is less efficient than IP interconnection. But in order take advantage of its high access charges for calls terminated with non-Price Cap Carrier affiliates, AT&T must insist that carriers interconnect in TDM format. In fact, all carriers that have adopted AT&T's approach to implementing the Step Six rate reduction must also insist on interconnection in TDM format in order to take advantage of their tariffed access charges. This means that the industry-wide transition to IP interconnection is likely to be delayed as a result of AT&T's limited application of the Step Six reduction in access charges.

15. *Third*, AT&T's approach to implementing the Step Six reduction in access charges will likely create opportunities for carriers to engage in wasteful schemes to maximize the volume of traffic subject to the charge applicable to calls terminated with non-Price Cap Carrier affiliates. Such schemes would result in costly disputes in which the harmed carrier would be required to incur the time and expense of ensuring that it is charged the correct price for tandem-switched transport access service.

16. *Finally*, AT&T's approach to implementing Step Six harms purchasers of downstream services provided by Level 3. Given the competitive nature of the long-distance voice market, there is a significant chance that the market would force retail and wholesale prices to decline if AT&T were to reduce the rates it charges for tandem-switched transport access

services associated with traffic terminated by all AT&T-affiliated providers of voice service.

However, if AT&T's tariff revisions are permitted to remain in effect, Level 3's downstream customers will be harmed because they will continue to pay higher prices that must incorporate AT&T's legacy tandem-switched transport access service charges.

**CERTIFICATION**

I certify under penalty of perjury that the foregoing is true and correct.

Edwin Stocker  
Edwin Stocker

Dated: 9/6/17

# **EXHIBIT 10(a)**

**Excerpts from AT&T Price Cap  
Carrier June 7, 2017 Tariff Filings -  
Ameritech Operating Companies:  
Cover Letter, Description &  
Justification, Revised Tariff Pages**



Kristen E. Shore,  
Assistant Vice President – Regulatory  
675 W. Peachtree St. NW  
Atlanta, Georgia 30308

FRN: 0020-5728-30

June 7, 2017

Transmittal No. 1859

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Washington, D.C. 20554

Attention: Wireline Competition Bureau

The accompanying tariff material, issued by Ameritech Operating Companies (Ameritech) and bearing Tariff F.C.C. No. 2, is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended.

This filing, scheduled to become effective June 22, 2017, consists of the tariff pages as indicated on the following check sheets

Tariff F.C.C. No.  
2

Check Sheet Revision No.  
1677th Revised Page 1  
254th Revised Page 1.4

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (USF/ICC Order), FCC No. 11-161 released November 18, 2011, price cap carriers are required to bifurcate their terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings.

With this filing, Ameritech is restructuring its tandem transport and host remote rate elements.

In accordance with Section 61.14, this transmittal letter and associated attachments are being filed electronically today via the Federal Communications Commission's Electronic Tariffing System (ETFS) in compliance with the electronic filing procedures.

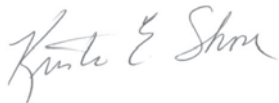


Wireline Competition Bureau  
Page 2  
June 7, 2017

Payment in the amount of \$925.00 has been electronically transmitted to the US Bank in St. Louis, Missouri, in accordance with the fee program procedures. The Form 159 is being transmitted electronically via ETFS as a proprietary document. These actions have been committed on the date established as the issued (filed) date as reflected above.

Personal or facsimile service petitions against this Letter, as required under Section 1.773(a)(4) of the Commission's Rules, should be sent to Rosemary Chambers, Area Manager – Access Regulatory, 311 S. Akard, Room 9-A19, Dallas, Texas 75202, facsimile number (214) 464-2006. All other correspondence and inquiries concerning this Transmittal should be addressed to Debra L. Clemens, Director-Federal Regulatory, (202) 457-3066, 1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kuntz E. Shum".

Attachments:

Letter  
Tariff Pages  
Description and Justification

**AMERITECH OPERATING COMPANIES  
DESCRIPTION AND JUSTIFICATION  
June 7, 2017  
TRANSMITTAL NO. 1859**

**PURPOSE**

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (*USF/ICC Order*), FCC No. 11-161 released November 18, 2011, price cap carriers are required to bifurcate their terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings. In discussions between the Price Cap Industry and the FCC following transitional rules for the treatment of tandem traffic were developed:

- Traffic Terminating from a Price Cap ILEC-owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered "Tandem-to-End Office" that will transition to \$0.0007 (July 2017).
- All other Tandem Traffic that traverses an ILEC-owned tandem and does not terminate to an end user served by the ILEC End Office will be considered "Tandem-to- 3rd Parties," and will continued to be billed at the current Interstate rates. This includes traffic that terminates from a Price Cap ILEC-owned tandem to an affiliated CLEC or wireless end office.
- Terminating traffic switched through a Tandem to an End Office to a Host and then to a Remote that are all owned by the same Price Cap LEC, should be billed at the transitional rates – (Tandem to End office).
- For terminating traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities, the rate depends on whether or not the Tandem within the study area (Homing Tandem) is owned by the Price Cap LEC.
  - Terminating Traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities and the Price Cap LEC also owns the Homing Tandem within the study area, should be billed at the transitional rates – (Tandem to End office). (The reasoning for using the transitional rates is because the opportunity exists for the terminating traffic to be switched through the Tandem owned by the Price Cap LEC and be billed at transitional rates).

With this filing, Ameritech Operating Companies (Ameritech) is restructuring its tandem transport and host remote rate elements to comply with the above rules.

**DESCRIPTION**

Currently, Ameritech's Tariff FCC No. 2 has a single set of rate elements that apply to all terminating tandem traffic and they are Tandem-Switched Transmission/Common Transport per access minute, per access minute of use per mile, and terminating Host Remote. Ameritech will split that single set into two sets – one set of rate elements for terminating tandem traffic that traverses the Telephone Company's own Tandem and terminates to the Telephone Company's own end office ("Tandem to End Office"); the second set of rate elements for terminating tandem traffic that traverses the Telephone Company's own Tandem and terminates to non-Telephone Company 3rd party locations ("Tandem to 3rd Party"). The splitting of the tandem rate elements is administrative in nature. The existing tandem rates are not changing with this filing.

This filing is being made on a 15-days' notice.

Title pages 1 and 2 and pages 1 to 846 inclusive of this tariff are effective as of the date shown.  
Original and revised pages as named below and Supplement No. 341 contain all changes from the original tariff that are in effect on the date hereof.

Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated
Title 1	6th	7	6th	19.3	8th
Title 2	12th	7.1	4th	19.4	1st
1	1677th*	8	15th	20	10th
1.1	375th	8.1	5th	20.1	5th
1.2	350th	9	25th	20.2	4th
1.3	295th	9.1	1st	21	4th
1.4	254th*	10	28th	22	1st
1.5	242nd	10.1	12th	23	3rd
1.6	210th	10.2	9th	24	1st
1.7	155th	11	4th	25	3rd
1.8	131st	12	10th	25.1	1st
1.9	158th	13	6th	25.2	1st
1.10	50th	13.1	6th	26	3rd
1.11	62nd	13.2	10th	27	9th
1.12	43rd	13.3	13th	28	11th
1.13	18th	13.4	21st	28.1	5th
1.14	31st	13.5	37th	29	1st
1.15	67th	13.6	39th	30	Original
1.15.1	5th	13.7	44th	31	Original
1.16	88th	13.8	46th	32	Original
1.17	24th	13.8.1	30th	33	Original
1.18	33rd	13.9	5th	34	4th
1.19	45th	14	3rd	34.1	1st
1.20	44th	15	16th	35	5th
1.21	45th	15.1	11th	35.1	1st
1.22	47th	15.2	1st	36	9th
1.23	41st	16	12th	36.1	7th
1.24	38th	16.1	11th	37	14th
1.25	26th	16.1.1	Original	37.1	4th
1.26	2nd	16.2	9th	37.2	7th
2	6th	16.3	2nd	37.3	6th
3	9th	16.4	3rd	37.4	1st
3.1	15th	16.5	Original	37.5	2nd
4	17th	16.6	3rd	38	9th
4.1	10th	16.7	3rd	38.1	11th
5	18th	17	1st	38.2	6th
5.1	20th	18	6th	38.2.1	3rd
5.2	5th	19	27th	38.3	4th
6	5th	19.1	13th	38.4	4th
6.1	6th	19.2	15th		
6.2	6th				

\* New or Revised Page

Issuing Officer: Kristen Shore, Executive Director - Regulatory

(This page filed under Transmittal No. 1859)

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Effective: June 22, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated
170	6th	180.7	1st	199	7th	216.1	10th
171	1st	180.8	2nd	199.1	1st	216.2	3rd
171.1	6th	180.8.1	8th	200	10th	217	7th
172	5th	180.8.1.1	2nd	200.1	3rd	218	11th
172.1	4th	180.8.1.2	3rd	201	4th	219	10th
173	8th	180.8.1.3	2nd	202	6th		
173.1	11th	180.8.1.4	2nd	203	7th		
173.2	2nd	180.8.1.5	2nd	204	10th		
174	14th	180.8.1.6	2nd	204.1	6th		
174.1	6th	180.8.1.7	2nd	205	10th		
174.1.1	5th	180.8.1.8	3rd	205.1	3rd		
174.1.2	7th	180.8.1.9	3rd	206	12th		
174.1.3	5th	180.8.2	2nd	206.1	3rd		
174.2	6th	180.8.2.1	1st	206.2	1st		
175	6th	180.8.3	1st	207	53rd*		
175.1	13th	180.8.3.1	6th*	207.1	26th*		
175.2	9th	180.8.3.2	1st	207.1.1	13th		
175.2.1	3rd	180.9	8th	207.1.1.1	12th*		
175.3	6th	180.9.1	5th	207.1.2	5th		
175.3.1	1st	180.9.2	Original	207.1.3	Original		
176	13th	180.9.3	Original	207.2	8th		
176.1	13th	180.10	1st	208	18th		
176.2	21st	181	12th	209	17th		
176.3	11th	182	7th	209.1	5th		
176.3.1	5th	183	6th	209.2	4th		
176.3.2	3rd	184	4th	210	10th		
176.3.3	3rd	185	4th	211	22nd*		
176.4	9th	186	4th	211.1	7th*		
177	9th	187	3rd	211.2	6th*		
178	4th	188	3rd	212	21st		
179	9th	189	4th	213	19th		
180	9th*	190	8th	213.1	34th		
180.1	3rd	191	4th	213.1.1	2nd		
180.2	4th	192	4th	213.2	13th		
180.3	6th	193	5th	213.3	14th		
180.4	2nd	194	5th	213.4	5th		
180.5	3rd	195	6th	213.5	2nd		
180.5.1	2nd	196	5th	213.6	1st		
180.6	5th	197	6th	214	67th		
180.6.1	4th	198	4th	215	27th		
180.6.2	Original	198.1	3rd	216	15th		

\* New or Revised Page

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## ACCESS SERVICE

## 6. Switched Access Service (Cont'd)

## 6.8 Rate Regulations (Cont'd)

## 6.8.2 Description and Application of Rates and Charges (Cont'd)

## (D) Application of Rates (Cont'd)

## (4) Tandem-Switched Transport Rate Application

Tandem-Switched Transport rates are usage sensitive and are applied  
equally to all customers except as noted in herein. Tandem-switched  
transport rate elements are billed as Originating, Terminating to Telephone (N)  
Company's own end office, and Terminating to non-Telephone Company (N)  
3rd party locations based on call recordings. Non-Telephone Company 3rd (N)  
party locations are all offices or other locations not owned by the (N)  
Telephone Company. Examples of 3rd party locations include terminations (N)  
to other local exchange and wireless carriers. The rate application for the (N)  
Tandem-Switched Transport rate elements is as follows:

## (a) Tandem-Switched Termination Rate

The Tandem-Switched Termination rate is assessed to all switched  
access minutes that are transported over Tandem-Switched Transport  
Services, except where Tandem-Switched Transport Services originate  
or terminates to a Class 4/5 switch.

(This page filed under Transmittal No. 1859)

## ACCESS SERVICE

## 6. Switched Access Service (Cont'd)

## 6.8 Rate Regulations (Cont'd)

## 6.8.2 Description and Application of Rates and Charges (Cont'd)

## (D) Application of Rates (Cont'd)

## (8) Trunk Ports (Cont'd)

## (b) End Office Common Trunk Port Rate

The End Office Common Trunk Port rate will apply to all originating and terminating minutes of use between the access tandem and the end office. This rate will also be assessed on FGA minutes of use terminating outside of the dial tone office, and all minutes of use originating or terminating at a RSS/RSM. The Common Trunk Port rate is assessed to all switched access minutes over Tandem Switched Transport Services, except where Tandem Switched Transport Services originate or terminate to a class 4/5 switch.

The common Trunk Port charge does not apply for Switched Access Services provided in conjunction with a cellular carrier or RCC which is directly connected at an access tandem.

## (c) End Office Dedicated Trunk Port Rate

The End Office Dedicated Trunk Port rate is assessed on all direct-routed facilities between the serving wire center or the hub, and the end office terminating in an end office trunk port. The rate is assessed for all Feature Group services on a per LT-1 basis. Each voice grade trunk terminating will be assessed 1/24th of the LT-1 rate. When Direct Transport is provided as an LT-3, LT-3 to LT-1 multiplexing is required.

Dedicated End Office Port is billed as originating and terminating based on a Percent Originating Usage (POU) factor of 50%.

Originating Calculation = PIU x Originating Rate x Quantity x POU

Terminating Calculation = PIU x Terminating Rate x Quantity x (100-POU)

## (9) Switched Transport Multiplexing

## (a) Common Multiplexing

Common Multiplexing is assessed on a per minute basis at the access tandem for all switched access minutes that are transported over Tandem-Switched Transport between the end office and the access tandem. The Common Multiplexing Charge applies whenever the Tandem Switching rate applies. Common Multiplexing is billed as Originating, Terminating to Telephone Company's own end office, and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non-Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. Examples of 3rd party locations include terminations to other local exchange and wireless carriers. (N)  
(N)  
(N)  
(N)  
(N)  
(N)

(This page filed under Transmittal No. 1859)

## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges

## 6.9.1 Switched Transport

## (A) Usage Charges

## Premium Rates

## - Tandem-Switched Termination

## All States

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
	Per Access Minute Rate	Per Access Minute Rate	Per Access Minute Rate	(N) (N)
Zone 1	\$ .000103	\$ .000103	\$ .000103	(N)
Zone 2	.000103	\$ .000103	.000103	(N)
Zone 3	.000105	.000105	.000105	(N)
Zone 4	.000107	.000107	.000107	(N)
Zone 5	.000109	.000109	.000109	(N)

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Ameritech to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

(This page filed under Transmittal No. 1859)

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675 W. Peachtree St. NW, Atlanta, GA 30308



AMERITECH OPERATING COMPANIES

Tariff F.C.C. No. 2  
 26th Revised Page 207.1  
 CANCELS 25th Revised Page 207.1

6. Switched Access Service (Cont'd)  
 6.9 Rates and Charges (Cont'd)

## 6.9.1 Switched Transport (Cont'd)

## (A) Usage Charges (Cont'd)

## - Tandem-Switched Facility

All States

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
	Per Access Minute Per Mile Rate	Per Access Minute Per Mile Rate	Per Access Minute Per Mile Rate	(N) (N)
Zone 1	.000013	.000013	.000013	(N)
Zone 2	.000014	.000014	.000014	(N)
Zone 3	.000014	.000014	.000014	(N)
Zone 4	.000014	.000014	.000014	(N)
Zone 5	.000014	.000014	.000014	(N)

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Ameritech to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

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AMERITECH OPERATING COMPANIES

Tariff F.C.C. No. 2  
 12th Revised Page 207.1.1.1  
 CANCELS 11th Revised Page 207.1.1.1

## ACCESS SERVICE

## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges (Cont'd)

## 6.9.1 Switched Transport (Cont'd)

## (A) Usage Charges (Cont'd)

## Premium Rates (Cont'd)

## - Tandem-Switching

## All States

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
	Per Access Minute Rate	Per Access Minute Rate	Per Access Minute Rate	(N) (N) (D)
Zone 1	.001084	.001084	.001084	(N)
Zone 2	.001116	.001116	.001116	(N)
Zone 3	.001120	.001120	.001120	(N)
Zone 4	.001252	.001252	.001252	(N)
Zone 5	.001800	.001800	.001800	(N)

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Ameritech to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

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AMERITECH OPERATING COMPANIES

Tariff F.C.C. No. 2  
 22nd Revised Page 211  
 CANCELS 21st Revised Page 211

## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges (Cont'd)

## 6.9.1 Switched Transport (Cont'd)

## (A) Usage Charges (Cont'd)

## Premium Rates (Cont'd)

## - Common Multiplexing

## All States

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
	Per Access Minute Rate	Per Access Minute Rate	Per Access Minute Rate	(N) (N)
Zone 1	.000015	.000015	.000015	(N)
Zone 2	.000017	.000017	.000017	(N)
Zone 3	.000018	.000018	.000018	(N)
Zone 4	.000018	.000018	.000018	(N)
Zone 5	.000018	.000018	.000018	(N)

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Ameritech to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

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## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges (Cont'd)

## 6.9.1 Switched Transport (Cont'd)

## (A) Usage Charges (Cont'd)

## Premium Rates (Cont'd)

- Host-Remote Transport
- Host-Remote Transport Termination

## All States

	Originating	Terminating to non-Telephone Company 3 <sup>rd</sup> party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
	Per Access Minute Rate	Per Access Minute Rate	Per Access Minute Rate	(N)
Zone 1	\$.00041	N/A	\$.00041	 (N)
Zone 2	.00041	N/A	.00041	
Zone 3	.00041	N/A	.00041	
Zone 4	.00041	N/A	.00041	
Zone 5	.00041	N/A	.00041	

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Ameritech to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

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AMERITECH OPERATING COMPANIES

Tariff F.C.C. No. 2  
 6th Revised Page 211.2  
 CANCELS 5th Revised Page 211.2

## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges (Cont'd)

## 6.9.1 Switched Transport (Cont'd)

## (A) Usage Charges (Cont'd)

## Premium Rates (Cont'd)

## - Host-Remote Transport Facility

	Originating	Terminating to non-Telephone Company 3 <sup>rd</sup> party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
	Per Access Minute Per Mile Rate	Per Access Minute Per Mile Rate	Per Access Minute Per Mile Rate	(N)
All States				
Zone 1	\$.000021	N/A	\$.000021	
Zone 2	.000021	N/A	.000021	
Zone 3	.000021	N/A	.000021	
Zone 4	.000021	N/A	.000021	
Zone 5	.000021	N/A	.000021	(N)

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Ameritech to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

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Issued: June 7, 2017

Effective: June 22, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

# **EXHIBIT 10(b)**

**Excerpts from AT&T Price Cap  
Carrier June 7, 2017 Tariff Filings -  
Bell South: Cover Letter, Description  
& Justification, Revised Tariff Pages**



Kristen Shore  
Assistant Vice President – Regulatory  
675 W. Peachtree St. NW  
Atlanta, GA 30308

FRN: 0020-8826-68

This filing is being made on a streamlined basis on 15 days notice under Section 204(a) (3) of the Communications Act.

June 7, 2017

Transmittal No. 129

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Washington, D.C. 20554

Attention: Wireline Competition Bureau

The accompanying tariff material, issued by BellSouth Telecommunications, LLC (BellSouth) and bearing Tariff F.C.C. No. 1, is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended.

This filing, scheduled to become effective June 22, 2017, consists of the tariff pages as indicated on the following Check Sheets:

<u>Tariff F.C.C. No.</u>	<u>Check Sheet Revision No.</u>
1	108th Revised Page 1
	11th Revised Page 4
	13th Revised Page 5

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (USF/ICC Order), FCC No. 11-161 released November 18, 2011, price cap carriers are required to bifurcate their terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings.

With this filing, BellSouth is restructuring its tandem transport and host remote rate elements.

In accordance with Section 61.14, this transmittal letter and associated attachments are being filed electronically today via the Federal Communications Commission's Electronic Tariff Filing System (ETFS) in compliance with the electronic filing procedures.

Wireline Competition Bureau

Page 2

June 7, 2017

Payment in the amount of \$925.00 has been electronically transmitted to the US Bank in St. Louis, Missouri, in accordance with the fee program procedures. The Form 159 is being transmitted electronically via ETFS as a proprietary document. These actions have been committed on the date established as the issued (filed) date as reflected above.

Personal or facsimile service petitions against this Transmittal, as required under Section 1.773(a)(4) of the Commission's Rules, should be sent to Scott Murray, Area Manager – Regulatory Relations, 311 S. Akard St., Room 9-A23, Dallas, TX 75202, facsimile number (214) 464-2006. All other correspondence and inquiries concerning this Transmittal should be addressed to Debra L. Clemens, Director-Federal Regulatory, (202) 457-3066, 1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kente E. Shon".

Attachments:

Tariff Pages

Description and Justification



**BELLSOUTH TELECOMMUNICATIONS, LLC.**  
**DESCRIPTION AND JUSTIFICATION**  
**June 7, 2017**  
**TRANSMITTAL NO. 129**

**PURPOSE**

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (*USF/ICC Order*), FCC No. 11-161 released November 18, 2011, price cap carriers are required to bifurcate their terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings. In discussions between the Price Cap Industry and the FCC following transitional rules for the treatment of tandem traffic were developed:

- Traffic Terminating from a Price Cap ILEC-owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered "Tandem-to-End Office" that will transition to \$0.0007 (July 2017).
- All other Tandem Traffic that traverses an ILEC-owned tandem and does not terminate to an end user served by the ILEC End Office will be considered "Tandem-to- 3rd Parties," and will continued to be billed at the current Interstate rates. This includes traffic that terminates from a Price Cap ILEC-owned tandem to an affiliated CLEC or wireless end office.
- Terminating traffic switched through a Tandem to an End Office to a Host and then to a Remote that are all owned by the same Price Cap LEC, should be billed at the transitional rates – (Tandem to End office).
- For terminating traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities, the rate depends on whether or not the Tandem within the study area (Homing Tandem) is owned by the Price Cap LEC.
  - Terminating Traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities and the Price Cap LEC also owns the Homing Tandem within the study area, should be billed at the transitional rates – (Tandem to End office). (The reasoning for using the transitional rates is because the opportunity exists for the terminating traffic to be switched through the Tandem owned by the Price Cap LEC and be billed at transitional rates).

With this filing, BellSouth Telecommunications, LLC. (BellSouth) is restructuring its tandem transport and host remote rate elements to comply with the above rules.

**DESCRIPTION**

Currently, BellSouth's Tariff FCC No. 1 has a single set of rate elements that apply to all terminating tandem traffic and they are Tandem-Switched Transmission/Common Transport per access minute, per access minute of use per mile, and terminating Host Remote. BellSouth will split that single set into two sets – one set of rate elements for terminating tandem traffic that traverses the Telephone Company's own Tandem and terminates to the Telephone Company's own end office ("Tandem to End Office"); the second set of rate elements for terminating tandem traffic that traverses the Telephone Company's own Tandem and terminates to non-Telephone Company 3rd party locations ("Tandem to 3rd Party"). The splitting of the tandem rate elements is administrative in nature. The existing tandem rates are not changing with this filing.

This filing is being made on a 15-days' notice.

BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
108TH REVISED PAGE 1  
CANCELS 107TH REVISED PAGE 1

ISSUED: JUNE 7, 2017

EFFECTIVE: JUNE 22, 2017

Issuing Officer: Kristen Shore, Executive Director - Regulatory

ACCESS SERVICE  
CHECK SHEET

The Title Page and Pages 1 to 29-48 inclusive of this tariff are effective as of the date shown. Original and revised pages as named below and Supplement Nos. 1 and 2 contain all changes from the original tariff that are in effect on the date hereof.

<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>
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2	23rd	46	1st	90	1st
3	52nd	47	1st	91	1st
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5	13th*	49	1st	93	2nd
6	25th	50	2nd	94	1st
7	21st	51	1st	95	1st
8	22nd	52	1st	96	1st
9	1st	53	1st	97	1st
10	10th	54	1st	98	1st
11	10th	55	Original	99	1st
12	14th	56	19th	100	1st
13	17th	57	Original	101	2nd
14	7th	58	2nd	102	2nd
15	16th	59	2nd	103	2nd
16	10th	60	1st	104	1st
17	3rd	61	1st	105	Original
18	6th	62	1st	106	2nd
19	1st	63	1st	107	1st
20	Original	64	1st	108	1st
21	Original	65	1st	109	Original
22	8th	66	1st	110	1st
23	12th	67	1st	111	Original
23.1	3rd	68	1st	112	Original
24	1st	69	1st	113	Original
25	2nd	70	1st	114	Original
26	1st	71	1st	115	Original
27	1st	72	1st	116	Original
28	1st	73	1st	117	1st
29	1st	74	1st	118	Original
30	1st	75	2nd	119	Original
31	Original	76	2nd	120	Original
32	2nd	77	1st	121	Original
33	2nd	78	1st	122	Original
34	5th	79	1st	123	Original
35	1st	80	2nd	124	Original
36	1st	81	1st	125	Original
37	2nd	82	1st	126	Original
38	4th	83	1st	127	Original
39	2nd	84	2nd	128	Original
40	3rd	85	1st	129	Original
41	3rd	86	2nd	130	Original
42	1st	87	1st	131	Original
43	1st				

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\* New or Revised Page

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TARIFF F.C.C. NO. 1  
11TH REVISED PAGE 4  
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6-5	1st	6-51	Original	6-97	Original
6-6	Original	6-52	Original	6-98	1st
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6-8	2nd	6-54	1st	6-100	1st
6-9	1st	6-55	2nd	6-101	Original
6-10	2nd	6-56	2nd	6-102	1st
6-11	Original	6-57	Original	6-103	Original
6-12	Original	6-58	Original	6-104	1st
6-13	1st	6-59	Original	6-105	Original
6-14	1st	6-60	Original	6-106	Original
6-15	Original	6-61	Original	6-107	1st
6-16	Original	6-62	Original	6-108	1st
6-17	1st*	6-63	Original	6-109	1st
6-18	1st	6-64	1st	6-110	1st
6-19	1st	6-65	Original	6-111	1st
6-20	1st	6-66	Original	6-112	1st
6-21	Original	6-67	Original	6-113	Original
6-22	Original	6-68	Original	6-114	1st
6-23	Original	6-69	Original	6-115	Original
6-24	Original	6-70	Original	6-116	Original
6-25	Original	6-71	Original	6-117	2nd
6-26	1st	6-72	1st	6-118	Original
6-27	1st	6-73	Original	6-119	1st
6-28	1st	6-74	Original	6-120	1st
6-29	1st	6-75	2nd	6-121	2nd
6-30	1st	6-76	2nd	6-122	2nd
6-31	Original	6-77	2nd	6-123	Original
6-32	Original	6-78	2nd	6-124	Original
6-33	Original	6-79	2nd	6-125	Original
6-34	1st	6-80	2nd	6-126	Original
6-35	Original	6-81	Original	6-127	Original
6-36	Original	6-82	1st	6-128	Original
6-37	Original	6-83	Original	6-129	Original
6-38	Original	6-84	Original	6-130	Original
6-39	Original	6-85	3rd	6-131	Original
6-40	Original	6-86	1st	6-132	1st
6-41	Original	6-87	Original	6-133	1st
6-42	Original	6-88	1st	6-134	1st
6-43	1st*	6-89	1st	6-135	1st
6-44	1st*	6-90	2nd	6-136	1st
6-45	Original	6-91	1st	6-137	1st
6-46	1st	6-92	3rd	6-138	Original
6-47	Original	6-93	2nd	6-139	Original
6-48	Original	6-94	2nd	6-140	Original
6-49	Original	6-95	Original	6-141	3rd
6-50	Original	6-96	Original	6-142	2nd

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675 W. Peachtree St. NW, Atlanta, GA 30308

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6-143	Original	6-192	Original	6-241	1st
6-144	Original	6-193	Original	6-242	Original
6-145	Original	6-194	1st	6-243	Original
6-146	Original	6-195	2nd	6-244	Original
6-147	Original	6-196	Original	6-245	Original
6-148	1st	6-197	1st	6-246	Original
6-149	1st	6-198	2nd	6-247	1st
6-150	Original	6-199	Original	6-248	Original
6-151	1st	6-200	Original	6-249	Original
6-152	Original	6-201	Original	6-250	1st
6-153	1st	6-202	1st	6-251	1st
6-154	1st	6-203	Original	6-252	1st
6-155	1st	6-204	Original	6-253	Original
6-156	1st	6-205	3rd	6-254	Original
6-157	Original	6-206	1st	6-255	Original
6-158	1st	6-207	Original	6-256	Original
6-159	1st	6-208	Original	6-257	Original
6-160	Original	6-209	Original	6-258	Original
6-161	Original	6-210	Original	6-259	Original
6-162	Original	6-211	Original	6-260	Original
6-163	Original	6-212	Original	6-261	Original
6-164	Original	6-213	Original	6-262	Original
6-165	Original	6-214	Original	6-263	Original
6-166	Original	6-215	Original	6-264	Original
6-167	Original	6-216	1st	6-265	Original
6-168	Original	6-217	2nd	6-266	Original
6-169	1st	6-218	2nd	6-267	Original
6-170	1st	6-219	1st	6-268	Original
6-171	1st	6-220	1st	6-269	3rd*
6-172	1st	6-221	1st	6-270	3rd*
6-173	Original	6-222	3rd	6-271	3rd*
6-174	Original	6-223	1st	6-272	3rd*
6-175	2nd	6-224	Original	6-273	3rd*
6-176	Original	6-225	Original	6-274	4th
6-177	Original	6-226	Original	6-275	Original
6-178	1st	6-227	1st	6-276	1st
6-179	1st	6-228	Original	6-277	1st
6-180	Original	6-229	1st	6-278	1st
6-181	Original	6-230	Original	6-279	1st
6-182	1st	6-231	Original	6-280	Original
6-183	Original	6-232	1st	6-281	Original
6-184	Original	6-233	Original	6-282	Original
6-185	Original	6-234	Original	6-283	Original
6-186	Original	6-235	Original	6-284	Original
6-187	Original	6-236	Original	6-285	Original
6-188	1st	6-237	Original	6-286	Original
6-189	1st	6-238	Original	6-287	Original
6-190	1st	6-239	2nd	6-288	Original
6-191	Original	6-240	1st	6-289	Original

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#### ACCESS SERVICE

#### 6 - BellSouth SWA Service (Cont'd)

##### 6.1 General (Cont'd)

##### 6.1.3 Rate Categories (Cont'd)

##### (A) BellSouth SWA Transport (Cont'd)

##### (2) Switched Interoffice Channel (Cont'd)

##### (b) Switched Common Interoffice Channel (Cont'd)

The SW CIOC transmission charge is a per minute of use, per mile charge. Facility termination charges are assessed on a per minute of use for greater than zero miles.

SW CIOC transmission and facility termination charges are billed as Originating, Terminating to Telephone Company's own end office, and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non-Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. Examples of 3rd party locations include terminations to other local exchange and wireless carriers. (N)  
(N)  
(N)  
(N)  
(N)  
(N)

##### (3) Access Tandem Switching

Access Tandem Switching provides for the function of switching traffic through the Access Tandem from or to the end office switch(es). The Access Tandem Switching charge is assessed on all originating and terminating minutes of use switched at the Access Tandem.. Access Tandem Switching charges are billed as Originating, Terminating to Telephone Company's own end office and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non-Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. Examples of 3rd party locations include terminations to other local exchange and wireless carriers. (N)  
(N)  
(N)  
(N)  
(N)  
(N)

##### (4) Dedicated Tandem Trunk Port

The Dedicated Tandem Trunk Port provides for termination of transport facilities at the Telephone Company tandem switch. This service is required for all BellSouth SWA Dedicated Transport ordered to the access tandem for switching at the tandem. It is available on a DS0/VG and DS1 trunk port basis. Rates and charges are set forth in 6.8.1(C)(2) following.

##### (5) Interconnection

The Interconnection charge shall be assessed upon all customers interconnecting with the Telephone Company Switched Access Network. Interconnection is applicable to all switched access originating and terminating minutes of use. Separate originating and terminating Interconnection charges are applicable to those customers utilizing Telephone Company transport facilities and those customers not using Telephone Company transport facilities to gain access to the Telephone Company switched network.

The application of originating and terminating Interconnection rates on the originating end for BellSouth SWA FGA, BellSouth SWA LSBSA, 700, BellSouth SWA 8XX Toll Free Dialing Ten Digit Screening service and BellSouth SWA 900 service will follow the application of originating and terminating Carrier Common Line rates for those services as specified in 3.8.5 preceeding. Interconnection rates are provided in 6.8.1(D) following.

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## ACCESS SERVICE

### 6 - BellSouth SWA Service (Cont'd)

#### 6.1 General (Cont'd)

##### 6.1.3 Rate Categories (Cont'd)

##### (A) BellSouth SWA Transport (Cont'd)

##### (8) BellSouth SWA High Capacity and BellSouth SWA DS0 Transport Services (Cont'd)

##### (d) Channelization Equipment (Cont'd)

BellSouth SWA DS3 to BellSouth SWA DS1 - An arrangement that channelizes a 44.736 Mbps channel to 28 DS1 channels.

BellSouth SWA DS1 Basic Channelization System - An arrangement that channelizes a 1.544 Mbps channel to a maximum of twenty-four (24) 64 Kbps channels. A BellSouth SWA DS1 Basic Channelization System requires a Central Office Channel Interface for each channel of lesser capacity.

A BellSouth SWA DS1 that is directly terminated into a digital switch is restricted to trunk side switched traffic and cannot be used for line side connections or Special Access (a.k.a. BellSouth SPA) circuits.

A BellSouth SWA DS1 that is directly terminated into an analog switch is restricted to trunk side switched traffic and cannot be used for line side connections or Special Access (a.k.a. BellSouth SPA) circuits.

The Central Office Channel Interface (COCI) is necessary to activate the Sub DS1 Service capable of carrying BellSouth SWA Access traffic. The COCI is required in addition to the Basic Channelization System.

Rates applicable to the Channelization Systems and the applicable Central Office Channel Interfaces are provided in 6.8.1 following.

##### (9) Channelization for Common Transport Interoffice Channels

The following rate elements apply where the customer orders BellSouth SWA Common Transport.

##### (a) DS3 to DS1 Multiplexer

This rate element is for use of DS3 to DS1 multiplexer equipment within the Telephone Company common transport network and is required for customers utilizing BellSouth SWA Common Transport. The rate element applies for each BellSouth SWA Common Transport minute of use between the access tandem and the end office, as well as for each minute of use between a host and remote end office, and each terminating minute of use between a BellSouth SWA FGA or BellSouth SWA LSBSA dial tone office and the end office. DS3 to DS1 Multiplexer charges are billed as Originating, Terminating to Telephone Company's own end office, and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non-Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. Examples of 3rd party locations include terminations to other local exchange and wireless carriers. The rate for this element is found in 6.8.1(B)(2)(a) following.

(N)  
(N)  
(N)  
(N)  
(N)  
(N)  
(N)



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## ACCESS SERVICE

### 6 - BellSouth SWA Service (Cont'd)

#### 6.1 General (Cont'd)

##### 6.1.3 Rate Categories (Cont'd)

#### (A) BellSouth SWA Transport (Cont'd)

##### (9) Channelization for Common Transport Interoffice Channels (Cont'd)

#### (b) DS1 to VG Multiplexer

(T)

This rate element is for DS1 to VG multiplexer equipment within the Telephone Company common transport network on the end office side of analog access tandem switches. This element is required for customers utilizing BellSouth SWA Common Transport with an analog tandem switch. DS1 to VG Multiplexer charges are billed as Originating, Terminating to Telephone Company's own end office and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non- Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. Examples of 3rd party locations include terminations to other local exchange and wireless carriers. The rate for this element is found in 6.8.1(B)(2)(b) following.

(N)  
(N)  
(N)  
(N)  
(N)  
(N)

#### (c) DS1 to VG Channelization

This rate element is for use of DS1 to VG Channelization equipment on the serving wire center side of an analog tandem switch. It is required for use with BellSouth SWA Dedicated DS1 terminations to an analog tandem switch. This channelization is not available for use as a hubbing multiplexer. The rate for this element is found in 6.8.1(C)(3) following.



PUBLIC VERSION

BELLSOUTH TELECOMMUNICATIONS  
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ACCESS SERVICE

6 - BELLSOUTH SWA SERVICE (CONT'D)

6.8 Rates and Charges (Cont'd)

6.8.1 BellSouth SWA Transport (Cont'd)

(B) BellSouth SWA Interoffice  
Channel (Cont'd)

(2) BellSouth SWA  
Common Transport  
**Zone 1** - Facility Termination

All States  
Per access minute of use

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
\$ 0.000168	\$ 0.000168	\$0.000168	(N)

**Zone 1**

All States  
Per access minute of use, per mile

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
\$ 0.000020	\$ 0.000020	\$0.000020	(N)

(This page filed under Transmittal No. 129)

All BellSouth marks contained herein and as set forth in the trademarks and servicemarks section of this  
Tariff are owned by BellSouth Intellectual Property Corporation.

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PUBLIC VERSION

BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

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ACCESS SERVICE

6 - BELLSOUTH SWA SERVICE (CONT'D)

6.8 Rates and Charges (Cont'd)

6.8.1 BellSouth SWA Transport (Cont'd)

(B) BellSouth SWA Interoffice  
Channel (Cont'd)

(2) BellSouth SWA  
Common Transport

**Zone 2 - Facility Termination**

All States  
Per access minute of use

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
\$ 0.000168	\$ 0.000168	\$0.000168	(N)

**Zone 2 -**

All States  
Per access minute of use, per mile

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
\$ 0.000020	\$ 0.000020	\$0.000020	(N)

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ACCESS SERVICE

6 - BELLSOUTH SWA SERVICE (CONT'D)

6.8 Rates and Charges (Cont'd)

6.8.1 BellSouth SWA Transport (Cont'd)

(B) BellSouth SWA Interoffice  
Channel (Cont'd)

(2) BellSouth SWA  
Common Transport

**Zone 3 - Facility Termination**

All States  
Per access minute of use

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
\$ 0.000168	\$ 0.000168	\$0.000168	(N)

**Zone 3 -**

All States  
Per access minute of use, per mile

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
\$ 0.000020	\$ 0.000020	\$0.000020	(N)

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PUBLIC VERSION

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ACCESS SERVICE

6 - BELLSOUTH SWA SERVICE (CONT'D)

6.8 Rates and Charges (Cont'd)

6.8.1 BellSouth SWA Transport (Cont'd)

(B) BellSouth SWA Interoffice  
Channel (Cont'd)

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
(2) BellSouth SWA Common Transport (Cont'd)				
(a) DS3 to DS1 Multiplexer Per Access Minute of Use	\$0.000380	\$0.000380	\$0.000380	(N)
(b) DS1 to VG Multiplexer Per Access Minute of Use associated with an analog tandem	\$0.000695	\$0.000695	\$0.000695	(N)

(This page filed under Transmittal No. 129)

All BellSouth marks contained herein and as set forth in the trademarks and servicemarks section of this  
Tariff are owned by BellSouth Intellectual Property Corporation.

\*\*\*\*\*

BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
3RD REVISED PAGE 6-273  
CANCELS 2ND REVISED PAGE 6-273

ISSUED: JUNE 7, 2017

EFFECTIVE: JUNE 22, 2017

# ACCESS SERVICE

## 6 - BELLSOUTH SWA SERVICE (CONT'D)

### 6.8 Rates and Charges (Cont'd)

#### 6.8.1 BellSouth SWA Transport (Cont'd)

#### (C) Access Tandem Switching

##### (1) Per access minute of use

All States

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	(N) (N) (N) (N)
Zone 1	\$0.001145	\$0.001145	\$0.001145	(N)
Zone 2	\$0.001145	\$0.001145	\$0.001145	(N)
Zone 3	\$0.001145	\$0.001145	\$0.001145	(N)

(This page filed under Transmittal No. 129)

All BellSouth marks contained herein and as set forth in the trademarks and servicemarks section of this  
Tariff are owned by BellSouth Intellectual Property Corporation.

\*\*\*\*\*

# **EXHIBIT 10(c)**

**Excerpts from AT&T Price Cap  
Carrier June 7, 2017 Tariff Filings -  
Nevada Bell: Cover Letter, Description  
& Justification, Revised Tariff Pages**



Kristen E. Shore,  
Assistant Vice President– Regulatory  
675 W. Peachtree St. NW  
Atlanta, Georgia 30308

FRN: 0005-0491-50

June 7, 2017

Transmittal No. 300

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Washington, D.C. 20554

Attention: Wireline Competition Bureau

The accompanying tariff material, issued by Nevada Bell Telephone Company (NBTC) and bearing Tariff F.C.C. No. 1, is sent to you for publication in compliance with the requirements of the Communications Act of 1934, as amended.

This filing, scheduled to become effective June 22, 2017, consists of the tariff pages as indicated on the following check sheets

Tariff F.C.C. No.  
1

Check Sheet Revision No.  
280th Revised Page 1  
34th Revised Page 1.4

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (USF/ICC Order), FCC No. 11-161 released November 18, 2011, price cap carriers are required to bifurcate their terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings.

With this filing, NBTC is restructuring its tandem transport and host remote rate elements.

In accordance with Section 61.14, this transmittal letter and associated attachments are being filed electronically today via the Federal Communications Commission's Electronic Tariff Filing System (ETFS) in compliance with the electronic filing procedures.

Wireline Competition Bureau

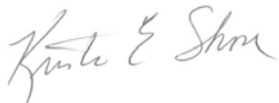
Page 2

June 7, 2017

Payment in the amount of \$925.00 has been electronically transmitted to the US Bank in St. Louis, Missouri, in accordance with the fee program procedures. The Form 159 is being transmitted electronically via ETFS as a proprietary document. These actions have been committed on the date established as the issued (filed) date as reflected above.

Personal or facsimile service petitions against this Letter, as required under Section 1.773(a)(4) of the Commission's Rules, should be sent to Rosemary Chambers, Area Manager – Access Regulatory, 311 S. Akard, Room 9-A19, Dallas, Texas 75202, facsimile number (214) 464-2006. All other correspondence and inquiries concerning this Transmittal should be addressed to Debra L. Clemens, Director-Federal Regulatory, (202) 457-3066, 1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

Sincerely,

A handwritten signature in cursive script, appearing to read "K. E. Shum".

Attachments:

Letter

Tariff Pages

Description and Justification



**NEVADA BELL TELEPHONE COMPANY  
DESCRIPTION AND JUSTIFICATION  
June 7, 2017  
TRANSMITTAL NO. 300**

**PURPOSE**

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (*USF/ICC Order*), FCC No. 11-161 released November 18, 2011, price cap carriers are required to bifurcate their terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings. In discussions between the Price Cap Industry and the FCC following transitional rules for the treatment of tandem traffic were developed:

- Traffic Terminating from a Price Cap ILEC-owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered "Tandem-to-End Office" that will transition to \$0.0007 (July 2017).
- All other Tandem Traffic that traverses an ILEC-owned tandem and does not terminate to an end user served by the ILEC End Office will be considered "Tandem-to- 3rd Parties," and will continued to be billed at the current Interstate rates. This includes traffic that terminates from a Price Cap ILEC-owned tandem to an affiliated CLEC or wireless end office.
- Terminating traffic switched through a Tandem to an End Office to a Host and then to a Remote that are all owned by the same Price Cap LEC, should be billed at the transitional rates – (Tandem to End office).
- For terminating traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities, the rate depends on whether or not the Tandem within the study area (Homing Tandem) is owned by the Price Cap LEC.
  - Terminating Traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities and the Price Cap LEC also owns the Homing Tandem within the study area, should be billed at the transitional rates – (Tandem to End office). (The reasoning for using the transitional rates is because the opportunity exists for the terminating traffic to be switched through the Tandem owned by the Price Cap LEC and be billed at transitional rates).

With this filing, Nevada Bell Telephone Company (NBTC) is restructuring its tandem transport and host remote rate elements to comply with the above rules.

**DESCRIPTION**

Currently, NBTC's Tariff FCC No. 1 has a single set of rate elements that apply to all terminating tandem traffic and they are Tandem-Switched Transmission/Common Transport per access minute, per access minute of use per mile, and terminating Host Remote. NBTC will split that single set into two sets – one set of rate elements for terminating tandem traffic that traverses the Telephone Company's own Tandem and terminates to the Telephone Company's own end office ("Tandem to End Office"); the second set of rate elements for terminating tandem traffic that traverses the Telephone Company's own Tandem and terminates to non-Telephone Company 3rd party locations ("Tandem to 3rd Party"). The splitting of the tandem rate elements is administrative in nature. The existing tandem rates are not changing with this filing.

This filing is being made on a 15-days' notice.

## PUBLIC VERSION

NEVADA BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 1  
280th Revised Page 1  
CANCELS 279th Revised Page 1

## ACCESS SERVICE

## RATES, RULES AND CHARGES

Title Page and Pages 1 to 22-45, inclusive of this tariff are effective as of the date shown. Original and revised pages as named below and Supplement No. 7 contains all changes from the original tariff that are in effect on the date hereof.

## CHECK SHEET

<u>Page</u>	Number of Revision Except as Indicated	<u>Page</u>	Number of Revision Except as Indicated
Title	4th	22.3	6th
1	280th*	22.4	7th
1.1	25th	23	Original
1.2	117th*	24	Original
1.2.1	2nd	25	1st
1.3	11th	26	1st
1.4	34th*	27	Original
1.5	65th	28	1st
1.5.1	15th	29	1st
1.6	28th	30	2nd
1.7	12th	31	1st
1.7.1	2nd	1-1	Original
1.8	18th	1-2	3rd
1.9	58th	2-1	2nd
1.10	17th	2-2	2nd
1.11	26th	2-3	1st
1.12	36th	2-4	3rd
1.13	22nd	2-5	3rd
1.14	15th	2-5.1	1st
1.15	4th	2-6	1st
1.16	1st	2-7	Original
2	4th	2-8	Original
3	2nd	2-9	Original
4	3rd	2-10	Original
5	2nd	2-11	Original
6	3rd	2-12	1st
7	4th	2-13	Original
8	3rd	2-14	6th
9	1st	2-15	5th
10	7th	2-15.1	4th
11	2nd	2-16	Original
12	1st	2-17	4th
13	2nd	2-18	Original
14	1st	2-19	Original
15	3rd	2-20	Original
16	5th	2-21	Original
17	6th	2-22	Original
18	2nd	2-23	Original
19	5th	2-24	Original
20	2nd	2-25	Original
21	5th	2-26	1st
22	7th	2-27	Original
22.1	2nd	2-28	Original
22.2	44th	2-29	Original

\* New or Revised Page

Issuing Officer: Kristen Shore, Executive Director - Regulatory  
(This page filed under Transmittal No. 300)

Issued: June 7, 2017

Effective: June 22, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

## PUBLIC VERSION

NEVADA BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 1  
34th Revised Page 1.4  
CANCELS 33rd Revised Page 1.4ACCESS SERVICE  
RATES, RULES AND CHARGES  
CHECK SHEET (Cont'd)

Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated
6-104	Original	6-147	4th
6-105	Original	6-148	1st
6-106	Original	6-149	6th
6-107	Original	6-150	14th
6-108	Original	6-151	1st
6-109	Original	6-152	2nd
6-110	Original	6-153	1st
6-111	Original	6-154	1st
6-112	1st*	6-155	1st
6-113	2nd*	6-156	2nd
6-113.1	Original*	6-157	Original
6-114	1st	6-158	1st
6-115	1st	6-159	1st
6-116	2nd	6-160	2nd
6-117	Original	6-161	Original
6-118	Original	6-162	4th
6-119	Original	6-163	1st
6-120	Original	7-1	2nd
6-121	Original	7-2	1st
6-122	Original	7-2.1	2nd
6-123	Original	7-3	3rd
6-124	Original	7-4	Original
6-125	3rd	7-5	Original
6-126	1st	7-6	Original
6-127	2nd	7-7	Original
6-128	2nd	7-8	Original
6-129	2nd	7-9	1st
6-130	2nd	7-10	Original
6-131	Original	7-11	Original
6-132	1st	7-12	1st
6-133	Original	7-13	Original
6-134	Original	7-14	2nd
6-135	Original	7-15	Original
6-136	Original	7-16	3rd
6-137	1st	7-17	Original
6-138	1st	7-18	Original
6-139	1st	7-19	Original
6-140	Original	7-20	1st
6-141	Original	7-21	Original
6-142	Original	7-22	Original
6-143	Original	7-23	Original
6-144	1st	7-24	Original
6-145	Original	7-25	1st
6-146	10th*		

\* New or Revised Page

(This page filed under Transmittal No. 300)

Issued: June 7, 2017

Effective: June 22, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.7 Rate Regulations (Cont'd)6.7.1 Description and Application of Rates and Charges (Cont'd)(D) Application of Rates (Cont'd)(2) Direct Trunked Transport

Direct Trunked Transport includes the charge for transport from a customer's serving wire center to an end office for switching of a customer's originating and terminating traffic, a hub location for multiplexing or an Access Tandem for interconnection to Tandem Switched Transport to an end office(s). The rates are applied for a Voice Grade, DS1 and DS3 Transport Channel on a per month fixed and per month per mile basis. The mileage between the end office, hub or access tandem involved and the customer's serving wire center is determined as set forth in 6.7.11 following. The rates as set forth in 6.8.2(B) following apply for the selected Transport Channel even if all the transmission paths on the selected Transport Channel are not activated. DS3 Direct Trunked Transport requires DS3 to DS1 multiplexing as set forth in 6.7.1(D) (5) following. Additionally, a DS1 to DS0 multiplexing chargeable optional feature is available as set forth in 6.7.1(D) (5) following.

(3) Tandem Switched Transport

Tandem Switched Transport includes charges for transport from end offices to the access tandem and for Tandem Switching at the access tandem.

- (a) Tandem Switched Transport rates are applied on a per minute of use fixed and per minute of use per mile basis. Tandem Switched Transport rate elements are billed as Originating, (N)  
Terminating to Telephone Company's own end office, and (N)  
Terminating to non-Telephone Company 3rd party locations based (N)  
on call recordings. Non-Telephone Company 3rd party locations (N)  
are all offices or other locations not owned by the Telephone (N)  
Company. Examples of 3rd party locations include terminations (N)  
to other local exchange and wireless carriers. The chargeable (N)  
minutes of use for determining the charges are the minutes  
that are carried over the involved Tandem Switched Transport  
facilities. The mileage between the end office involved and  
the access tandem is determined as set forth in 6.7.11  
following. The rates are as set forth in 6.8.1(C) following.

(This page filed under Transmittal No. 300)

Issued: June 7, 2017

Effective: June 22, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

6. Switched Access Service (Cont'd)6.7 Rate Regulations (Cont'd)6.7.1 Description and Application of Rates and Charges (Cont'd)(D) Application of Rates (Cont'd)(3) Tandem Switched Transport (Cont'd)

(b) Tandem Switching rates are applied on a per minute of use basis. Tandem Switching rates are billed as Originating, (N)  
Terminating to Telephone Company's own end office, and  
Terminating to non-Telephone Company 3rd party locations  
based on call recordings. Non-Telephone Company 3rd party  
locations are all offices or other locations not owned by  
the Telephone Company. Examples of 3rd party locations  
include terminations to other local exchange and wireless  
carriers. (N)

The chargeable minutes of use for determining the  
charges are the minutes that are carried over the  
involved Tandem Switched Transport facilities. The  
chargeable minutes are determined as set forth 6.7.6  
following. The rates are as set forth in 6.8.1(C)  
following.

(c) Host Remote Transmission rates are applied on a per  
access minutes of use and a per access minutes of use  
per mile basis. These rates also apply to Common  
Transport facilities that are provided for the common  
use of all customers but which are not switched through  
an access tandem.  
Host Remote Transmission may be associated with both  
tandem routed services and direct routed services such  
as when Tandem-Switched Transport is ordered to a host  
office to access remotes. Mileage is always measured  
separately from Tandem-Switched Transmission and Direct-  
Trunked Transport.

Mileage measure is described in 6.7.11.

(M)

(M)

Some material previously appearing on this page now appears on page 6-113.1,  
following.

(This page filed under Transmittal No. 300)

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Issued: June 7, 2017

Effective: June 22, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

6. Switched Access Service (Cont'd)6.7 Rate Regulations (Cont'd)6.7.1 Description and Application of Rates and Charges (Cont'd)(D) Application of Rates (Cont'd)(3) Tandem Switched Transport (Cont'd)

## (d) Tandem End Office Multiplexing

(M)

Rates are applied on a per minute of use basis for the use of the multiplexing equipment on the end office side of the access tandem. Tandem End Office Multiplexing rates are billed as Originating, Terminating to Telephone Company's own end office and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non-Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. Examples of 3rd party locations include terminations to other local exchange and wireless carriers.

(N) (M)

(N)

## (e) Dedicated Tandem Trunk Port

(M)

Rates are applied on a monthly per port basis, for each dedicated trunk on the serving wire center side of the access tandem.

Dedicated Tandem Trunk Port is billed as originating and terminating based on a Percent Originating Usage (POU) factor of 50%.

Originating Calculation = PIU x Originating Rate x Quantity x POU

Terminating Calculation = PIU x Terminating Rate x Quantity x (100-POU)

(M)

Material appearing on this page previously appeared on age 6-113, preceding.

(This page filed under Transmittal No. 300)

Issued: June 7, 2017

Effective: June 22, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

NEVADA BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 1  
10th Revised Page 6-146  
CANCELS 9th Revised Page 6-146

## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.8 Rates and Charges (Cont'd)6.8.1 Switched Transport(A) Entrance Facilities

	USOC	Monthly Rates	Nonrecurring Charge
(1) Voice Grade per point of termination	TSW2X	\$ 16.04	\$ 500.00
	TSW4X	24.68	500.00
(2) DS1 per point of termination	TMESW	36.06	585.66
(3) DS3 per point of termination	ZOMSW	1,560.00	1,950.70

(B) Direct Trunked Transport

	USOC	Monthly Fixed	Rate Per Mile
(1) Voice Grade per transport channel	1L5SW	\$ 6.00	\$ .40
(2) DS1 per point of termination	1L5SW	17.92	3.30
(3) DS3 per point of termination	1L5SW	134.65	20.40

(C) Tandem Switched Transport/Common Transport

	Originating Per Access Minute	Terminating to non-Telephone Company 3rd party location Per Access Minute	Terminating to Telephone Company's own end office Per Access Minute	(N)
(1) Tandem Switched Transport				(N)
Fixed per MOU	\$0.000120	\$0.000120	\$0.000120	(N)
Per Mile per MOU	\$0.000008	\$0.000008	\$0.000008	(N)
(2) Tandem Switching				(N)
Per Access Minute	\$0.001062	\$0.001062	\$0.001062	(N)
(3) Tandem End Office Multiplexing per Access Minute	\$0.000018	\$0.000018	\$0.000018	(T)
(4) Host Remote Transmission				(N)
Fixed per MOU	\$0.000901	N/A	\$0.000901	(T)
Per Mile per MOU	\$0.000019	N/A	\$0.000019	(N)

(5) Dedicated Tandem Trunk Port Per Port	Originating USOC 3PO3X	Originating Rate \$1.20	Terminating USOC 3PT3X	Terminating Rate \$1.20
--	------------------------	-------------------------	------------------------	-------------------------

(D) Transport Interconnection Charge

Premium	Per Access Minute
(a) Originating	0.000000
(b) Terminating	0.000000
<u>Non-Facilities Based Interconnection Charge</u>	
Premium	
(a) Originating	0.000000
(b) Terminating	0.000000

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Nevada to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

(This page filed under Transmittal No. 300)

Issued: June 7, 2017

Effective: June 22, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308



# **EXHIBIT 10(d)**

**Excerpts from AT&T Price Cap  
Carrier June 7, 2017 Tariff Filings -  
PacBell: Cover Letter, Description &  
Justification, Revised Tariff Pages**



Kristen Shore  
Assistant Vice President – Regulatory  
675 W. Peachtree St. NW  
Atlanta, GA 30308

FRN: 0005-0490-85

This filing is being made on a  
streamlined basis on 15 days  
notice under Section 204(a) (3)  
of the Communications Act.

June 7, 2017

Transmittal No. 552

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Washington, D.C. 20554

Attention: Wireline Competition Bureau

The accompanying tariff material, issued by Pacific Bell Telephone Company (PBTC) and bearing Tariff F.C.C. No. 1, is sent to you for publication in compliance with the Commission's Rules and the requirements of the Communications Act of 1934, as amended.

This filing, scheduled to become effective June 22, 2017, consists of the tariff pages as indicated on the following Check Sheets:

<u>Tariff F.C.C. No.</u>	<u>Check Sheet Revision No.</u>
1	504th Revised Page 1
	12th Revised Page 1.4
	55th Revised Page 1.5

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (USF/ICC Order), FCC No. 11-161 released November 18, 2011, price cap carriers are required to bifurcate their terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings.

With this filing, PBTC is restructuring its tandem transport and host remote rate elements.

In accordance with Section 61.14, this transmittal letter and associated attachments are being filed electronically today via the Federal Communications Commission's Electronic Tariff Filing System (ETFS) in compliance with the electronic filing procedures.

Wireline Competition Bureau

Page 2

June 7, 2017

Payment in the amount of \$925.00 has been electronically transmitted to the US Bank in St. Louis, Missouri, in accordance with the fee program procedures. The Form 159 is being transmitted electronically via ETFS as a proprietary document. These actions have been committed on the date established as the issued (filed) date as reflected above.

Personal or facsimile service petitions against this Transmittal, as required under Section 1.773(a)(4) of the Commission's Rules, should be sent to Scott Murray, Area Manager – Regulatory Relations, 311 S. Akard St., Room 9-A23, Dallas, TX 75202, facsimile number (214) 464-2006. All other correspondence and inquiries concerning this Transmittal should be addressed to Debra L. Clemens, Director-Federal Regulatory, (202) 457-3066, 1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kente E. Shon".

Attachments:

Tariff Pages

Description and Justification

**PACIFIC BELL TELEPHONE COMPANY**  
**DESCRIPTION AND JUSTIFICATION**  
**June 7, 2017**  
**TRANSMITTAL NO. 552**

**PURPOSE**

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (*USF/ICC Order*), FCC No. 11-161 released November 18, 2011, price cap carriers are required to bifurcate their terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings. In discussions between the Price Cap Industry and the FCC following transitional rules for the treatment of tandem traffic were developed:

- Traffic Terminating from a Price Cap ILEC-owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered "Tandem-to-End Office" that will transition to \$0.0007 (July 2017).
- All other Tandem Traffic that traverses an ILEC-owned tandem and does not terminate to an end user served by the ILEC End Office will be considered "Tandem-to- 3rd Parties," and will continued to be billed at the current Interstate rates. This includes traffic that terminates from a Price Cap ILEC-owned tandem to an affiliated CLEC or wireless end office.
- Terminating traffic switched through a Tandem to an End Office to a Host and then to a Remote that are all owned by the same Price Cap LEC, should be billed at the transitional rates – (Tandem to End office).
- For terminating traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities, the rate depends on whether or not the Tandem within the study area (Homing Tandem) is owned by the Price Cap LEC.
  - Terminating Traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities and the Price Cap LEC also owns the Homing Tandem within the study area, should be billed at the transitional rates – (Tandem to End office). (The reasoning for using the transitional rates is because the opportunity exists for the terminating traffic to be switched through the Tandem owned by the Price Cap LEC and be billed at transitional rates).

With this filing, Pacific Bell Telephone Company (PBTC) is restructuring its tandem transport and host remote rate elements to comply with the above rules.

**DESCRIPTION**

Currently, PBTC's Tariff FCC No. 1 has a single set of rate elements that apply to all terminating tandem traffic and they are Tandem-Switched Transmission/Common Transport per access minute, per access minute of use per mile, and terminating Host Remote. PBTC will split that single set into two sets – one set of rate elements for terminating tandem traffic that traverses the Telephone Company's own Tandem and terminates to the Telephone Company's own end office ("Tandem to End Office"); the second set of rate elements for terminating tandem traffic that traverses the Telephone Company's own Tandem and terminates to non-Telephone Company 3rd party locations ("Tandem to 3rd Party"). The splitting of the tandem rate elements is administrative in nature. The existing tandem rates are not changing with this filing.

This filing is being made on a 15-days' notice.

ACCESS SERVICE  
CHECK SHEET

Title Page and Pages 1 to 35-17, inclusive of this tariff are effective as of the date shown. Original and revised pages as named below and Supplement No. 13 contains all changes from the original tariff that are in effect on the date hereof.

<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>
Title 1	4th	8	6th	2-4	2nd
1	504th*	8.1	5th	2-5	1st
1.1	44th	9	3rd	2-6	6th
1.2	140th	10	1st	2-7	2nd
1.3	16th	11	Original	2-8	1st
1.4	12th*	12	Original	2-9	Original
1.5	55th*	13	Original	2-10	Original
1.6	53rd	14	5th	2-11	Original
1.7	92nd	15	Original	2-12	Original
1.8	50th	16	Original	2-13	Original
1.9	24th	17	Original	2-14	3rd
1.10	39th	17.1	Original	2-14.1	1st
1.11	12th	17.2	Original	2-14.2	1st
1.12	20th	18	1st	2-14.3	1st
1.13	Original	19	Original	2-15	1st
1.14	37th	20	Original	2-16	6th
1.14.1	21st	21	2nd	2-17	5th
1.15	112th	22	8th	2-17.1	4th
1.16	32nd	22.1	14th	2-18	1st
1.17	13th	22.1.1	3rd	2-19	5th
1.18	9th	22.2	23rd	2-19.1	Original
1.19	25th	22.3	32nd	2-20	Original
1.20	23rd	22.4	33rd	2-21	Original
1.21	27th	22.5	32nd	2-22	Original
1.22	21st	22.6	33rd	2-23	Original
1.23	20th	23	1st	2-24	Original
1.24	25th	24	Original	2-25	1st
1.25	26th	25	Original	2-26	Original
1.26	17th	26	1st	2-27	Original
1.27	17th	27	1st	2-28	1st
1.28	13th	28	2nd	2-29	Original
1.29	3rd	29	Original	2-30	Original
2	1st	30	Original	2-31	Original
2.1	2nd	31	Original	2-32	Original
3	4th	32	Original	2-33	Original
3.1	4th	33	4th	2-34	Original
3.2	1st	34	2nd	2-35	Original
3.3	1st	35	1st	2-36	Original
3.4	3rd	36	Original	2-37	Original
3.5	3rd	37	5th	2-38	Original
3.6	1st	38	2nd	2-39	1st
4	Original	39	2nd	2-40	Original
4.1	Original	1-1	Original	2-41	Original
5	Original	1-2	2nd	2-42	Original
6	6th	2-1	5th	2-43	Original
7	1st	2-2	3rd	2-43.1	Original
7.1	3rd	2-3	1st	2-44	Original
7.2	1st				

\* New or Revised Page

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## PUBLIC VERSION

PACIFIC BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 1  
12th Revised Page 1.4  
CANCELS 11th Revised Page 1.4

## ACCESS SERVICE

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6-96	Original	6-125	Original	6-154	2nd
6-97	Original	6-126	Original	6-155	Original
6-98	Original	6-127	Original	6-156	Original
6-99	Original	6-128	Original	6-157	Original
6-100	Original	6-129	Original	6-158	Original
6-101	Original	6-130	Original	6-159	Original
6-102	Original	6-131	1st	6-160	1st
6-103	Original	6-132	Original	6-161	Original
6-104	Original	6-133	Original	6-162	2nd
6-105	Original	6-134	Original	6-163	1st
6-106	Original	6-135	Original	6-164	2nd
6-107	Original	6-136	Original	6-165	2nd
6-108	Original	6-137	Original	6-166	Original
6-109	2nd	6-138	Original	6-167	2nd*
6-110	Original	6-139	1st	6-168	2nd
6-111	1st	6-139.1	Original	6-169	Original
6-112	Original	6-139.2	Original	6-170	3rd
6-113	Original	6-140	1st	6-171	2nd
6-114	Original	6-141	1st	6-172	Original
6-115	Original	6-142	1st	6-173	Original
6-116	Original	6-143	Original	6-174	1st
6-117	Original	6-144	Original	6-175	Original
6-118	Original	6-145	1st	6-176	Original
6-119	Original	6-146	1st	6-177	Original
6-120	Original	6-147	Original	6-178	Original
6-121	2nd	6-148	Original	6-179	1st
6-122	Original	6-149	Original	6-179.1	Original
6-123	Original	6-150	2nd	6-180	Original
6-124	1st	6-151	1st	6-181	Original
		6-152	Original	6-182	Original
		6-153	Original		

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6-183	Original	6-212	4th	6-241	1st
6-184	Original	6-213	10th	6-242	7th
6-185	Original	6-214	14th*	6-243	Original
6-186	Original	6-215	12th*	7-1	6th
6-187	Original	6-216	6th	7-2	5th
6-188	Original	6-217	1st	7-3	4th
6-189	Original	6-218	Original	7-4	2nd
6-190	Original	6-219	11th	7-5	4th
6-191	Original	6-220	14th	7-6	Original
6-192	1st	6-221	1st	7-7	1st
6-193	Original	6-222	1st	7-7.1	Original
6-194	Original	6-223	1st	7-8	Original
6-195	Original	6-224	Original	7-9	2nd
6-196	Original	6-225	1st	7-10	1st
6-197	Original	6-226	3rd	7-11	Original
6-198	Original	6-227	Original	7-12	Original
6-199	1st	6-228	Original	7-13	Original
6-200	1st	6-229	10th	7-14	1st
6-201	Original	6-230	4th	7-15	1st
6-202	Original	6-231	2nd	7-16	1st
6-203	1st	6-232	1st	7-17	4th
6-204	1st	6-233	1st	7-18	Original
6-205	1st	6-234	4th	7-19	Original
6-206	7th	6-235	3rd	7-20	Original
6-207	2nd	6-235.1	1st	7-21	Original
6-208	5th	6-236	Original	7-22	Original
6-209	5th	6-237	Original	7-23	Original
6-210	5th	6-238	Original	7-24	1st
6-211	5th	6-238.1	Original	7-25	Original
		6-239	5th	7-26	Original
		6-240	7th	7-27	Original

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## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.7 Rate Regulations (Cont'd)6.7.1 Description and Application of Rates and Charges (Cont'd)(D) Application of Rates (Cont'd)(3) Tandem Switched Transport

Tandem Switched Transport includes charges for transport from end offices to the access tandem, Tandem End Office Multiplexing and for Tandem Switching at the access tandem.

- (a) Tandem Switched Transmission rates are applied on a per minute of use fixed and per minute of use per mile basis. The chargeable minutes of use for determining the charges are the minutes that are carried over the involved Tandem Switched Transport facilities. The mileage between the end office involved and the access tandem is determined as set forth in 6.7.13, following. The rates are as set forth in 6.8.2(C), following.

Tandem Switched Transmission rate elements are billed as (N)  
Originating, Terminating to Telephone Company's own end office, (N)  
and Terminating to non-Telephone Company 3rd party locations (N)  
based on call recordings. Non-Telephone Company 3rd party (N)  
locations are all offices or other locations not owned by the (N)  
Telephone Company. Examples of 3rd party locations include (N)  
terminations to other local exchange and wireless carriers. (N)

- (b) Tandem Switching and Tandem End Office Multiplexing rates are applied on a per minute of use basis. The chargeable minutes of use for determining the charges are the minutes that are carried over the involved Tandem Switched Transport facilities. The chargeable minutes are determined as set forth in 6.7.8 following. The rates are as set forth in 6.8.2(C) following.

Tandem Switching and Tandem End Office Multiplexing rate (N)  
elements are billed as Originating, Terminating to Telephone (N)  
Company's own end office, and Terminating to non-Telephone (N)  
Company 3rd party locations based on call recordings. Non- (N)  
Telephone Company 3rd party locations are all offices or other (N)  
locations not owned by the Telephone Company. Examples of 3rd (N)  
party locations include terminations to other local exchange (N)  
and wireless carriers. (N)

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## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.8 Rates and Charges (Cont'd)6.8.2 Switched Transport (Cont'd)(C) Tandem Switched Transport(1) Tandem Switched Transmission

	<u>ZONE</u>	<u>Originating</u>	<u>Terminating to non-Telephone Company 3rd party location</u>	<u>Terminating (N) to Telephone(N) Company's (N) own end (N) office (N)</u>
Termination				
Fixed per Access				
Minute of Use				
0 Miles	1	None	None	None
Over 0 Miles	1	\$.000075	\$.000075	\$0.000075 (N)
FGA Over 0 Miles	1	.000068	.000068	\$0.000068 (N)
0 Miles	2	None	None	None
Over 0 Miles	2	.000130	.000130	\$0.000130 (N)
FGA Over 0 Miles	2	.000076	.000076	\$0.000076 (N)
0 Miles	3	None	None	None
Over 0 Miles	3	.000240	.000240	\$0.000240 (N)
FGA Over 0 Miles	3	.000084	.000084	\$0.000084 (N)
Facility				
Per Mile per Access				
Minute of Use				
0 Miles	1	None	None	None
Over 0 Miles	1	.000015	.000015	\$0.000015 (N)
FGA Over 0 Miles	1	.000007	.000007	\$0.000007 (N)
0 Miles	2	None	None	None
Over 0 Miles	2	.000025	.000025	\$0.000025 (N)
FGA Over 0 Miles	2	.000007	.000007	\$0.000007 (N)
0 Miles	3	None	None	None
Over 0 Miles	3	.000044	.000044	\$0.000044 (N)
FGA Over 0 Miles	3	.000007	.000007	\$0.000007 (N)
(2) Tandem Switching	1	.000440	.000440	\$0.000440 (N)
per Access Minute				
Tandem Switching		.001042	.001042	\$0.001042 (N)
per Access Minute	2			
Tandem Switching		.001750	.001750	\$0.001750 (N)
per Access Minute	3			

(D) Reserved for Future Use(E) Reserved for Future Use

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## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.8 Rates and Charges (Cont'd)6.8.2 Switched Transport (Cont'd)(F) Tandem Switched Transport/Common Transport

	<u>ZONE</u>	<u>Originating</u>	<u>Terminating to</u> <u>non-Telephone</u> <u>Company 3rd</u> <u>party location</u>	<u>Terminating to</u> <u>Telephone Company's</u> <u>own end office</u>	
(1) <u>Host Remote</u> <u>Transmission</u>					
Rate per Access Minute	1	\$ .001005	N/A	\$0.001005	(N)
	2	\$ .001219	N/A	\$0.001219	(N)
	3	\$ .001232	N/A	\$0.001232	(N)
Rate per Access Minute per mile					
	1	\$ .000028	N/A	\$0.000028	(N)
	2	\$ .000028	N/A	\$0.000028	(N)
	3	\$ .000028	N/A	\$0.000028	(N)
(2) <u>Tandem End</u> <u>Office</u> <u>Multiplexing</u>					
Rate per Access Minute		\$ .000098	\$ .000098	\$0.000098	(N)
	<u>USOC</u> <u>Effective</u> <u>Until</u> <u>6/10/2013</u>	<u>Originating</u> <u>USOC</u> <u>Effective</u> <u>6/10/2013</u>	<u>Originating</u> <u>Monthly</u> <u>Rate</u>	<u>Terminating</u> <u>USOC</u> <u>Effective</u> <u>6/10/2013</u>	<u>Terminating</u> <u>Monthly</u> <u>Rate</u>
(3) <u>Dedicated Tandem</u> <u>Trunk Port</u> Per Port	PT8LX/DTRPT	3PO3X	\$3.70	3PT3X	\$3.70

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Pacific to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

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675 W. Peachtree St. NW, Atlanta, GA 30308

# **EXHIBIT 10(e)**

**Excerpts from AT&T Price Cap  
Carrier June 7, 2017 Tariff Filings -  
Southwestern Bell: Cover Letter,  
Description & Justification, Revised  
Tariff Pages**



Kristen Shore  
Assistant Vice President – Regulatory  
675 W. Peachtree St. NW  
Atlanta, GA 30308

FRN: 0005-9352-75

This filing is being made on a streamlined basis on 15 days notice under Section 204(a) (3) of the Communications Act.

June 7, 2017

Transmittal No. 3443

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Washington, D.C. 20554

Attention: Wireline Competition Bureau

The accompanying tariff material, issued by Southwestern Bell Telephone Company (SWBT) and bearing Tariff F.C.C. No. 73, is sent to you for publication in compliance with the Commission's Rules and the requirements of the Communications Act of 1934, as amended.

This filing, scheduled to become effective June 22, 2017, consists of the tariff pages as indicated on the following Check Sheets:

Tariff F.C.C. No.  
73

Check Sheet Revision No.  
1220th Revised Page 1  
97th Revised Page 1.4  
170th Revised Page 1.5

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (USF/ICC Order), FCC No. 11-161 released November 18, 2011, price cap carriers are required to bifurcate their terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings.

With this filing, SWBT is restructuring its tandem transport and host remote rate elements.

In accordance with Section 61.14, this transmittal letter and associated attachments are being filed electronically today via the Federal Communications Commission's Electronic Tariff Filing System (ETFS) in compliance with the electronic filing procedures.

Wireline Competition Bureau

Page 2

June 7, 2017

Payment in the amount of \$925.00 has been electronically transmitted to the US Bank in St. Louis, Missouri, in accordance with the fee program procedures. The Form 159 is being transmitted electronically via ETFS as a proprietary document. These actions have been committed on the date established as the issued (filed) date as reflected above.

Personal or facsimile service petitions against this Transmittal, as required under Section 1.773(a)(4) of the Commission's Rules, should be sent to Scott Murray, Area Manager – Regulatory Relations, 311 S. Akard St., Room 9-A23, Dallas, TX 75202, facsimile number (214) 464-2006. All other correspondence and inquiries concerning this Transmittal should be addressed to Debra L. Clemens, Director-Federal Regulatory, (202) 457-3066, 1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

Sincerely,

A handwritten signature in cursive script, appearing to read "K. E. Shum".

Attachments:

Letter

Tariff Pages

Description and Justification

**SOUTHWESTERN BELL TELEPHONE COMPANY**  
**DESCRIPTION AND JUSTIFICATION**  
**June 7, 2017**  
**TRANSMITTAL NO. 3443**

**PURPOSE**

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (*USF/ICC Order*), FCC No. 11-161 released November 18, 2011, price cap carriers are required to bifurcate their terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings. In discussions between the Price Cap Industry and the FCC following transitional rules for the treatment of tandem traffic were developed:

- Traffic Terminating from a Price Cap ILEC-owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered "Tandem-to-End Office" that will transition to \$0.0007 (July 2017).
- All other Tandem Traffic that traverses an ILEC-owned tandem and does not terminate to an end user served by the ILEC End Office will be considered "Tandem-to- 3rd Parties," and will continued to be billed at the current Interstate rates. This includes traffic that terminates from a Price Cap ILEC-owned tandem to an affiliated CLEC or wireless end office.
- Terminating traffic switched through a Tandem to an End Office to a Host and then to a Remote that are all owned by the same Price Cap LEC, should be billed at the transitional rates – (Tandem to End office).
- For terminating traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities, the rate depends on whether or not the Tandem within the study area (Homing Tandem) is owned by the Price Cap LEC.
  - Terminating Traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities and the Price Cap LEC also owns the Homing Tandem within the study area, should be billed at the transitional rates – (Tandem to End office). (The reasoning for using the transitional rates is because the opportunity exists for the terminating traffic to be switched through the Tandem owned by the Price Cap LEC and be billed at transitional rates).

With this filing, Southwestern Bell Telephone Company (SWBT) is restructuring its tandem transport and host remote rate elements to comply with the above rules.

**DESCRIPTION**

Currently, SWBT's Tariff FCC No. 73 has a single set of rate elements that apply to all terminating tandem traffic and they are Tandem-Switched Transmission/Common Transport per access minute, per access minute of use per mile, and terminating Host Remote. SWBT will split that single set into two sets – one set of rate elements for terminating tandem traffic that traverses the Telephone Company's own Tandem and terminates to the Telephone Company's own end office ("Tandem to End Office"); the second set of rate elements for terminating tandem traffic that traverses the Telephone Company's own Tandem and terminates to non-Telephone Company 3rd party locations ("Tandem to 3rd Party"). The splitting of the tandem rate elements is administrative in nature. The existing tandem rates are not changing with this filing.

This filing is being made on a 15-days' notice.



## CHECK SHEET

Title page 1 and pages 1 to 41-5 inclusive of this tariff are effective as of the date shown. Original and revised pages as named below and Supplement No. 67 contain all changes from the original tariff that are in effect on the date hereof.

<u>Page</u>	Number of Revision Except as Indicated	<u>Page</u>	Number of Revision Except as Indicated	<u>Page</u>	Number of Revision Except as Indicated
Title 1	14th	1.37	28th	31-13	2nd
1	1220th*	1.38	22nd	32	10th
1.1	150th	1.39	24th	33	4th
1.2	322nd	1.40	21st	34	11th
1.3	75th	1.41	5th	35	9th
1.4	97th*	1.42	Original	36	8th
1.5	170th*	2	Original	37	8th
1.6	125th	3	4th	38	7th
1.7	118th	4	3rd	39	4th
1.7.1	Original	5	1st	39.1	19th
1.8	73rd	6	1st	40	13th
1.8.1	2nd	7	3rd	41	14th
1.9	61st	8	5th	42	1st
1.9.1	8th	9	3rd	43	1st
1.10	104th	10	7th	44	2nd
1.10.1	52nd	11	10th	1-1	4th
1.11	157th	12	8th	2-1	7th
1.11.1	30th	13	3rd	2-2	14th
1.12	63rd	14	1st	2-3	24th
1.13	88th	15	6th	2-4	11th
1.13.1	37th	16	5th	2-5	12th
1.14	93rd	17	Original	2-6	33rd
1.15	45th	18	19th	2-7	13th
1.16	50th	19	16th	2-8	10th
1.16.1	21st	20	6th	2-9	1st
1.17	69th	20.1	13th	2-10	Original
1.18	46th	20.2	2nd	2-11	Original
1.19	45th	20.3	4th	2-12	Original
1.20	24th	21	1st	2-13	1st
1.20.1	6th	22	3rd	2-14	3rd
1.20.2	5th	23	3rd	2-15	Original
1.20.3	6th	24	7th	2-16	Original
1.20.4	20th	25	2nd	2-17	7th
1.21	46th	26	4th	2-17.1	1st
1.22	55th	27	2nd	2-17.2	1st
1.23	63rd	28	2nd	2-18	2nd
1.23.1	13th	29	1st	2-19	2nd
1.24	62nd	30	3rd	2-20	11th
1.24.1	6th	31	2nd	2-21	10th
1.25	29th	31.1	9th	2-22	5th
1.26	72nd	31.2	5th	2-23	Original
1.27	10th	31.3	11th	2-24	4th
1.28	12th	31.4	7th	2-25	Original
1.29	25th	31.5	4th	2-26	1st
1.30	21st	31.6	21st	2-27	Original
1.31	25th	31.7	10th	2-28	Original
1.32	19th	31.8	23rd	2-29	Original
1.33	21st	31.9	43rd	2-30	Original
1.34	25th	31.10	37th	2-31	Original
1.35	34th	31.11	36th	2-32	Original
1.36	33rd	31.12	49th	2-33	Original
		31.13	2nd	2-34	Original

\* New or Revised Page

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## PUBLIC VERSION

SOUTHWESTERN BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 73  
97th Revised Page 1.4  
Cancels 96th Revised Page 1.4

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6-89	4th	6-124.3	Original	6-149.1	4th
6-90	4th	6-124.4	Original	6-149.2	3rd
6-91	3rd	6-124.5	Original	6-149.3	7th
6-92	4th	6-124.6	Original	6-149.4	5th*
6-93	4th	6-124.7	Original	6-149.5	6th*
6-94	3rd	6-124.8	Original	6-149.6	6th*
6-94.1	3rd	6-125	7th	6-150	7th
6-94.2	1st	6-126	4th	6-150.1	5th
6-95	5th	6-126.1	3rd	6-150.2	7th
6-96	1st	6-126.2	3rd	6-151	2nd
6-97	3rd	6-126.3	3rd	6-152	1st
6-98	2nd	6-127	4th	6-153	2nd
6-98.1	4th	6-128	4th	6-154	2nd
6-99	2nd	6-129	3rd	6-155	2nd
6-100	1st	6-130	4th	6-155.1	1st
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6-102	2nd	6-130.2	3rd	6-157	2nd
6-103	1st	6-131	6th	6-158	2nd
6-104	1st	6-132	3rd	6-159	3rd
6-105	3rd	6-133	6th	6-160	1st
6-106	2nd	6-133.1	2nd	6-161	1st
6-107	3rd	6-134	4th	6-162	1st
6-108	3rd	6-135	5th	6-163	2nd
6-109	4th	6-136	5th	6-163.1	1st
6-110	3rd	6-137	5th	6-163.2	4th
6-111	1st	6-138	2nd	6-163.3	1st
6-112	3rd	6-139	5th	6-163.4	3rd
6-113	1st	6-140	8th	6-164	3rd
6-114	1st	6-140.1	11th	6-165	5th
6-115	2nd	6-140.2	12th	6-165.1	8th
6-116	1st	6-140.3	9th	6-166	1st
6-117	1st	6-141	7th	6-167	1st
6-118	2nd	6-141.1	4th	6-168	2nd
6-118.1	1st	6-142	8th	6-169	3rd
6-119	2nd	6-142.1	1st	6-169.1	1st
6-120	4th	6-143	9th	6-170	6th
6-121	3rd	6-144	3rd	6-171	2nd
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6-172	5th	6-180.6	Original	7-12	6th
6-173	2nd	6-181	5th	7-13	1st
6-173.1	2nd	6-182	5th	7-14	2nd
6-173.2	2nd	6-183	5th	7-15	Original
6-173.3	1st	6-184	5th	7-16	1st
6-173.4	3rd	6-184.1	9th	7-17	1st
6-174	3rd	6-184.2	7th	7-18	Original
6-175	1st	6-185	46th	7-19	4th
6-176	6th	6-186	12th	7-20	3rd
6-176.1	3rd	6-187	12th	7-21	1st
6-176.2	8th	6-188	15th	7-22	Original
6-177	1st	6-189	8th	7-23	2nd
6-178	2nd	6-190	9th	7-24	5th
6-178.1	3rd	6-191	9th	7-25	Original
6-178.2	1st	6-192	9th	7-26	2nd
6-178.3	1st	6-193	8th	7-27	Original
6-178.4	1st	6-194	10th	7-28	Original
6-178.5	1st	6-194.1	4th	7-29	2nd
6-178.6	1st	6-195	6th	7-30	6th
6-178.7	1st	6-196	7th	7-31	1st
6-178.8	1st	6-197	7th	7-32	1st
6-178.9	3rd	6-198	7th	7-33	2nd
6-178.10	1st	6-199	6th	7-34	2nd
6-179	47th	6-200	6th	7-35	3rd
6-179.1	20th	6-201	8th	7-36	Original
6-179.2	10th	6-202	6th	7-37	Original
6-179.3	16th	6-203	6th	7-38	Original
6-179.4	9th	6-204	6th	7-39	1st
6-179.5	17th	6-205	8th	7-40	4th
6-179.6	13th	6-206	6th	7-41	2nd
6-179.7	19th	6-207	6th	7-41.1	Original
6-179.8	2nd	6-208	12th	7-41.2	Original
6-179.9	15th	6-209	22nd	7-41.3	Original
6-179.10	1st	6-210	3rd	7-41.4	Original
6-179.11	28th*	6-211	3rd	7-41.5	Original
6-179.12	2nd	7-1	5th	7-42	2nd
6-179.13	2nd	7-2	13th	7-43	8th
6-179.14	3rd	7-3	3rd	7-44	2nd
6-179.15	2nd	7-4	1st	7-45	Original
6-179.16	Original	7-5	7th	7-46	4th
6-180	9th	7-6	1st	7-47	5th
6-180.1	5th	7-7	5th	7-47.1	6th
6-180.2	3rd	7-8	1st	7-48	Original
6-180.3	3rd	7-9	1st	7-49	Original
6-180.4	1st	7-10	5th	7-50	Original
6-180.5	1st	7-11	1st	7-51	Original

\* New or Revised Page

(This page filed under Transmittal No. 3443)

Issued: June 7, 2017

Effective: June 22, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.8 Rate Regulations (Cont'd)6.8.3 Monthly Recurring and Usage Rates (Cont'd)(E) Switched Transport (Cont'd)(3) Tandem-Switched Transport (Cont'd)(a) Tandem-Switched Transmission/Common Transport

- (1) Tandem-Switched Transmission/Common Transport has two rates: a per access minute of use rate and a per access minute of use per mile rate. Tandem Switched Transmission/Common Transport rate elements are billed as Originating, Terminating to Telephone Company's own end office, and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non-Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. Examples of 3rd party locations include terminations to other local exchange and wireless carriers. The per access minute of use rate applies to the non distance sensitive portion of the Tandem-Switched Transport for the termination of both ends of the facility. The per access minute of use per mile rate applies to the distance sensitive portion of the Tandem-Switched Transport facility. When the mileage for Tandem-Switched Transmission/Common Transport is zero, these rates will not apply.

A per access minute of use and the per access minute of use per mile rate also applies to interoffice links that are provided for the common use of all customers but which are not switched through an access tandem. The Telephone Company will identify this application of Tandem-Switched Transmission as Common Transport.

Common Transport may be associated with both tandem routed services and with direct routed services (as set forth in 6.8.3(E)(2)(b)). Mileage for Common Transport is always measured separately from Tandem-Switched Transmission and Direct-Trunked Transport.

- (2) Mileage measurement is described in 6.8.5 (Determining Switched Transport Mileage and Charges).

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675 W. Peachtree St. NW, Atlanta, GA 30308

SOUTHWESTERN BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 73  
6th Revised Page 6-149.5  
Cancels 5th Revised Page 6-149.5

## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.8 Rate Regulations (Cont'd)6.8.3 Monthly Recurring and Usage Rates (Cont'd)(E) Switched Transport (Cont'd)(3) Tandem-Switched Transport (Cont'd)(b) Host Remote Transmission

- (1) A per access minute of use and a per access minute of use per mile rate also applies to interoffice links that are provided for the common use of all customers but which are not switched through an access tandem.

Host Remote Transmission may be associated with both tandem routed services and direct routed services, such as when Tandem-Switched Transport is ordered to a host office to access remotes (as set forth in 6.8.3 (E)(2)(b)). Mileage is always measured separately for Tandem-Switched Transmission and Direct-Trunked Transport.

- (2) Mileage measurement is described in 6.8.5 (Determining Switched Transport Mileage and Charges).

(c) Tandem Switching

A per access minute of use rate applies to each Tandem-Switched Transport facility for the switching functions provided by the access tandem.

Tandem Switching rate elements are billed as Originating, Terminating to Telephone Company's own end office, and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non-Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. Examples of 3rd party locations include terminations to other local exchange and wireless carriers.

(N)

(N)

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively back to the transmittal's original effective date, in the event the Commission or a court subsequently authorizes SWBT to correct its rates to allow it to calculate its price cap formulas to exclude USF contributions from the operation of the X-factor, or in the event of any other adjustment pursuant to an order of the Commission or a court.

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## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.8 Rate Regulations (Cont'd)6.8.3 Monthly Recurring and Usage Rates (Cont'd)(E) Switched Transport (Cont'd)(3) Tandem-Switched Transport (Cont'd)(d) Tandem End Office Multiplexing

A per minute of use charge applies for the use of the multiplexing equipment on the end office side of the access tandem and to each FGA BSA-A terminating minute of use between the dial tone office and the end office.

Tandem End Office Multiplexing rate elements are billed as Originating, Terminating to Telephone Company's own end office, and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non-Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. Examples of 3rd party locations include terminations to other local exchange and wireless carriers. (N)  
(N)  
(N)  
(N)  
(N)  
(N)  
(N)  
(N)

(e) Dedicated Tandem Trunk Port

A monthly rate applies, per port, for each in service dedicated trunk on the serving wire center side of the access tandem.

Dedicated Tandem Trunk Port is billed as originating and terminating based on a Percent Originating Usage (POU) factor of 50%.

Originating Calculation = PIU x Originating Rate  
x Quantity x POU

Terminating Calculation = PIU x Terminating Rate  
x Quantity x (100-POU)

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively back to the transmittal's original effective date, in the event the Commission or a court subsequently authorizes SWBT to correct its rates to allow it to calculate its price cap formulas to exclude USF contributions from the operation of the X-factor, or in the event of any other adjustment pursuant to an order of the Commission or a court.

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675 W. Peachtree St. NW, Atlanta, GA 30308

## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.9 Rates and Charges (Cont'd)6.9.2 Switched Transport (Cont'd)(C) Tandem Switched Transport

(1) Tandem Switched Transmission/Common Transport	<u>Originating</u>	<u>Terminating to non-Telephone Company 3rd party location</u>	<u>Terminating to Telephone Company's own end office</u>	(N)
Rate per Access Minute	\$0.000053	\$0.000053	\$0.000053	
Rate per Access Minute per Mile	\$0.000003	\$0.000003	\$0.000003	
(2) Tandem Switching Rate per Access Minute	\$0.000288	\$0.000288	\$0.000288	
(3) Tandem End Office Multiplexing Rate per Access Minute	\$0.000047	\$0.000047	\$0.000047	(N) (N) (T) (N) (N) (T)
(4) Host/Remote Transmission Rate per Access Minute	\$0.000173	N/A	\$0.000173	(N)
Rate per Access Minute per Mile	\$0.000014	N/A	\$0.000014	(N)
(5) Dedicated Tandem Trunk Port	<u>Originating USOC</u>	<u>Originating Monthly Rate</u>	<u>Terminating USOC</u>	<u>Terminating Monthly Rate</u> (T) (T) (T)
	3PO3X	\$1.34	3PT3X	\$1.34
(6)	<u>Nonrecurring Charge</u>			
per Voice Grade	NRBLW			
First Voice Grade Channel		\$181.00		
Add'l Voice Grade Channel, each		\$157.00		
per DS1	NRBLX			
First DS1		\$408.00		
Additional DS1, each		\$314.00		
per DS3	NRBLY			
First DS3		\$473.00		
Additional DS3, each		\$341.00		

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Southwestern Bell Telephone Company to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

(This page filed under Transmittal No. 3443)

Issued: June 7, 2017

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675 W. Peachtree St. NW, Atlanta, GA 30308

# **EXHIBIT 11(a)**

**Excerpts from AT&T Price Cap  
Carrier June 16, 2017 Tariff Filings -  
Ameritech Operating Companies:  
Cover Letter, Description &  
Justification, Revised Tariff Pages**





Kristen Shore  
 Assistant Vice President – Regulatory  
 675 W. Peachtree St. NW  
 Atlanta, GA 30308

FRN: 0020-5728-30

June 16, 2017

Transmittal No. 1860

Ms. Marlene H. Dortch  
 Secretary  
 Federal Communications Commission  
 Washington, D.C. 20554

This filing is being made on a streamlined basis on 15 days notice under Section 204(a) (3) of the Communications Act.

Attention: Wireline Competition Bureau

The accompanying tariff material, issued by Ameritech Operating Companies (Ameritech) and bearing Tariff F.C.C. No. 2, is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended.

This filing, scheduled to become effective July 1, 2017, consists of the tariff pages as indicated on the following check sheets

Tariff F.C.C. No.  
 2

Check Sheet Revision No.  
 1678th Revised Page 1  
 376th Revised Page 1.1  
 351st Revised Page 1.2  
 255th Revised Page 1.4

Ameritech is submitting the 2017 Annual Access Tariff Filing in accordance with the Bureau's Order DA 17-386, *In the Matter of Material to be Filed in Support of 2017 Annual Access Tariff Filings, (Tariff Review Plan)*, released April 24, 2017 and Order DA 17-258, *In the Matter of July 1, 2017 Annual Access Charge Tariff Filings (TRP Order)*, released March 16, 2017, and *In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Order (June 5, 2012 Order)*, FCC 11-161, released June 5, 2012.

Supporting information discussed under Section 61.49 of the Commission's Rules, to the extent applicable, is included with this filing in the attached Description and Justification.

In accordance with Section 61.14, this transmittal letter and associated attachments are being filed electronically today via the Federal Communications Commission's Electronic Tariff Filing System (ETFS) in compliance with the electronic filing procedures.

Wireline Competition Bureau

Page 2

June 16, 2017

Payment in the amount of \$925.00 has been electronically transmitted to the US Bank in St. Louis, Missouri, in accordance with the fee program procedures. The Form 159 is being transmitted electronically via ETFS as a proprietary document. These actions have been committed on the date established as the issued (filed) date as reflected above.

Personal or facsimile service petitions against this Letter, as required under Section 1.773(a)(4) of the Commission's Rules, should be sent to Rosemary Chambers, Area Manager – Regulatory Relations, 311 S. Akard St., Room 9-A19, Dallas, Texas, 75202, facsimile number (214) 464-2006. All other correspondence and inquiries concerning this Transmittal should be addressed to Debra L. Clemens, Director-Federal Regulatory, (202) 457-3066, 1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

Sincerely,

A handwritten signature in cursive script, appearing to read "Krista E. Shon".

Attachments:

- Letter
- Tariff Pages
- Description & Justification and Exhibits
- Tariff Review Plan (TRP)
- Rate Detail

**AMERITECH OPERATING COMPANIES (AMERITECH)**  
**2017 ANNUAL FILING**  
**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS**  
**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6**  
**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)**

**DESCRIPTION AND JUSTIFICATION**  
**FCC No. 2, Transmittal No. 1860**  
**June 16, 2017**

**Section**

1. Introduction

**2017 ANNUAL FILING**

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 Payment
- F. Summary of Exogenous Costs & Distributions

3. Other Price Cap Index Factors/Variables Development

4. Development of 2016 Base Period Demand

5. Common Line Basket Rate Development

6. Special Access Basket PCI, API, SBI and Rate Development

7. Interexchange Basket PCI, API, SBI and Rate Development

8. Part 69 Waivers

9. New Services Included in the Price Cap Indices

10. Services Excluded from Price Caps

11. IND-1 Reference

12. Rate Comparison

13. Exhibits

**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS**

14. 3rd Quarter Universal Service Fund Adjustments

15. Exhibits

**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6**

16. Developing the Interstate and Intrastate Switched Access Revenue Reduction
17. Establishment of Originating and Terminating Rates
18. Fiscal Year 2011 Demand Development
19. Development of the Step 6 Switched Access Service Revenue Reduction Amount
20. Intrastate and Interstate Rates
21. Services Excluded from the Switched Access Revenue Reduction Calculation
22. Exhibits

**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)**

23. ARC Development and Application
24. Exhibits

## 1. INTRODUCTION

This filing is being made in compliance with the following:

- ❑ In the Matter of July 1, 2017 Annual Access Charge Tariff Filings, DA 17-258 (Filing Dates), released March 16, 2017;
- ❑ In the Matter of Material to be Filed in Support of 2017 Annual Access Tariff Filings, DA 17-386 (Tariff Review Plans), released April 24, 2017;
- ❑ In the Matter of Assessment and Collection of Regulatory Fees for the Fiscal Year 2017, MD Docket 15-121, FCC 17-62, released May 23, 2017;
- ❑ In the Matter of Connect America Fund and Developing an Unified Inter-carrier Compensation Plan, ICC Clarification Order, DA14-434, released March 31, 2014;
- ❑ In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Inter-carrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Order (June 5, 2012 Order), FCC 11-161, released June 5, 2012;
- ❑ In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Inter-carrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking (USF/ICC Transformation Order), FCC 11-161, released November 18, 2011;
- ❑ 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, Sixth Report and Order CC Docket Nos. 96-262 and 94-1, Report and Order CC Docket No. 99-249 and Eleventh Report and Order CC Docket No. 96-45, (CALLS Order), FCC 00-193, 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;
- ❑ 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*);
- ❑ In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, 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.

This filing is comprised of four sections. The first section contains supporting documentation for the Price Cap 2017 Annual Filing. The *LEC Price Cap Order* requires an annual access tariff filing in which Price Cap companies are 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.

The second portion of this filing contains supporting documentation to implement the 3rd quarter USF factor.

The third portion of this filing contains supporting documentation necessary to implement the Step 6 requirements of the *USF/ICC Transformation Order*.

The final portion of this filing contains supporting documentation for development of AT&T's Access Recovery Charge (ARC) established in the *USF/ICC Transformation Order*.



**2017 ANNUAL FILING****2. EXOGENOUS COST DEVELOPMENT - ( $\Delta Z$ )**

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

In the 2017 Annual Filing, the following exogenous adjustments will be made. All are allowable in accordance with the Commission's Part 61 Rules or were designated in Commission Orders:

- Investment Tax Credit (ITC)
- Excess Deferred Tax (EDT)
- Telecommunications Relay Service (TRS)
- Regulatory Fee Payment Exogenous

Part 61.45(d)(3) requires that exogenous cost changes be apportioned between price cap services and excluded services. The exogenous cost changes were 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.

**2.A EXCESS DEFERRED TAX (EDT)**

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 2017-2018 tariff period. ***Exhibit 2.1*** provides the development of the EDT impacts by state and total for Ameritech.

## 2.B INVESTMENT TAX CREDIT (ITC) AMORTIZATION

In paragraph 72 of the *LEC Price Cap Reconsideration Order*, the FCC 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 by state and total for Ameritech on *Exhibit 2.2* for the 2017-2018 tariff period.

## 2.C COMBINED EFFECT

The combined effect of EDT and ITC by state and total Ameritech is developed to determine the impact of all exogenous cost changes on the interstate revenue requirements. *Exhibit 2.3* summarizes this impact.

## 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. Ameritech is estimating the total TRS contribution amount for the ensuing tariff period based on a proposed factor of \$.02244. The development of the TRS exogenous cost for this filing is provided in *Exhibit 2.5*.

## 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) and the Common Carrier Bureau's October 7, 1994 *Order*.<sup>2</sup> Ameritech is estimating the total Regulatory Fees for fiscal year 2017 on a proposed factor of \$.00302.

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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.

The regulatory fee payments and the corresponding exogenous adjustment are estimated based up on the proposed factor and revenue. The exogenous adjustment is detailed in *Exhibit 2.5*.

## **2.F SUMMARY OF EXOGENOUS COSTS & DISTRIBUTIONS**

Part 61.45(d) (4) 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 representing non-price cap service revenue. Totals of all exogenous costs applied in this filing are summarized on *Exhibit 2.6*.

## **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 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

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

allowable Service Band Index (SBI) Upper Limits, which are used to demonstrate if the proposed service category rates are in-band for the Special Access basket. The change in the PCI also affects the allowable Sub-Index upper limits for 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(c) as "the immediately preceding PCI value." For purposes of the 2017 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 11*.

## **SPECIAL ACCESS AND INTEREXCHANGE REDUCTIONS**

No reductions are required in the Special Access Service or Interexchange Service pursuant to Part 61.45(b)(iv).

## **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 2017 Annual Filing is 1.5385 percent.

## **X FACTOR**

The x-factor for the Special Access basket is set equal to the GDP-PI 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 2016.

The calculation of the 'R' variable for the Common Line and Special Access baskets are detailed in *Exhibits 5 and 6*, respectively.

**COMMON LINE USAGE GROWTH (g)**

The Minutes of Use (MOU) Carrier Common Line (CCL) charges are zero, which eliminates the need to calculate a (g) factor.

**4. DEVELOPMENT OF 2016 BASE PERIOD DEMAND**

Historical base period demand is required for the Common Line and Special Access baskets.

Demand information for these baskets is detailed on exhibits provided with this filing.

Historical base period demand for the Special Access Basket reflects the removal of demand in MSAs that have been granted Phase II regulatory relief.<sup>4</sup>

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

The Common Line Basket rates were developed in accordance with Part 69.152. *Exhibit 5* lists the rates and demand used to calculate the Common Line ‘R’ value.

## **6. 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 2017 Annual Filing are developed using 2016 base period demand.

The 2017 Annual Filing PCI calculation is detailed on the IND-1, PCI-1, and RTE-1 forms of the TRP.

In addition, exhibits detailing compliance with the CFR are as follows:

***Exhibit 6*** – Calculation of ‘R’ Value

***Exhibit 6.1*** – Calculation of API and SBI

***Exhibit 6.2*** - Calculation of DS1 & DS3 Sub-Indices

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<sup>4</sup> MO&O, CCB/CPD No. 00-26, DA 01-670, released March 14, 2001; MO&O, CCB/CPD No. 01-32, DA 02-823, released April 11, 2002; and MO&O, WCB/Pricing No. 03-8, DA 03-1721, released May 15, 2003 MO&O, CCB/CPD No. 00-25, DA 01-670, released March 14, 2001; MO&O, CCB/CPD No. 01-35, DA 02-823, released April 11, 2002.

## 7. INTEREXCHANGE BASKET PCI, API AND RATE DEVELOPMENT

In accordance with Part 61.45, the existing and proposed PCI for the Interexchange Basket is detailed on the PCI-1 form of the TRP. The associated APIs are included on the IND-1 and RTE-1 forms of the TRP.

## 8. PART 69 WAIVERS

The following is a list of Part 69 waivers involving Southwestern Bell Telephone Company (SWBT), Pacific Bell Telephone Company (PBTC), Nevada Bell Telephone Company (NBTC), Ameritech, and BellSouth Telecommunications, LLC (BellSouth), 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:

- Ameritech, PBTC, NBTC, SWBT, BellSouth – Order (DA 17-443), released May 10, 2017, granting permission to waive of the requirement that price cap incumbent local exchange carriers (LECs) file short form Tariff Review Plans (TRPs).
- Ameritech, PBTC, NBTC, SWBT – 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.
- Ameritech, BellSouth, PBTC, SWBT – Order (DA 96-2004) 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 Service Category of the Trunking Basket. NBTC does not offer SONET-based switched transport.
- Ameritech – Order (DA 96-446) released March 27, 1996, to establish unbundled rate elements for SS7 service. These rate elements are included in the Traffic Sensitive and Trunking baskets. BellSouth, NBTC, PBTC, and SWBT do not offer TCAP and ISUP usage rates.
- Ameritech, BellSouth, NBTC, PBTC, SWBT – Order (DA 94-1350) released November 30, 1994, granting establishment of a new rate element for 500 Access Service. The service is included in the Local Switching Service Category of the Traffic Sensitive Basket
- AT&T ILECs - 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 is scheduled to be replaced. These rate elements are included in the HiCap Service Category of the Trunking 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.
- AT&T ILECs - *Ameritech DNAL Waiver Order* (DA 91-1629), released December 27, 1991; *BOC DNAL Order* (DA 92-199), released January 30, 1992, *PBTC & NBTC Memorandum Opinion and Order* (DA 92-271), released March 6, 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.
- AT&T ILECs - Commission Order, released October 9, 1991, granting establishment of an Information Surcharge rate element within the Information Category. This rate element is included in the Traffic Sensitive Basket.
- AT&T ILECs – *Operator Services Waiver Order* (DA 91-274), released March 5, 1991. 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.
- AT&T ILECs - 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.
- AT&T ILECs - 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.
- AT&T ILECs - Commission MO&O (FCC 83–356), 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.

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

No new services were added in 2016.



## 10. SERVICES EXCLUDED FROM PRICE CAPS

The Commission's Order, *In the Matter of Material to be Filed in Support of 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 10***, Ameritech has included a list of all services excluded from price cap regulation, which has been revised to reflect activity subsequent to the 2016 Annual Filing in accordance with the *2017 TRP Order*.

## 11. IND-1 REFERENCE

The reference document, which is required to identify the transmittal associated with each of the existing PCIs, is provided as ***Exhibit 11***.

## 12. RATE COMPARISON

***Exhibit 12*** identifies current and proposed rates for elements with changing rates. In addition to this exhibit, a Rate Detail file which lists all price cap services demand and revenues by service basket is provided.

### 13. EXHIBITS

This section provides the exhibits and other support documents referenced in prior sections of the D&J.

- Exhibit 2.1 – Excess Deferred Tax (EDT) Total Ameritech
- Exhibit 2.1a – Excess Deferred Tax (EDT) Illinois
- Exhibit 2.1b – Excess Deferred Tax (EDT) Indiana
- Exhibit 2.1c – Excess Deferred Tax (EDT) Michigan
- Exhibit 2.1d – Excess Deferred Tax (EDT) Ohio
- Exhibit 2.1e – Excess Deferred Tax (EDT) Wisconsin
- Exhibit 2.2 – Investment Tax Credit (ITC) Total Ameritech
- Exhibit 2.2a – Investment Tax Credit (ITC) Illinois
- Exhibit 2.2b – Investment Tax Credit (ITC) Indiana
- Exhibit 2.2c – Investment Tax Credit (ITC) Michigan
- Exhibit 2.2d – Investment Tax Credit (ITC) Ohio
- Exhibit 2.2e – Investment Tax Credit (ITC) Wisconsin
- Exhibit 2.3 – Combined Effect Summary Total Ameritech
- Exhibit 2.3a – Combined Effect Summary Illinois
- Exhibit 2.3b – Combined Effect Summary Indiana
- Exhibit 2.3c – Combined Effect Summary Michigan
- Exhibit 2.3d – Combined Effect Summary Ohio
- Exhibit 2.3e – Combined Effect Summary Wisconsin
- Exhibit 2.4a – EDT/ITC Adjusted for Non-Price Cap Services Illinois
- Exhibit 2.4b – EDT/ITC Adjusted for Non-Price Cap Services Indiana
- Exhibit 2.4c – EDT/ITC Adjusted for Non-Price Cap Services Michigan
- Exhibit 2.4d – EDT/ITC Adjusted for Non-Price Cap Services Ohio
- Exhibit 2.4e – EDT/ITC Adjusted for Non-Price Cap Services Wisconsin
- Exhibit 2.5 – Telecommunications Relay Service and Regulatory Fee Exogenous
- Exhibit 2.6 – Summary of Exogenous Costs & Distribution
- Exhibit 5 – Common Line basket Model for Ameritech Operating Companies
- Exhibit 6 – Calculation of ‘R’ Value – (Special)

- Exhibit 6.1 – Calculation of Price Cap Indices (Special)
- Exhibit 6.2 – Calculation of DS1 & DS3 Sub-Indices (Special)
- Exhibit 10 – Excluded Services List
- Exhibit 11 – IND-1 Reference
- Exhibit 12 – Rate Comparison
- Tariff Review Plan (TRP)
- Rate Detail File

**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS****14. 3RD QUARTER UNIVERSAL SERVICE FUND ADJUSTMENTS**

This portion of the filing is to revise the USF obligation based on the 3rd quarter 2017 contribution factor, which Ameritech will begin billing July 1, 2017. The 3rd quarter contribution factor, 17.1 percent, was provided in the Commission's recent Public Notice, DA 17-580, released June 13, 2017. Recovery of this contribution is allowable pursuant to Part 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*, Ameritech recovers its USF obligation associated with switched access services through various flat-rate end user charges.<sup>5</sup> The charges will be assessed with respect to the interstate end user service that generates the USF obligation.

Ameritech assesses three general types of USF charges (Basic, Port, and Non-recurring) for switched access customers. These charges are calculated using the following methodology as shown on *Exhibit 14.1* and *Exhibit 14.2*.

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<sup>5</sup>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 (2202) (*Interim Contribution Methodology Order*).

## 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.

## Residential / Single Line Business (SLB)

Ameritech 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 rate is demonstrated in *Exhibit 14.1*.

## BRI ISDN / BRI ISDN Port

Ameritech 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 14.1*.

## Multi Line Business, PRI ISDN, and Centrex

Ameritech elected to utilize the provisions granted in the Commission's *Order and Second Order on Reconsideration* regarding Centrex customers.<sup>6</sup> A portion of the un-recovered obligation

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<sup>6</sup> 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, *Order and Second Order on Reconsideration*, FCC 03-58, para. 3 (rel. March 14, 2003).

created from using the PICC equivalency ratios for Centrex customers is applied to Multi-line business customers. However, due to the constraints included in the Commission's *Order*, Ameritech averages the obligation associated with End User Common Line (EUCL) charges for Centrex customers. Centrex customers are assessed the full amount of the obligation associated with their SPNP end user surcharges.

Ameritech determines the Basic USF recovery rate for business customers using the method detailed below.

#### **Establish the Basic Multi-line Business Rate**

**Step 1** – Determine total revenue using access lines as of March 2017 for these customers generated from EUCL assessments by multiplying the EUCL rate by the number of lines.

**Step 2** – Multiply the result from Step 1 by the contribution factor to obtain the obligation associated with the customer base.

**Step 3** – Divide the obligation developed in Step 2 by the number of billable lines (using lines as of March 2017). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

**Step 4** – Add to the Basic MLB rate, all other USF recovery associated with the customer type.

Step 4 is calculated by customer type for Multi-line business, PRI ISDN, and Centrex customers as shown in *Exhibit 14.2*.

The final rates per customer type are detailed on both *Exhibit 14.1* and *Exhibit 14.2*. These final rates preclude any USF recovery necessary from non-recurring interstate end user charges.

**Other Non-recurring USF Surcharges**

Non-recurring USF surcharges are assessed to interstate end user non-recurring charges, which generate a USF obligation. Ameritech calculates Other Non-recurring USF charges by multiplying the non-recurring charge by the contribution factor. These USF recovery charges will only be assessed per occurrence of the interstate end user non-recurring charge. For billing purposes, the USF recovery charge may be added to the existing interstate end user charge, which generates the obligation.

Ameritech assesses Lifeline customers the Non-recurring USF charges when they are assessed the non-recurring charge that generates the obligation. Ameritech also assesses Interexchange Carriers (ICs) the Presubscribed Interexchange Charge (PIC) USF Charge when the IC is assessed the PIC change charge.

**Other Recurring Federal Universal Fund Surcharges**

Ameritech will continue to recover its other recurring (i.e. Special Access and True Internet Protocol to Public Switched Telephone Network (TIPToP Service)) USF obligations through a percentage-based USF recovery charge applied to interstate end user billed revenues. This percentage-based USF recovery charge is set equal to the Commission's contribution factor released via Public Notice.

**15. EXHIBITS**

This section provides the exhibits and other support documents referenced in prior sections of the D&J.

- Exhibit 14.1A – Illinois Universal Service Fee Rate Development 1
- Exhibit 14.1B – Indiana Universal Service Fee Rate Development 1
- Exhibit 14.1C – Michigan Universal Service Fee Rate Development 1
- Exhibit 14.1D – Ohio Universal Service Fee Rate Development 1
- Exhibit 14.1E – Wisconsin Universal Service Fee Rate Development 1
- Exhibit 14.2A – Illinois Universal Service Fee Rate Development 2
- Exhibit 14.2B – Indiana Universal Service Fee Rate Development 2
- Exhibit 14.2C – Michigan Universal Service Fee Rate Development 2
- Exhibit 14.2D – Ohio Universal Service Fee Rate Development 2
- Exhibit 14.2E – Wisconsin Universal Service Fee Rate Development 2



**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6****16. DEVELOPING THE INTERSTATE AND INTRASTATE SWITCHED ACCESS REVENUE REDUCTION**

The purpose of this section of the filing is to implement the Step 6 Transition of Price Cap Carrier Access Service<sup>7</sup> per Part 51.907(g) of the CFR. This includes:

- (a) Each Price Cap Carrier shall, in accordance with a bill-and-keep methodology, refile its interstate access tariffs and any state tariffs, in accordance with §51.905(b)(2), removing any intercarrier charges for terminating End Office Access Service.
- (b) Each Price Cap Carrier shall establish, for interstate and intrastate terminating traffic traversing a tandem switch that the terminating carrier or its affiliates owns (i.e. Tandem to End Office), Tandem-Switched Transport Access Service rates no greater than \$0.0007 per minute. All other terminating tandem-Switched Transport Access Service rates (i.e. Tandem to 3rd Party) rates will not be subject to transition.
- (c) Nothing in this section obligates or allows a Price Cap Carrier that has intrastate rates lower than its functionally equivalent interstate rates to make any intrastate tariff filing or intrastate tariff revisions raising such rates.
- (d) Each Price Cap Carrier shall calculate its eligible recovery, for July 2017 through June 2018, as per the *ICC Transformation Order*.<sup>8</sup>

The company and state-specific forms are filed with the transmittals for each of the AT&T

Companies. The access revenue reduction exhibits by company and state are:

**Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Ameritech – *Exhibit AIT*

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<sup>7</sup> Part 51.903(d) defines *End Office Access Service* as:

- (1) The switching of access traffic at the carrier's end office switch and the delivery to or from of such traffic to the called party's premises;(2) The routing of interexchange telecommunications traffic to or from the called party's premises, either directly or via contractual or other arrangements with an affiliated or unaffiliated entity, regardless of the specific functions provided or facilities used; or
- (3) Any functional equivalent of the incumbent local exchange carrier access service provided by a non-incumbent local exchange carrier. End Office Access Service rate elements for an incumbent local exchange carrier include the local switching rate elements specified in §69.106 of this chapter, the carrier common line rate elements specified in §69.154 of this chapter, and the intrastate rate elements for functionally equivalent access services. End Office Access Service rate elements for an incumbent local exchange carrier also include any rate elements assessed on local switching access minutes, including the information surcharge and residual rate elements.

<sup>8</sup> Part 51.915(d)(1)(vi).

**BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- BellSouth – *Exhibit BST*

**Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Nevada – *Exhibit NV*

**Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- California – *Exhibit CA*

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- SWBT – *Exhibit SWBT*

**17. ESTABLISHMENT OF ORIGINATING AND TERMINATING RATES**

Part 51.907(d)(1) states “[a] Price Cap Carrier shall establish separate originating and terminating rate elements for all per-minute components within interstate and intrastate End Office Access Service. For fixed charges, the Price Cap Carrier shall divide the rate between originating and terminating rate elements based on relative originating and terminating end office switching minutes. If sufficient originating and terminating end office switching minute data is not available, the carrier shall divide such charges equally between originating and terminating elements.”

All of the AT&T ILEC End Office Access Services are comprised of one or more local switching per minute of use (MOU) charges, a shared end office (EO) trunk port per MOU charge, one or two dedicated EO trunk port monthly recurring charges (MRCs) and various optional EO feature MRCs and nonrecurring charges (NRCs). To meet the requirement of Part 51.907(d)(1), AT&T separated the intrastate and interstate local switching per MOU, shared EO trunk port per MOU and dedicated EO trunk port charges into originating and terminating rates in 2013. The filings

separating<sup>9</sup> the per MOU charges and dedicated port charges into originating and terminating were effective as follows:

- Ameritech Tariff FCC No. 2, Transmittal No. 1792, effective May 15, 2013.
- Illinois ILL. C.C. No. 21, Switched Access Service usage effective March 11, 2013 and ports effective May 25, 2013.
- Indiana, Michigan, Ohio and Wisconsin Access Service Tariffs have long cross referenced to Tariff FCC No. 2 for Switched Access Service rates and regulations.
- BellSouth Tariff FCC No. 1, Transmittal No. 60, effective May 15, 2013.
- Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee Access Service Tariffs cross reference to Tariff FCC No. 1 for Switched Access Service rates and regulations effective July 2, 2013.
- NBTC Tariff FCC No. 1, Transmittal No. 246, effective May 15, 2013.
- Nevada Tariff P.U.C.N. No. C cross references to Tariff FCC No. 1 for Switched Access Service rates and regulations effective July 2, 2013.
- PBTC Tariff FCC No. 1, Transmittal No. 488, effective May 15, 2013.
- California Schedule CAL.P.U.C. NO. 175-T cross references to Tariff FCC No. 1 for Switched Access Service rates and regulations effective June 10, 2013.
- SWBT Tariff FCC No. 73, Transmittal No. 3373, effective May 15, 2013.
- Arkansas, Kansas and Missouri Access Service Tariffs cross reference to Tariff FCC No. 73 for Switched Access Service rates and structure.
- Oklahoma Access Service Tariff cross references to Tariff FCC No. 73 for Switched Access Service rates only as of July 2, 2013 effective July 2, 2013.
- Texas Access Service Tariff began cross referencing to Tariff FCC No. 73 for Carrier Common Line Access Service and Switched Access Services rates and regulations effective August 20, 2012.

The MRCs and NRCs for the EO features will not be tariffed as originating and terminating.

Instead, AT&T changed the rate to zero for these rate elements in the 2015 Annual Filing, thereby eliminating the need to tariff and bill these features based on directionality. It should be noted, however, that only terminating demand was utilized in determining the eligible recovery as discussed in the following section Fiscal Year 2011 Demand Development.

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<sup>9</sup> While the intrastate rate elements were separated into originating and terminating prior to July 2, 2013, intrastate terminating rates were revised effective July 2, 2013 as needed to comply with Part 51.907(c).

**18. FISCAL YEAR 2011 DEMAND DEVELOPMENT**

For all twenty-one ILEC states, AT&T obtained the interstate and intrastate billed quantities for Fiscal Year 2011<sup>10</sup> for rate elements existing in each state access tariff. The interstate and intrastate rates in effect for Fiscal Year 2011 did not have separate rates for originating and terminating. Therefore, unless a rate element is specifically assessed on a particular direction of traffic, such as Message Unit Credit, which is assessed on the originating end of a call, AT&T allocated the demand to terminating by applying a terminating percentage developed from originating and terminating Local Switching MOUs and Tandem Switching MOUs. Although originating and terminating rates for Local Switching and Tandem Switching were not separately identified in the tariffs when the rates were frozen on December 29, 2011, customers' Switched Access bills provide minutes by originating and terminating, thus enabling AT&T to easily develop factors designating the amount of total traffic that is terminating.

Except for the dedicated end office trunk port and the dedicated tandem trunk port rate elements, the Local Switching and Tandem Switching terminating percentages were then applied to those MRC and NRC rate elements within the Local Switching and Tandem Switching categories, respectively, that have been included in the Switched Access Revenue Reduction.

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<sup>10</sup> Part 51.903(e) Fiscal Year 2011 means October 1, 2010 through September 30, 2011.

The demand for the dedicated end office trunk port and dedicated tandem trunk port rate elements have been split between originating and terminating using a Percent Originating Usage (POU) factor of 50 percent in accordance with the currently effective tariffs.<sup>11</sup>

To help determine the billed demand quantities for which payment was collected by March 31, 2012,<sup>12</sup> calculations were completed to determine an “uncollected” experience and produce a factor that could be used to determine billed but not collected quantities. This experience was determined by reviewing twelve months of billed Switched Access revenue data in the aggregate for all five AT&T ILECs. These Switched Access revenues were compared to the negative revenue adjustments created by service center adjustments or settlements that reduce revenue (contra revenue). This produced a factor of 3.84 percent. This represents in a revenue format what was billed but not collected. The uncollected factor, again roughly 4 percent, was employed in adjusting billed quantities to estimate the billed quantities which were collected.

The intrastate demand quantities adjusted for these uncollected quantities are used to calculate the intrastate revenue based on intrastate rates and the intrastate revenue based on interstate rates.

### **Arkansas Additional Demand Development**

Arkansas did not establish the rate elements allowed in the *First Report and Order (Access Reform)*, released May 16, 1997, DA 97-158. The current Arkansas *Access Service Tariff* does not contain the Dedicated End Office Trunk Port, Shared End Office Trunk Port, Dedicated

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<sup>11</sup> POU language became effective May 15, 2013 in AIT Tariff FCC No. 2, BST Tariff FCC No. 1, NBTC Tariff FCC No.1, PBTC Tariff FCC No. 1 and SWBT Tariff FCC No. 73 effective May 15, 2013 and will apply to the intrastate jurisdiction effective July 2, 2013. The POU language also became effective May 17, 2013 in Illinois ILL. C.C. NO. 21.

<sup>12</sup> *USF/ICC Transformation Order*, para. 880 and para. 898.

Tandem Trunk Port, Tandem Shared End Office Multiplexer, Host Remote Transmission per minute nor Host Remote Transmission per minute per mile rate elements. Host remote traffic is currently assessed Tandem Switched Transmission charges, which is the structure that existed prior to *Access Reform*. Therefore, the Tandem Switched Transmission demand is reduced by the amounts shown in the respective Host Remote Transmission rows.

To enable a proper comparison of the Arkansas intrastate rate structure to the current interstate rate structure for the Local Switching category, AT&T developed restructured intrastate rates for Local Switching per minute of use (MOU), Dedicated End Office Trunk Port, and Shared End Office Trunk Port that produce the same revenue as the current rate structure, i.e., Local Switching per MOU. The restructured rates are located in column A2, and the associated demand is located in column D1 of ***Exhibit AR***. *Access Reform* did not impact how the Local Switching per MOU rate is assessed; therefore, the demand for that element is the same pre-access reform and post-access reform. For rate elements assigned a Universal Service Order Code (USOC), e.g., Dedicated End Office Trunk Port, the interstate and intrastate demand is available in the billing system via application of the Percent Interstate Usage (PIU) factor. As a result, the intrastate quantity is available within the billing system. The intrastate demand for the Shared End Office Trunk Port was estimated based on the interstate Shared End Office Trunk Port and the Local Switching PIU.

To enable a proper comparison of the current interstate and intrastate rate structures for the Tandem Switching category, AT&T developed restructured intrastate rates for Tandem Switching per MOU, Host Remote Transmission per MOU and per minute per mile, Dedicated Tandem Trunk Port and Tandem Shared End Office Multiplexing that produce the same revenue as the

current Arkansas intrastate Tandem Switching rate element. The Dedicated Tandem Trunk Port is assigned a USOC; therefore, that demand is readily available in the billing system. The intrastate demand for Host Remote was removed from the intrastate Tandem Switched Transmission demand to ensure no double counting. The Tandem Shared End Office Multiplexer demand was estimated based on interstate Tandem Switching experience.

### **Missouri Additional Demand Development**

Missouri did not establish the rate elements created by the *Local Transport Restructure Order*<sup>13</sup> (*LTR*) nor the *Access Reform Order*. Instead, Missouri PSC MO No. 36 Access Service Tariff is structured as distance sensitive Local Transport per MOU. To determine the Switched Access Revenue Reduction, AT&T developed intrastate demand quantities for all interstate rate elements that would be in Missouri PSC MO NO. 36 Access Service Tariff had Missouri implemented the two major reforms of Switched Access service.

After obtaining intrastate quantities for rate elements that are assigned USOCs, the following steps were taken to create intrastate demand quantities for the remaining restructured rate elements that could not be obtained from the billing system via USOCs.

AT&T developed a Local Switching PIU from Missouri interstate and intrastate Local Switching usage. Because there is no data upon which to create a Missouri Tandem Switching PIU, AT&T used an average terminating Tandem Switching PIU based upon the sum of Arkansas, Kansas, and Oklahoma. The Texas PIU factor is significantly different than the other SWBT states and was excluded.

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<sup>13</sup> First Memorandum Opinion and Order on Reconsideration, released July 21, 1993 and the Second Memorandum Opinion and Order on Reconsideration, released August 18, 1993 (*Local Transport Restructure Order*).

As stated previously, AT&T also developed a factor to represent the percent terminating for Local Switching from Missouri specific data. For Tandem Switching, AT&T once again used the average of Arkansas, Kansas, and Oklahoma to develop the percent terminating factor.

To enable a proper comparison to the current interstate rate structure for the Local Switching category, AT&T developed restructured intrastate rates for Local Switching per MOU, Dedicated End Office Trunk Port and Shared End Office Trunk Port that produce the same revenue as the current intrastate rate structure. The restructured rates are located in column A2, and the associated demand is located in column D2 of ***Exhibit MO***. Neither *LTR* nor *Access Reform* impacted the local switching traffic to which the Local Switching per MOU rate is assessed. Therefore, the demand for this rate element is the same pre- *LTR* / *Access Reform* and post- *LTR* / *Access Reform*. As explained above rate elements assigned a USOC, e.g., Dedicated End Office Trunk Port, are available within the billing system. The intrastate demand for the Shared End Office Trunk Port was estimated based on interstate Shared End Office Trunk Port and Local Switching PIU.

To enable a proper comparison to the current interstate rate structure for the Local Transport category, AT&T developed restructured intrastate rates for Tandem Switching, Tandem Switched Transmission (TST) and Direct Trunked Transport (DTT). Intrastate demand quantities were obtained from the billing system for the USOC-based rate elements. The terminating intrastate demand for Tandem Switching, TST per MOU, TST per minute per mile, and Tandem Shared End Office Multiplexer were estimated based on Tandem Switching experience.



## **19. DEVELOPMENT OF THE STEP 6 SWITCHED ACCESS SERVICE REVENUE REDUCTION AMOUNT**

The Step 6 Access Reduction is an accumulation of the 2012 through 2016 reduction amounts and the additional amounts identified in response to the rate changes proposed in the 2017 Annual Filing.

### **2012 and 2013 Intrastate Reduction**

As discussed in the 2013 Annual Filing, in accordance with Part 51.907(b)(2)(ii) and 51.907(4), AT&T calculated the total intrastate revenue at intrastate access rates by multiplying the Fiscal Year 2011 intrastate demand by the intrastate rates in effect December 29, 2011. Because the interstate rates were frozen at December 29, 2011 levels, no interstate reduction amount was identified prior to 2014. The results of the intrastate calculations were carried into column M of each state's 2015 Switched Access Revenue Reduction Exhibit, which is labeled as ***Exhibit xx***, where xx equals the state abbreviation. In the case of Ameritech, BellSouth and SWBT, which are multi-state regions, the states were summed into a regional 2015 Switched Access Revenue Reduction Exhibit, which is labeled as ***Exhibit xx***, where xx equals Ameritech, BellSouth or SWBT.

### **2014 Intrastate and Interstate Reduction**

The 2014 reduction amounts are developed by:

- A) reducing both intrastate and interstate end office rates as required by Part 51.907 (d)
- B) developing eligible recovery per 51.915 (d) (iii).

### **2015 Intrastate and Interstate Reduction**

The 2015 reduction amounts are developed by:

- C) reducing both intrastate and interstate end office rates as required by Part 51.907 (e)
- D) developing eligible recovery per 51.915 (d) (iv).

### **2016 Intrastate and Interstate Reduction**

Multiple calculations are required to obtain the 2016 reduction amounts.

**First**, the interstate 2011 Baseline Terminating End Office Access Rate is determined in accordance with Part 51.907(d)(2)(i) by:

- A) Multiplying the Fiscal Year 2011 terminating interstate end office demand by the interstate rates in effect December 29, 2011 (aka current rates) in column F of each state's 2016 Switched Access Revenue Reduction Exhibit.
- B) The terminating interstate end office revenue is summed into the cell labeled Terminating End Office Revenue at Current Rate.
- C) The terminating interstate local switching (aka End Office) minutes of use are summed into the cell labeled FY2011 Terminating Local Switching MOUs
- D) The interstate 2011 Baseline Composite Terminating End Office Rate is calculated by dividing B by C in the cell labeled Initial Composite Terminating End Office Access Rate.

**Second**, the 2016 Interstate Target Composite Terminating EO Access Rate is calculated in accordance with Part 51.907(f), which is **\$0.0007 per minute**. In the case of Ameritech, BellSouth and SWBT, this calculation is completed on the regional form only.

**Third**, in 2016 AT&T continued to implement a single per minute rate element for terminating End Office Access Service that is no greater than the 2016 Target Composite Terminating End Office Access Rate” as allowed by Part 51.907(f).<sup>14</sup> AT&T is proposing to use terminating interstate local switching rate element as the stand-in for the 2016 Target Composite Terminating End Office Rate. The proposed interstate rates and reduced revenue are shown in columns H and I, respectively, of the state 2016 Switched Access Revenue Reduction Exhibits. In the case of Ameritech, BellSouth and SWBT, the regional exhibit sums the results from the state exhibits.

**Fourth**, as the FCC clarified in paragraph 5 of the *ICC Clarification Order*, released March 31, 2014, AT&T must maintain “parity between interstate and intrastate rates, not interstate and intrastate composite rates.” In column J of each state’s exhibit, the intrastate terminating local switching rates are set equal to the proposed interstate rates, and column K calculates the revenue based on the proposed rates. On the exhibits, the 2016 intrastate reduction amount is the difference between column K and column G, which is the FY 2011 intrastate demand multiplied by the July 2, 2013 intrastate rates.

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<sup>14</sup> *ICC Clarification Order*, paragraph 17, “We thus clarify that both price cap and rate-of-return carriers may tariff the single composite rate as a terminating local switching access rate, consistent with the ICC transition, as long as all other rate elements associated with terminating end office access service are reduced to zero.<sup>43</sup> If its Target Composite Terminating End Office Access Rate is higher than the terminating local switching rate such carrier tariffed the previous year that will not constitute an impermissible rate increase.”

**Lastly**, the total interstate plus intrastate 2016 reduction amount (aka 2016 Total Difference) is identified in column L of each state's and region's 2016 Switched Access Revenue Reduction Exhibit.

### **2017 Intrastate and Interstate Reduction**

**First**, AT&T, in accordance with a bill-and-keep methodology, has refiled its interstate access tariffs and any state tariffs, in accordance with §51.905(b)(2), by removing any intercarrier charges for terminating End Office Access Service. Therefore, AT&T's terminating Local Switching Rates are set to be zero.

### **Second**,

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (*USF/ICC Order*), FCC No. 11-161 released November 18, 2011, carriers are required to bifurcate their tandem end office rates elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings. Subsequent to discussion between the Price Cap Industry and the FCC the following clarifications and common approach were agreed upon:

- Traffic Terminating from a Price Cap ILEC owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered "Tandem-to-End Office" that will transition to \$0.0007 (July 2017).
- All other Tandem Traffic that traverses an ILEC owned tandem and does not terminate to an end user served by the ILEC End Office will be considered "Tandem-to- 3<sup>rd</sup> Parties" and will continued to be billed at the current Interstate rates this includes traffic that terminates from a Price Cap ILEC owned tandem to an affiliated CLEC or wireless end office
- Terminating traffic switched through a Tandem to an End Office to a Host and then to a Remote that are all owned by the same Price Cap LEC, should be billed at the transitional rates – (Tandem to End office).

- For terminating traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities, the rate depends on whether or not the Tandem within the study area (Homing Tandem) is owned by the Price Cap LEC.

### **2017 Accumulated Access Reductions and Eligible Recovery**

Beginning July 1, 2017, AT&T's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi) through (d)(1)(vi)(F) of this section, and then adding the amount in paragraph (d)(1)(vi)(G) of this section to that amount:

- (A) The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to §51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
- (B) The reduction in interstate switched access revenues equal to the 2011 Baseline Composite Terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (C) The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (D) The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate, for traffic that terminates to telephone companies own end offices, to \$0.0007 pursuant to §51.907(g)(2) using pro-rated share of Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;<sup>15</sup>
- (E) CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
- (F) The cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenue less other than those associated with CMRS traffic as described in §51.701(b)(2) resulting from rate reductions required by §51.705; and
- (G) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2015.

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<sup>15</sup> AT&T determined the amount of traffic terminating directly to an AT&T End Office, AT&T Tandem to End Office and AT&T Tandem to 3<sup>rd</sup> Party based on the following methods. First, "peg counts" (a count of calls over telephone trunks performed by the AT&T Network organization) were used to develop an AT&T Direct to End Office percentage. Peg counts provide the amount of calls on the network to determine traffic load. Next, to determine the AT&T Tandem to AT&T End Office percent, data from network traffic studies were analyzed. This study ran traffic data up against a Local Exchange Routing Guide (LERG) and Local Number Portability (LNP) databases. Finally, percentages were developed based upon tandem to end office and tandem 3<sup>rd</sup> party usage.

***NOTE: For the purpose of establishing its recovery for net reciprocal compensation, AT&T has elected to forgo that step (as described in F, above). As a result, AT&T will not receive any recovery for reductions in net reciprocal compensation.***

The sum of the interstate and intrastate 2017 cumulative reductions are utilized in determining the 2017 Access Recovery Charge (ARC) and are presented in column N of each state's Switched Access Revenue Reduction Exhibit, as well as the regional forms for Ameritech, BellSouth and SWBT.

## **20. INTRASTATE AND INTERSTATE RATES**

In accordance with Part 51.907(b)(2)(i), the rates utilized in determining the 2012 and 2013 Total Reductions presented in column M and to develop the interstate revenue amounts in columns F and I are the rates that were in effect in the intrastate and interstate access tariffs on December 29, 2011.<sup>16</sup> The intrastate rates utilized to calculate this year's additional reductions, which are the difference between columns G and K, are the rates that became effective July 2, 2013.

## **21. SERVICES EXCLUDED FROM THE SWITCHED ACCESS REVENUE REDUCTION CALCULATION**

The Switched Access Revenue Reduction calculations are based on terminating traffic only for CCL, Local Switching and Tandem rate elements and the total demand for Entrance Facilities and Direct Trunk Transport. Therefore, services that are assessed on the originating end of a call only have been excluded from the Switched Access Revenue Reduction calculation.

This includes, but is not limited to, Message Unit Credit and 500 access service and Carrier Identification Parameter (CIP).

All end user services, such as International Blocking, are excluded from the Switched Access Revenue Reduction calculation.

Dedicated Network Access Lines (DNALs) are not a circuit switched service. Therefore, despite being located in the Switched Access section of most of the tariffs, DNALs and any associated services are excluded from the Switched Access Revenue Reduction calculation.

As the Commission recognized in paragraph 63 of the *USF/ICC Transformation Order*, packet services are not circuit switched services. Therefore, they are excluded from the Switched Access Revenue Reduction calculations. This includes X.25 and X.75 protocol services and frame relay services.

Telecommunications Relay Services (TRS) / Telecommunications Relay Interconnection Services (TRIS) / Telecommunications Relay Service-Provider Transport (TRS-PT) are specialized services created for a very specific purpose. They are not part of basic Switched Access service and are excluded from the Switched Access Revenue Reduction calculations.

In footnote 114 of the *USF/ICC Transformation Order*, the Commission states “while we encourage carriers to continue to offer operator services and directory assistance, we do not mandate that ETCs provide operator services or directory assistance.” Therefore, all directory

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<sup>16</sup> South Carolina utilizes a price list for Switched Local Channel, Switched Interoffice Channel and Channelization.

assistance and operator services are excluded from the Switched Access Revenue Reduction calculations.

## **22. EXHIBITS**

- Exhibit SWBT- SWBT Target Composite Terminating EO Access Rate



**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)****23. ARC DEVELOPMENT AND APPLICATION**

AT&T has chosen to calculate the ARC once at the holding company level while each AT&T incumbent local exchange carrier (ILEC) must file all supporting documents separately to comply with the requirements of the *Tariff Review Plan* order. As a result, the required exhibits for this Holding Company ARC section are the same in all five transmittals filed separately by the AT&T ILECs.

Price cap carriers like the ILECs are permitted to recover a limited portion of their Eligible Recovery from their end users through a monthly fixed charge called Access Recovery Charge (ARC). Section 51.915(e)(1) of the FCC's proposed rules defines ARC as:

A charge that is expressed in dollars and cents per line per month may be assessed upon end users that may also be assessed an end user common line charge pursuant to § 69.152 of the chapter, to the extent necessary to allow the Price Cap Carrier to recover some or all of its eligible recovery determined pursuant to paragraph 51.915(d), subject to the caps described in paragraph 51.915(e)(5). A Price Cap Carrier may elect to forgo charging some or all of the Access Recovery Charge.

AT&T, a Price Cap Carrier Holding Company, is allowed to recover eligible recovery attributable to any of the 21 price cap study areas operated by its wholly-owned operating companies through assessment of the ARC on end users in any of those price cap study areas, all of which are operating as price cap ILECs. However, distribution of ARC among different types of lines should follow rules outlined in Section 51.915(e)(4) of the *USF/ICC Transformation Order*. Per that rule, AT&T Holding Company may not recover a higher fraction of its total eligible revenue recovery from ARC assessed on Residential and Single Line Business lines than their share of Total Weighted Lines where Multi-Line Business lines gets twice the weight (i.e. Total Weighted Lines = Residential Lines + Single-Line Business Lines+ (2 X Multi-Line Business Lines)).

- For purposes of distribution of ARC among different types of lines, the AT&T ILECs' Residential and Single Line Business lines are lines (other than lines of Lifeline Customers) assessed the residential and single line business end user common line charge and lines assessed the non-primary residential EUCL charge.
- AT&T ILECs' Multi-Line Business Lines are lines assessed the multi-line business end user common line charge.

As shown on *Exhibit ATTTTER17* and summarized on *Exhibit ICC SUM-1*, the total eligible recovery based on the Switched Access Revenue Reductions in Steps 1 through 6 and the CMRS Recip Comp Eligible Recovery is equal to the CALLS Study Area Base Factor multiplied by the sum of the amounts calculated per paragraphs (A) through (E) below:

Beginning July 1, 2017, AT&T's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi) through (d)(1)(vi)(F) of this section, and then adding the amount in paragraph (d)(1)(vi)(G) of this section to that amount:

- (A) The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to §51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
- (B) The reduction in interstate switched access revenues equal to the 2011 Baseline Composite Terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (C) The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (D) The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate, for traffic that terminates to telephone companies own end offices, to \$0.0007 pursuant to §51.907(g)(2) using pro-rated share of Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (E) CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;

- (F) The cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenue less other than those associated with CMRS traffic as described in 51.701(b)(2) resulting from rate reductions required by 51.705;<sup>10</sup> and
- (G) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2015

The eligible recovery amounts from each of the 21 states are aggregated up to the AT&T Holding Company level and as shown on each state's *Exhibit ARC-NO CAF-1*<sup>17</sup> and *Exhibit ARC-NO CAF-2*, distributed among lines of different types using the criteria outlined in Section 51.915(e)(4).<sup>18</sup>

Billing constraints and the availability of granular E-911 charges restricts AT&T's ability to implement exchange level Residential and Single-Line Business ARC. As a result, AT&T will spread the recovery of Eligible Recovery among a subset of end-users.<sup>19</sup> For the July 2017 through June 2018 tariff period, AT&T has decided not to charge ARC to residential and single-line business customers in 18<sup>20</sup> of its 21 ILEC study areas. AT&T will recover revenues from residential and single-line business customers in the remaining 3<sup>21</sup> ILEC study areas. AT&T will charge ARC to multi-line business customers in all 21 ILEC study areas.

<sup>17</sup> Each state's form is labeled as Exhibit ARC-NO CAF-1 xx, where xx equals the state abbreviation.

<sup>18</sup> A Price Cap carrier holding company that does not receive ICC-replacement CAF support may not recover a higher fraction of its total revenue recovery from Access Recovery Charges assessed on Residential and Single Line Business lines than:

- A. The number of Residential and Single-Line Business lines divided by
- B. The sum of the number of Residential and Single-Line Business lines and two times the number of Multi-Line Business lines.

<sup>19</sup> We permit carriers to determine at the holding company level how Eligible Recovery will be allocated among their incumbent LECs' ARCs. By providing this flexibility, carriers will be able to spread the recovery of Eligible Recovery among a broader set of customers, minimizing the increase experienced by any one customer. This also will enable carriers to more fully recover Eligible Recovery from end-users with rates below the \$30 Residential Rate Ceiling, limiting the potential impact on the CAF (Paragraph 910).

<sup>20</sup> Alabama, Arkansas, California, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Nevada, North Carolina, Oklahoma, Tennessee, Texas and Wisconsin.

<sup>21</sup> Illinois, Ohio, and South Carolina.

The total AT&T ILEC reduction determined pursuant to § 51.907(b)(2) is projected to be \$306.8M. The Net CMRS Reciprocal Compensation Revenue reduction is projected to be \$19.2M. The amount equal to True-up Revenues for Access Recovery Charge is - \$0.8M, which is calculated by exchange on *Exhibit ARC-TUP-1* and summarized by state on *Exhibit ARC-TUP-2*. AT&T has elected to forgo the recovery for net non-CMRS reciprocal compensation per the option outlined in Section 51.915(d)(3) of the Rules. As a result, the total Eligible Recovery Revenue pursuant to 51.915(d)(1)(i) of the Rules (after adjusting for CALLS Study Area Base Factor and Price Cap Carriers Traffic Demand Factor) is \$155.1M.

Per Paragraph 911 of the *USF/ICC Transformation Order*, AT&T could have allocated 31.2 percent of the Eligible Recovery (i.e. \$48.4 M) to Residential Lines (that includes Single-Line Business and BRI-ISDN) and 68.8 percent to Multi-Line Business Lines. However, due to residential rate ceiling constraints, the Eligible Recovery allocated to Residential (including Single-Line Business and BRI-ISDN) is only 13.3 percent, or \$20.7 M, and the Eligible Recovery for Multi-Line Business is 86.7 percent, or \$134.4 M.

Given the ARC rates filed with this tariff and projected line count for this tariff period, AT&T's Expected ARC Revenue from Residential Lines and Single Line Business will be \$20.7 M and from Multi-Line Business Lines \$134.4 M.

Currently, AT&T ILECs are not receiving any ICC-CAF funding. However, AT&T is still required to file one additional form called Rate Ceiling Calcs spreadsheet, which is attached to the *Tariff Review Plan*. As a result, *Exhibit ARC-NO-CAF-3* is included in the filing package.

*Exhibits ARCRCTRP-NO CAF-1*<sup>22</sup> and *ARCRCTRP-NO CAF-2* provide the required Tariff

Rate Comparisons.

## 24. EXHIBITS

- Exhibit ATTTER15 - Total Eligible Recovery Step 4
- Exhibit ICC SUM-1 - Eligible ARC/ARC Recovery

### **Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Exhibit ARC-NO CAF-1 IL - Illinois ARC Form
- Exhibit ARC-NO CAF-1 IN - Indiana ARC Form
- Exhibit ARC-NO CAF-1 MI - Michigan ARC Form
- Exhibit ARC-NO CAF-1 OH - Ohio ARC Form
- Exhibit ARC-NO CAF-1 WI - Wisconsin ARC Form

### **BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 AL - Alabama ARC Form
- Exhibit ARC-NO CAF-1 FL - Florida ARC Form
- Exhibit ARC-NO CAF-1 GA - Georgia ARC Form
- Exhibit ARC-NO CAF-1 KY - Kentucky ARC Form
- Exhibit ARC-NO CAF-1 LA - Louisiana ARC Form
- Exhibit ARC-NO CAF-1 MS - Mississippi ARC Form
- Exhibit ARC-NO CAF-1 NC - North Carolina ARC Form
- Exhibit ARC-NO CAF-1 SC - South Carolina ARC Form
- Exhibit ARC-NO CAF-1 TN - Tennessee ARC Form

### **Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 NV - Nevada ARC Form

### **Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 CA - California ARC Form

### **Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- Exhibit ARC-NO CAF-1 AR - Arkansas ARC Form
- Exhibit ARC-NO CAF-1 KS - Kansas ARC Form
- Exhibit ARC-NO CAF-1 MO - Missouri ARC Form
- Exhibit ARC-NO CAF-1 OK - Oklahoma ARC Form
- Exhibit ARC-NO CAF-1 TX - Texas ARC Form
- Exhibit ARC-NO CAF-2 - Maximum ARC Revenue Calculation
- Exhibit ARC-NO CAF-3 - Rate Ceiling No CAF
- Exhibit ARC-NO CAF-4 - Footnotes

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<sup>22</sup> Each state's form is labeled as Exhibit ARCRCTRP – NO CAF-1 xx, where xx equals the state abbreviation.



**Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Exhibit ARCRCTRP-NO CAF-1 IL - Illinois Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 IN - Indiana Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MI - Michigan Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 OH - Ohio Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 WI - Wisconsin Tariff Rate Comparison No CAF

**BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- Exhibit ARCRCTRP-NO CAF-1 AL - Alabama Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 FL - Florida Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 GA - Georgia Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 KY - Kentucky Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 LA - Louisiana Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MS - Mississippi Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 NC - North Carolina Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 SC - South Carolina Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 TN - Tennessee Tariff Rate Comparison No CAF

**Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Exhibit ARCRCTRP-NO CAF-1 NV - Nevada Tariff Rate Comparison No CAF

**Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- Exhibit ARCRCTRP-NO CAF-1 CA - California Tariff Rate Comparison No CAF

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- Exhibit ARCRCTRP-NO CAF-1 AR - Arkansas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 KS - Kansas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MO - Missouri Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 OK - Oklahoma Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 TX - Texas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-2 - Tariff Rate Comparison No CAF

Exhibit ARCRCTRP-NO CAF-3 - Footnotes

Exhibit ARC-TUP-1 - True Up Calculation by Exchange

Exhibit ARC-TUP-2 - True Up Summary by State

Exhibit ARC-TUP-3 - Footnotes

Title pages 1 and 2 and pages 1 to 846 inclusive of this tariff are effective as of the date shown.  
Original and revised pages as named below and Supplement No. 341 contain all changes from the original tariff that are in effect on the date hereof.

Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated
Title 1	6th	7	6th	19.3	8th
Title 2	12th	7.1	4th	19.4	1st
1	1678th*	8	15th	20	10th
1.1	376th*	8.1	5th	20.1	5th
1.2	351st*	9	25th	20.2	4th
1.3	295th	9.1	1st	21	4th
1.4	255th*	10	28th	22	1st
1.5	242nd	10.1	12th	23	3rd
1.6	210th	10.2	9th	24	1st
1.7	155th	11	4th	25	3rd
1.8	131st	12	10th	25.1	1st
1.9	158th	13	6th	25.2	1st
1.10	50th	13.1	6th	26	3rd
1.11	62nd	13.2	10th	27	9th
1.12	43rd	13.3	13th	28	11th
1.13	18th	13.4	21st	28.1	5th
1.14	31st	13.5	37th	29	1st
1.15	67th	13.6	39th	30	Original
1.15.1	5th	13.7	44th	31	Original
1.16	88th	13.8	46th	32	Original
1.17	24th	13.8.1	30th	33	Original
1.18	33rd	13.9	5th	34	4th
1.19	45th	14	3rd	34.1	1st
1.20	44th	15	16th	35	5th
1.21	45th	15.1	11th	35.1	1st
1.22	47th	15.2	1st	36	9th
1.23	41st	16	12th	36.1	7th
1.24	38th	16.1	11th	37	14th
1.25	26th	16.1.1	Original	37.1	4th
1.26	2nd	16.2	9th	37.2	7th
2	6th	16.3	2nd	37.3	6th
3	9th	16.4	3rd	37.4	1st
3.1	15th	16.5	Original	37.5	2nd
4	17th	16.6	3rd	38	9th
4.1	10th	16.7	3rd	38.1	11th
5	18th	17	1st	38.2	6th
5.1	20th	18	6th	38.2.1	3rd
5.2	5th	19	27th	38.3	4th
6	5th	19.1	13th	38.4	4th
6.1	6th	19.2	15th		
6.2	6th				

\* New or Revised Page

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AMERITECH OPERATING COMPANIES

Tariff F.C.C. No. 2  
 376th Revised Page 1.1  
 CANCELS 375th Revised Page 1.1

Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated	Page	Number of Revision Except as Indicated
39	6th	56.1	4th	70.7	2nd
39.1	7th	56.1.1	2nd	70.8	2nd
39.1.1	1st	56.2	2nd	70.9	1st
39.2	4th	56.3	2nd	70.10	1st
40	6th	56.4	1st	70.11	2nd
40.1	4th	56.5	1st	70.12	2nd
40.2	4th	57	7th	70.13	3rd
40.3	1st	58	1st	70.14	1st
40.4	1st	59	20th	70.15	6th
41	4th	59.1	12th	70.16	5th
42	5th	59.1.1	2nd	70.17	4th
42.1	1st	59.2	11th	70.18	3rd
43	2nd	59.3	7th	70.18.1	3rd
44	9th	60	13th	70.19	4th
45	6th	60.1	Original	70.20	1st
45.1	3rd	61	14th	70.21	2nd
45.2	3rd	61.1	14th	70.22	3rd
46	12th	61.2	2nd	70.23	5th
47	14th	62	7th	70.24	62nd
47.1	3rd	63	9th	70.24.1	11th
48	5th	64	11th	70.24.2	10th
49	12th	64.1	6th	70.24.3	11th
49.1	15th	65	7th	70.24.4	11th
50	14th	65.1	9th	70.25	29th
50.1	5th	66	13th	70.25.1	11th
50.2	7th	66.1	8th	71	1st
50.2.1	6th	66.1.1	Original	72	3rd
50.2.2	Original	67	21st	73	5th
50.3	6th	67.1	10th	74	7th
50.4	2nd	68	23rd	74.1	Original
50.5	3rd	68.1	19th	75	7th
50.6	Original	68.2	4th	75.1	5th
51	2nd	69	12th	75.2	5th
52	1st	69.1	6th	75.2.1	Original
53	7th	70	9th	75.3	13th
53.1	7th	70.1	1st	75.4	4th
53.2	6th	70.2	3rd	75.5	54th*
53.3	9th	70.2.1	5th		
54	8th	70.2.2	1st		
54.1	15th	70.3	4th		
54.2	1st	70.4	5th		
55	2nd	70.5	2nd		
55.1	Original	70.6	1st		
55.2	1st				
56	9th				

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76	59th*	87	6th	111.1.3	2nd
77	51st*	88	9th	112	7th
78	50th*	89	5th	112.1	4th
79	52nd*	89.1	14th	112.1.1	2nd
80	51st*	89.2	16th	112.1.2	2nd
80.1	10th*	90	12th	112.2	4th
80.1.1	10th*	90.1	7th	113	12th
80.1.2	Original	90.1.1	Original	113.1	11th
80.2	4th	90.1.2	Original	113.1.1	3rd
80.3	4th	90.2	3rd	113.2	1st
80.4	4th	91	11th	113.3	1st
80.5	13th	92	5th	113.4	1st
80.6	13th	92.1	3rd	113.5	1st
80.7	61st*	93	14th	114	6th
80.7.1	61st*	94	16th	115	10th
80.7.2	61st*	95	12th	115.1	6th
80.7.3	61st*	95.1	13th	115.2	4th
80.7.4	61st*	95.1.1	5th	116	15th
81	7th	96	7th	116.1	4th
81.1	4th	96.1	5th	116.2	2nd
82	5th	96.1.1	1st	116.3	4th
82.1	4th	96.1.2	Original	117	6th
83	12th	96.2	5th	117.1	9th
83.1	4th	96.3	4th	117.2	4th
84	19th	96.4	5th	117.3	5th
84.1	9th	96.5	4th	117.4	4th
84.1.1	6th	96.6	4th	117.5	3rd
84.1.1.1	3rd	97	8th	117.6	5th
84.1.2	7th	98	15th	117.7	3rd
84.1.3	Original	99	4th	117.8	1st
84.1.4	Original	99.1	Original	118	9th
84.1.5	Original	100	Original	119	14th
84.1.6	Original	101	Original	119.1	10th
84.2	8th	102	Original	120	3rd
84.2.1	4th	103	Original	120.1	4th
84.3	1st	104	3rd	120.2	2nd
84.4	4th	105	Original	120.3	2nd
84.4.1	4th	106	Original	120.4	1st
84.4.1.1	1st	107	1st	120.5	1st
84.4.1.2	Original	108	Original	121	8th
84.4.2	3rd	109	1st	121.1	3rd
84.5	2nd	110	6th	121.2	1st
84.6	7th	110.1	4th	121.3	6th
85	12th	111	8th	121.4	2nd
85.1	6th	111.1	2nd	121.5	3rd
85.2	3rd	111.1.1	2nd	121.6	Original
85.3	2nd	111.1.2	3rd		
86	1st				

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170	6th	180.7	1st	199	7th	216.1	10th
171	1st	180.8	2nd	199.1	1st	216.2	3rd
171.1	6th	180.8.1	8th	200	10th	217	7th
172	5th	180.8.1.1	2nd	200.1	3rd	218	11th
172.1	4th	180.8.1.2	3rd	201	4th	219	10th
173	8th	180.8.1.3	2nd	202	6th		
173.1	11th	180.8.1.4	2nd	203	7th		
173.2	2nd	180.8.1.5	2nd	204	10th		
174	14th	180.8.1.6	2nd	204.1	6th		
174.1	6th	180.8.1.7	2nd	205	10th		
174.1.1	5th	180.8.1.8	3rd	205.1	3rd		
174.1.2	7th	180.8.1.9	3rd	206	12th		
174.1.3	5th	180.8.2	2nd	206.1	3rd		
174.2	6th	180.8.2.1	1st	206.2	1st		
175	6th	180.8.3	1st	207	54th*		
175.1	13th	180.8.3.1	6th	207.1	27th*		
175.2	9th	180.8.3.2	1st	207.1.1	13th		
175.2.1	3rd	180.9	8th	207.1.1.1	13th*		
175.3	6th	180.9.1	5th	207.1.2	5th		
175.3.1	1st	180.9.2	Original	207.1.3	Original		
176	13th	180.9.3	Original	207.2	8th		
176.1	13th	180.10	1st	208	18th		
176.2	21st	181	12th	209	17th		
176.3	11th	182	7th	209.1	5th		
176.3.1	5th	183	6th	209.2	4th		
176.3.2	3rd	184	4th	210	10th		
176.3.3	3rd	185	4th	211	23rd*		
176.4	9th	186	4th	211.1	8th*		
177	9th	187	3rd	211.2	7th*		
178	4th	188	3rd	212	21st		
179	9th	189	4th	213	19th		
180	9th	190	8th	213.1	34th		
180.1	3rd	191	4th	213.1.1	2nd		
180.2	4th	192	4th	213.2	13th		
180.3	6th	193	5th	213.3	14th		
180.4	2nd	194	5th	213.4	5th		
180.5	3rd	195	6th	213.5	2nd		
180.5.1	2nd	196	5th	213.6	1st		
180.6	5th	197	6th	214	68th*		
180.6.1	4th	198	4th	215	27th		
180.6.2	Original	198.1	3rd	216	15th		

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## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges

## 6.9.1 Switched Transport

## (A) Usage Charges

## Premium Rates

## - Tandem-Switched Termination

## All States

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
	Per Access Minute Rate	Per Access Minute Rate	Per Access Minute Rate	
Zone 1	\$ .000103	\$ .000103	\$ .00	(R)
Zone 2	.000103	\$ .000103	.00	(R)
Zone 3	.000105	.000105	.00	(R)
Zone 4	.000107	.000107	.00	(R)
Zone 5	.000109	.000109	.00	(R)

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Ameritech to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

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AMERITECH OPERATING COMPANIES

Tariff F.C.C. No. 2  
 27th Revised Page 207.1  
 CANCELS 26th Revised Page 207.1

6. Switched Access Service (Cont'd)  
 6.9 Rates and Charges (Cont'd)

## 6.9.1 Switched Transport (Cont'd)

## (A) Usage Charges (Cont'd)

- Tandem-Switched Facility

All States

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
	Per Access Minute Per Mile Rate	Per Access Minute Per Mile Rate	Per Access Minute Per Mile Rate	
Zone 1	.000013	.000013	.00	(R)
Zone 2	.000014	.000014	.00	(R)
Zone 3	.000014	.000014	.00	(R)
Zone 4	.000014	.000014	.00	(R)
Zone 5	.000014	.000014	.00	(R)

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AMERITECH OPERATING COMPANIES

Tariff F.C.C. No. 2  
 13th Revised Page 207.1.1.1  
 CANCELS 12th Revised Page 207.1.1.1

## ACCESS SERVICE

## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges (Cont'd)

## 6.9.1 Switched Transport (Cont'd)

## (A) Usage Charges (Cont'd)

## Premium Rates (Cont'd)

## - Tandem-Switching

## All States

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
	Per Access Minute Rate	Per Access Minute Rate	Per Access Minute Rate	
Zone 1	.001084	.001084	.0007	(R)
Zone 2	.001116	.001116	.0007	(R)
Zone 3	.001120	.001120	.0007	(R)
Zone 4	.001252	.001252	.0007	(R)
Zone 5	.001800	.001800	.0007	(R)

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AMERITECH OPERATING COMPANIES

Tariff F.C.C. No. 2  
 23rd Revised Page 211  
 CANCELS 22nd Revised Page 211

## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges (Cont'd)

## 6.9.1 Switched Transport (Cont'd)

## (A) Usage Charges (Cont'd)

## Premium Rates (Cont'd)

## - Common Multiplexing

## All States

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
	Per Access Minute Rate	Per Access Minute Rate	Per Access Minute Rate	
Zone 1	.000015	.000015	.00	(R)
Zone 2	.000017	.000017	.00	(R)
Zone 3	.000018	.000018	.00	(R)
Zone 4	.000018	.000018	.00	(R)
Zone 5	.000018	.000018	.00	(R)

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## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges (Cont'd)

## 6.9.1 Switched Transport (Cont'd)

## (A) Usage Charges (Cont'd)

## Premium Rates (Cont'd)

- Host-Remote Transport
- Host-Remote Transport Termination

## All States

	Originating	Terminating to non-Telephone Company 3 <sup>rd</sup> party locations	Terminating to Telephone Company's own end office	
	Per Access Minute Rate	Per Access Minute Rate	Per Access Minute Rate	
Zone 1	\$.00041	N/A	\$.00	(R)
Zone 2	.00041	N/A	.00	(R)
Zone 3	.00041	N/A	.00	(R)
Zone 4	.00041	N/A	.00	(R)
Zone 5	.00041	N/A	.00	(R)

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AMERITECH OPERATING COMPANIES

Tariff F.C.C. No. 2  
 7th Revised Page 211.2  
 CANCELS 6th Revised Page 211.2

## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges (Cont'd)

## 6.9.1 Switched Transport (Cont'd)

## (A) Usage Charges (Cont'd)

## Premium Rates (Cont'd)

## - Host-Remote Transport Facility

	Originating	Terminating to non-Telephone Company 3 <sup>rd</sup> party locations	Terminating to Telephone Company's own end office	
	Per Access Minute Per Mile Rate	Per Access Minute Per Mile Rate	Per Access Minute Per Mile Rate	
All States				
Zone 1	\$.000021	N/A	\$.00	(R)
Zone 2	.000021	N/A	.00	(R)
Zone 3	.000021	N/A	.00	(R)
Zone 4	.000021	N/A	.00	(R)
Zone 5	.000021	N/A	.00	(R)

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## ACCESS SERVICE

## 6. Switched Access Service (Cont'd)

## 6.9 Rates and Charges (Cont'd)

## 6.9.2 End Office

(A)	Unbundled Local Switching	Originating Per Access Minute Rate	Terminating Per Access Minute Rate	
	All States			
	Premium Rates			
	Circuit Switched Line (FGA) and Circuit Switched Trunk (FGB) LS1 - Per Access Minute <sup>(1)</sup>	\$ .003116	\$ .00	(R)
	Circuit Switched Trunk (FGD) LS2 - Per Access Minute <sup>(1)</sup>	.003116	.00	(R)
	Transitional Rates			
	Circuit Switched Line (FGA) and Circuit Switched Trunk (FGB) - Per Access Minute	.001402	.00	(R)
(B)	Bundled Local Switching	Originating Per Access Minute Rate	Terminating Per Access Minute Rate	
	All States			
	Premium Rates			
	LS1	\$ .003116	\$ .00	(R)
	LS2	.003116	.00	(R)
	Transitional Rates			
	- Per Access Minute	.001402	.00	(R)

<sup>(1)</sup> Rates apply as described in Section 6.1.3(B).

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# **EXHIBIT 11(b)**

**Excerpts from AT&T Price Cap  
Carrier June 16, 2017 Tariff Filings -  
Bell South: Cover Letter, Description  
& Justification, Revised Tariff Pages**



Kristen E. Shore,  
Assistant Vice President – Regulatory  
675 W. Peachtree St. NW  
Atlanta, Georgia 30308

FRN: 0020-8826-68

June 16, 2017

Transmittal No. 130

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Washington, D.C. 20554

This filing is being made on a streamlined basis on 15 days notice under Section 204(a) (3) of the Communications Act.

Attention: Wireline Competition Bureau

The accompanying tariff material, issued by BellSouth Telecommunication, LLC (BellSouth) and bearing Tariff F.C.C. No. 1, is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended.

This filing, scheduled to become effective July 1, 2017, consists of the tariff pages as indicated on the following check sheets

<u>Tariff F.C.C. No.</u>	<u>Check Sheet Revision No.</u>
1	109th Revised Page 1
	53rd Revised Page 3
	14th Revised Page 5
	26th Revised Page 6

BellSouth is submitting the 2017 Annual Access Tariff Filing in accordance with the Bureau's Order DA 17-386, *In the Matter of Material to be Filed in Support of 2017 Annual Access Tariff Filings, (Tariff Review Plan)*, released April 24, 2017 and Order DA 17-258, *In the Matter of July 1, 2017 Annual Access Charge Tariff Filings (TRP Order)*, released March 16, 2017, and *In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Order (June 5, 2012 Order)*, FCC 11-161, released June 5, 2012.

Supporting information discussed under Section 61.49 of the Commission's Rules, to the extent applicable, is included with this filing in the attached Description and Justification.

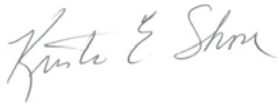
In accordance with Section 61.14, this transmittal letter and associated attachments are being filed electronically today via the Federal Communications Commission's Electronic Tariff Filing System (ETFS) in compliance with the electronic filing procedures.

Wireline Competition Bureau  
Page 2  
June 16, 2017

Payment in the amount of \$925.00 has been electronically transmitted to the US Bank in St. Louis, Missouri, in accordance with the fee program procedures. The Form 159 is being transmitted electronically via ETFS as a proprietary document. These actions have been committed on the date established as the issued (filed) date as reflected above.

Personal or facsimile service petitions against this Letter, as required under Section 1.773(a)(4) of the Commission's Rules, should be sent to Rosemary Chambers, Area Manager – Regulatory Relations, 311 S. Akard St., Room 9-A19, Dallas, Texas, 75202, facsimile number (214) 464-2006. All other correspondence and inquiries concerning this Transmittal should be addressed to Debra L. Clemens, Director-Federal Regulatory, (202) 457-3066, 1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

Sincerely,

A handwritten signature in cursive script, appearing to read "K. E. Shum".

Attachments:

- Letter
- Tariff Pages
- Description & Justification and Exhibits
- Tariff Review Plan (TRP)
- Rate Detail

**BELLSOUTH TELECOMMUNICATIONS, LLC (BellSouth)**  
**2017 ANNUAL FILING**  
**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS**  
**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6**  
**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)**

**DESCRIPTION AND JUSTIFICATION**  
**FCC No. 1, Transmittal No. 130**  
**June 16, 2017**

**Section**

1. Introduction

**2017 ANNUAL FILING**

2. Exogenous Cost Development ( $\Delta Z$ )
  - A. Telecommunications Relay Service (TRS) Fund
  - B. Regulatory Fee Payment
  - C. Summary of Exogenous Costs & Distributions
3. Other Price Cap Index Factors/Variables Development
4. Development of 2016 Base Period Demand
5. Common Line Basket Rate Development
6. Special Access Basket PCI, API, SBI and Rate Development
7. Interexchange Basket PCI, API, SBI and Rate Development
8. Part 69 Waivers
9. New Services Included in the Price Cap Indices
10. Services Excluded from Price Caps
11. IND-1 Reference
12. Rate Comparison
13. Exhibits

**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS**

14. 3rd Quarter Universal Service Fund Adjustments
15. Exhibits

**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6**

16. Developing the Interstate and Intrastate Switched Access Revenue Reduction
17. Establishment of Originating and Terminating Rates
18. Fiscal Year 2011 Demand Development
19. Development of the Step 6 Switched Access Service Revenue Reduction Amount
20. Intrastate and Interstate Rates
21. Services Excluded from the Switched Access Revenue Reduction Calculation
22. Exhibits

**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)**

23. ARC Development and Application
24. Exhibits

## 1. INTRODUCTION

This filing is being made in compliance with the following:

- ❑ In the Matter of July 1, 2017 Annual Access Charge Tariff Filings, DA 17-258 (*Filing Dates*), released March 16, 2017;
- ❑ In the Matter of Material to be Filed in Support of 2017 Annual Access Tariff Filings, DA 17-386 (*Tariff Review Plans*), released April 24, 2017;
- ❑ In the Matter of Assessment and Collection of Regulatory Fees for the Fiscal Year 2017, MD Docket 15-121, FCC 17-62, released May 23, 2017;
- ❑ In the Matter of Connect America Fund and Developing an Unified Inter-carrier Compensation Plan, *ICC Clarification Order*, DA 14-434, released March 31, 2014;
- ❑ In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Inter-carrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Order (*June 5, 2012 Order*), FCC 11-161, released June 5, 2012;
- ❑ In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Inter-carrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking (*USF/ICC Transformation Order*), FCC 11-161, released November 18, 2011;
- ❑ 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, Sixth Report and Order CC Docket Nos. 96-262 and 94-1, Report and

Order CC Docket No. 99-249 and Eleventh Report and Order CC Docket No. 96-45, (*CALLS Order*), FCC 00-193, 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;
- ❑ 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*);
- ❑ In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, 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.

This filing is comprised of four sections. The first section contains supporting documentation for the Price Cap 2017 Annual Filing. The *LEC Price Cap Order* requires an annual access tariff filing in which Price Cap companies are 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.

The second portion of this filing contains supporting documentation to implement the 3rd quarter USF factor.

The third portion of this filing contains supporting documentation necessary to implement the Step 6 requirements of the *USF/ICC Transformation Order*.

The final portion of this filing contains supporting documentation for development of AT&T's Access Recovery Charge (ARC) established in the *USF/ICC Transformation Order*.

**2017 ANNUAL FILING****2. EXOGENOUS COST DEVELOPMENT - ( $\Delta Z$ )**

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

In the 2017 Annual Filing, the following exogenous adjustments will be made. All are allowable in accordance with the Commission's Part 61 Rules or were designated in Commission Orders:

- Telecommunications Relay Service (TRS)
- Regulatory Fee Payment Exogenous

Part 61.45(d)(3) requires that exogenous cost changes be apportioned between price cap services and excluded services. The exogenous cost changes were 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.

## 2.A TELECOMMUNICATIONS RELAY SERVICES (TRS) FUND

The Commission has also ruled Telecommunications Relay Service (TRS) fund payments<sup>1</sup> may be treated as exogenous. BellSouth is estimating the total TRS contribution amount for the ensuing tariff period based on the proposed factor of \$.02244. The development of the TRS exogenous cost for this filing is provided in *Exhibit 2.5*.

## 2.B 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) and the Common Carrier Bureau's October 7, 1994 *Order*.<sup>2</sup> BellSouth is estimating the total Regulatory Fees for fiscal year 2017 tariff period based on the proposed factor of \$.00302. The regulatory fee payments and the corresponding exogenous adjustment are estimated based up on the proposed factor and revenue. The exogenous adjustment is detailed in *Exhibit 2.5*.

## 2.C SUMMARY OF EXOGENOUS COSTS & DISTRIBUTIONS

Part 61.45(d) (4) 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

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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.

costs are equivalent to the percentage of total identifiable interstate access and Interexchange services revenue representing non-price cap service revenue. Totals of all exogenous costs applied in this filing are summarized on *Exhibit 2.6*.

### 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 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 if the proposed service category rates are in-band for the Special Access basket. The change in the PCI also affects the allowable Sub-Index upper limits for 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(c) as "the immediately preceding PCI value." For purposes of the 2017 Annual Filing, the immediately preceding PCIs are identified in the existing PCI

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

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 11*.

## **SPECIAL ACCESS AND INTEREXCHANGE REDUCTIONS**

No reductions are required in the Special Access or Interexchange Services pursuant to Part 61.45(b)(iv).

## **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 2017 Annual Filing is 1.5385 percent.

## **X FACTOR**

The x-factor for the Special Access basket is set equal to the GDP-PI 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 2016.

The calculation of the 'R' variable for the Common Line and Special Access baskets are detailed in *Exhibits 5 and 6*, respectively.

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

The Minutes of Use (MOU) Carrier Common Line (CCL) charges are zero, which eliminates the need to calculate a (g) factor.

#### **4. DEVELOPMENT OF 2016 BASE PERIOD DEMAND**

Historical base period demand is required for the Common Line and Special Access baskets.

Demand information for these baskets is detailed on exhibits provided with this filing. Historical base period demand for the Special Access Basket reflects the removal of demand in MSAs that have been granted Phase II regulatory relief.<sup>4</sup>

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

The Common Line Basket rates were developed in accordance with Part 69.152. *Exhibit 5* lists the rates and demand used to calculate the Common Line 'R' value.

#### **6. 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 2017 Annual Filing are developed using 2016 base period demand.

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<sup>4</sup> MO&O, CCB/CPD No. 00-26, DA 01-670, released March 14, 2001; MO&O, CCB/CPD No. 01-32, DA 02-823, released April 11, 2002; and MO&O, WCB/Pricing No. 03-8, DA 03-1721, released May 15, 2003 MO&O, CCB/CPD No. 00-25, DA 01-670, released March 14, 2001; MO&O, CCB/CPD No. 01-35, DA 02-823, released April 11, 2002.

The 2017 Annual Filing PCI calculation is detailed on the IND-1, PCI-1, and RTE-1 forms of the TRP.

In addition, exhibits detailing compliance with the CFR are as follows:

***Exhibit 6*** – Calculation of ‘R’ Value

***Exhibit 6.1*** – Calculation of API and SBI

***Exhibit 6.2*** - Calculation of DS1 & DS3 Sub-Indices

## **7. INTEREXCHANGE BASKET PCI, API AND RATE DEVELOPMENT**

In accordance with Part 61.45, the existing and proposed PCI for the Interexchange Basket is detailed on the PCI-1 form of the TRP.

## **8. PART 69 WAIVERS**

The following is a list of Part 69 waivers involving Southwestern Bell Telephone Company (SWBT), Pacific Bell Telephone Company (PBTC), Nevada Bell Telephone Company (NBTC), Ameritech Operating Companies (Ameritech), and BellSouth Telecommunications, LLC (BellSouth), 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:

- Ameritech, PBTC, NBTC, SWBT, BellSouth – Order (DA 17-443), released May 10, 2017, granting permission to waive of the requirement that price cap incumbent local exchange carriers (LECs) file short form Tariff Review Plans (TRPs).
- Ameritech, PBTC, NBTC, SWBT – 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.
- Ameritech, BellSouth, PBTC, SWBT – Order (DA 96-2004) 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 Service Category of the Trunking Basket. NBTC does not offer SONET-based switched transport.

- Ameritech – Order (DA 96-446) released March 27, 1996, to establish unbundled rate elements for SS7 service. These rate elements are included in the Traffic Sensitive and Trunking baskets. BellSouth, NBTC, PBTC, and SWBT do not offer TCAP and ISUP usage rates.
- Ameritech, BellSouth, NBTC, PBTC, SWBT – Order (DA 94-1350) released November 30, 1994, granting establishment of a new rate element for 500 Access Service. The service is included in the Local Switching Service Category of the Traffic Sensitive Basket.
- AT&T ILECs - 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 is scheduled to be replaced. These rate elements are included in the HiCap Service Category of the Trunking 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.
- AT&T ILECs - *Ameritech DNAL Waiver Order* (DA 91-1629), released December 27, 1991; *BOC DNAL Order* (DA 92-199), released January 30, 1992, PBTC & NBTC *Memorandum Opinion and Order* (DA 92-271), released March 6, 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.
- AT&T ILECs - Commission Order, released October 9, 1991, granting establishment of an Information Surcharge rate element within the Information Category. This rate element is included in the Traffic Sensitive Basket.
- AT&T ILECs – *Operator Services Waiver Order* (DA 91-274), released March 5, 1991. 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.
- AT&T ILECs - 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.
- AT&T ILECs - 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.

- AT&T ILECs - Commission MO&O (FCC 83–356), 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.

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

No new services were added in 2016.

## 10. SERVICES EXCLUDED FROM PRICE CAPS

The Commission's Order, *In the Matter of Material to be Filed in Support of 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 10***, BellSouth has included a list of all services excluded from price cap regulation, which has been revised to reflect activity subsequent to the 2016 Annual Filing in accordance with the *2017 TRP Order*.

## 11. IND-1 REFERENCE

The reference document, which is required to identify the transmittal associated with each of the existing PCIs, is provided as ***Exhibit 11***.

## 12. RATE COMPARISON

***Exhibit 12*** identifies current and proposed rates for elements with changing rates. In addition to this exhibit, a Rate Detail file which lists all price cap services demand and revenues by service basket is provided.

### 13. EXHIBITS

This section provides the exhibits and other support documents referenced in prior sections of the D&J.

- Exhibit 2.5 – Telecommunications Relay Service and Regulatory Fee Exogenous
- Exhibit 2.6 – Summary of Exogenous Costs & Distribution
- Exhibit 5 – Common Line basket Price Cap Model
- Exhibit 6 – Calculation of ‘R’ Value – (Special)
- Exhibit 6.1 – Calculation of Price Cap Indices (Special)
- Exhibit 6.2 – Calculation of DS1 & DS3 Sub-Indices (Special)
- Exhibit 10 – Excluded Services List
- Exhibit 11 – IND-1 Reference
- Exhibit 12 – Rate Comparison
- Tariff Review Plan (TRP)
- Rate Detail File

**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS****14. 3RD QUARTER UNIVERSAL SERVICE FUND ADJUSTMENTS**

This portion of the filing is to revise the USF obligation based on the 3rd quarter 2017 contribution factor, which BellSouth will begin billing July 1, 2017. The 3rd quarter contribution factor, 17.1 percent, was provided in the Commission's recent Public Notice, DA 17-580, released June 13, 2017. Recovery of this contribution is allowable pursuant to Part 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.<sup>5</sup> The charges will be assessed with respect to the interstate end user service that generates the USF obligation.

BellSouth assesses three general types of USF charges (Basic, Port, and Non-recurring) for switched access customers. These charges are calculated using the following methodology as shown on *Exhibit 14.1A* thru *Exhibit 14.1I* and *Exhibit 14.2A* thru *Exhibit 14.2I*.

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<sup>5</sup>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 (2202) (*Interim Contribution Methodology Order*).

## 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.

## Residential / Single Line Business (SLB)

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 rate is demonstrated in *Exhibit 14.1A* thru *Exhibit 14.1I*.

## 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 14.1A* thru *Exhibit 14.1I*.

## Multi Line Business, PRI ISDN, and Centrex

BellSouth elected to utilize the provisions granted in the Commission's *Order and Second Order on Reconsideration* regarding Centrex customers.<sup>6</sup> A portion of the un-recovered obligation

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<sup>6</sup> 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, *Order and Second Order on Reconsideration*, FCC 03-58, para. 3 (rel. March 14, 2003).

created from using the PICC equivalency ratios for Centrex customers is applied to Multi-line business customers. However, due to the constraints included in the Commission's *Order*, BellSouth averages the obligation associated with End User Common Line (EUCL) charges for Centrex customers. Centrex customers are assessed the full amount of the obligation associated with their SPNP end user surcharges.

BellSouth determines the Basic USF recovery rate for business customers using the method detailed below.

#### **Establish the Basic Multi-line Business Rate**

**Step 1** – Determine total revenue using access lines as of March 2017 for these customers generated from EUCL assessments by multiplying the EUCL rate by the number of lines.

**Step 2** – Multiply the result from Step 1 by the contribution factor to obtain the obligation associated with the customer base.

**Step 3** – Divide the obligation developed in Step 2 by the number of billable lines (using lines as of March 2017). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

**Step 4** – Add to the Basic MLB rate, all other USF recovery associated with the customer type.

Step 4 is calculated by customer type for Multi-line business, PRI ISDN, and Centrex customers as shown in *Exhibit 14. 2A* thru *Exhibit 14.2I*.

The final rates per customer type are detailed on both *Exhibit 14.1A* thru *Exhibit 14.1I* and *Exhibit 14. 2A* thru *Exhibit 14.2I*. These final rates preclude any USF recovery necessary from non-recurring interstate end user charges.

**Other Non-recurring USF Surcharges**

Non-recurring USF surcharges are assessed to interstate end user non-recurring charges, which generate a USF obligation. BellSouth calculates Other Non-recurring USF charges by multiplying the non-recurring charge by the contribution factor. These USF recovery charges will only be assessed per occurrence of the interstate end user non-recurring charge. For billing purposes, the USF recovery charge may be added to the existing interstate end user charge, which generates the obligation.

BellSouth assesses Lifeline customers the Non-recurring USF charges when they are assessed the non-recurring charge that generates the obligation. BellSouth also assesses Interexchange Carriers (ICs) the Presubscribed Interexchange Change (PIC) USF Charge when the IC is assessed the PIC change charge.

**Other Recurring Federal Universal Fund Surcharges**

BellSouth will continue to recover its other recurring (i.e. Special Access and True Internet Protocol to Public Switched Telephone Network (TIPToP Service)) USF obligations through a percentage-based USF recovery charge applied to interstate end user billed revenues. This percentage-based USF recovery charge is set equal to the Commission's contribution factor released via Public Notice.

## 15. EXHIBITS

This section provides the exhibits and other support documents referenced in prior sections of the D&J.

- Exhibit 14.1A – Alabama Universal Service Fee Rate Development 1
- Exhibit 14.1B – Florida Universal Service Fee Rate Development 1
- Exhibit 14.1C – Georgia Universal Service Fee Rate Development 1
- Exhibit 14.1D – Kentucky Universal Service Fee Rate Development 1
- Exhibit 14.1E – Louisiana Universal Service Fee Rate Development 1
- Exhibit 14.1F – Mississippi Universal Service Fee Rate Development 1
- Exhibit 14.1G – North Carolina Universal Service Fee Rate Development 1
- Exhibit 14.1H – South Carolina Universal Service Fee Rate Development 1
- Exhibit 14.1I – Tennessee Universal Service Fee Rate Development 1
- Exhibit 14.2A – Alabama Universal Service Fee Rate Development 2
- Exhibit 14.2B – Florida Universal Service Fee Rate Development 2
- Exhibit 14.2C – Georgia Universal Service Fee Rate Development 2
- Exhibit 14.2D – Kentucky Universal Service Fee Rate Development 2
- Exhibit 14.2E – Louisiana Universal Service Fee Rate Development 2
- Exhibit 14.2F – Mississippi Universal Service Fee Rate Development 2
- Exhibit 14.2G – North Carolina Universal Service Fee Rate Development 2
- Exhibit 14.2H – South Carolina Universal Service Fee Rate Development 2
- Exhibit 14.2I – Tennessee Universal Service Fee Rate Development 2



**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6****16. DEVELOPING THE INTERSTATE AND INTRASTATE SWITCHED ACCESS REVENUE REDUCTION**

The purpose of this section of the filing is to implement the Step 6 Transition of Price Cap

Carrier Access Service<sup>7</sup> per Part 51.907(g) of the CFR. This includes:

- (a) Each Price Cap Carrier shall, in accordance with a bill-and-keep methodology, refile its interstate access tariffs and any state tariffs, in accordance with §51.905(b)(2), removing any intercarrier charges for terminating End Office Access Service.
- (b) Each Price Cap Carrier shall establish, for interstate and intrastate terminating traffic traversing a tandem switch that the terminating carrier or its affiliates owns (i.e. Tandem to End Office), Tandem-Switched Transport Access Service rates no greater than \$0.0007 per minute. All other terminating tandem-Switched Transport Access Service rates (i.e. Tandem to 3rd Party) rates will not be subject to transition.
- (c) Nothing in this section obligates or allows a Price Cap Carrier that has intrastate rates lower than its functionally equivalent interstate rates to make any intrastate tariff filing or intrastate tariff revisions raising such rates.
- (d) Each Price Cap Carrier shall calculate its eligible recovery, for July 2017 through June 2018, as per the *ICC Transformation Order*.<sup>8</sup>

The company and state-specific forms are filed with the transmittals for each of the AT&T

Companies. The access revenue reduction exhibits by company and state are:

**Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Ameritech – *Exhibit AIT*

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<sup>7</sup> Part 51.903(d) defines *End Office Access Service* as:

- (1) The switching of access traffic at the carrier's end office switch and the delivery to or from of such traffic to the called party's premises;
- (2) The routing of interexchange telecommunications traffic to or from the called party's premises, either directly or via contractual or other arrangements with an affiliated or unaffiliated entity, regardless of the specific functions provided or facilities used; or
- (3) Any functional equivalent of the incumbent local exchange carrier access service provided by a non-incumbent local exchange carrier. End Office Access Service rate elements for an incumbent local exchange carrier include the local switching rate elements specified in §69.106 of this chapter, the carrier common line rate elements specified in §69.154 of this chapter, and the intrastate rate elements for functionally equivalent access services. End Office Access Service rate elements for an incumbent local exchange carrier also include any rate elements assessed on local switching access minutes, including the information surcharge and residual rate elements.

<sup>8</sup> Part 51.915(d)(1)(vi).

**BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- BellSouth – *Exhibit BST*

**Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Nevada – *Exhibit NV*

**Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- California – *Exhibit CA*

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- SWBT – *Exhibit SWBT*

**17. ESTABLISHMENT OF ORIGINATING AND TERMINATING RATES**

Part 51.907(d)(1) states “[a] Price Cap Carrier shall establish separate originating and terminating rate elements for all per-minute components within interstate and intrastate End Office Access Service. For fixed charges, the Price Cap Carrier shall divide the rate between originating and terminating rate elements based on relative originating and terminating end office switching minutes. If sufficient originating and terminating end office switching minute data is not available, the carrier shall divide such charges equally between originating and terminating elements.”

All of the AT&T ILEC End Office Access Services are comprised of one or more local switching per minute of use (MOU) charges, a shared end office (EO) trunk port per MOU charge, one or two dedicated EO trunk port monthly recurring charges (MRCs) and various optional EO feature MRCs and nonrecurring charges (NRCs). To meet the requirement of Part 51.907(d)(1), AT&T separated the intrastate and interstate local switching per MOU, shared EO trunk port per MOU and dedicated EO trunk port charges into originating and terminating rates

in 2013. The filings separating<sup>9</sup> the per MOU charges and dedicated port charges into originating and terminating were effective as follows:

- Ameritech Tariff FCC No. 2, Transmittal No. 1792, effective May 15, 2013.
- Illinois ILL. C.C. No. 21, Switched Access Service usage effective March 11, 2013 and ports effective May 25, 2013.
- Indiana, Michigan, Ohio and Wisconsin Access Service Tariffs have long cross referenced to Tariff FCC No. 2 for Switched Access Service rates and regulations.
- BellSouth Tariff FCC No. 1, Transmittal No. 60, effective May 15, 2013.
- Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee Access Service Tariffs cross reference to Tariff FCC No. 1 for Switched Access Service rates and regulations effective July 2, 2013.
- NBTC Tariff FCC No 1, Transmittal No. 246, effective May 15, 2013.
- Nevada Tariff P.U.C.N. No. C cross references to Tariff FCC No. 1 for Switched Access Service rates and regulations effective July 2, 2013.
- PBTC Tariff FCC No. 1, Transmittal No. 488, effective May 15, 2013.
- California Schedule CAL.P.U.C. NO. 175-T cross references to Tariff FCC No. 1 for Switched Access Service rates and regulations effective June 10, 2013.
- SWBT Tariff FCC No. 73, Transmittal No. 3373, effective May 15, 2013.
- Arkansas, Kansas and Missouri Access Service Tariffs cross reference to Tariff FCC No. 73 for Switched Access Service rates and structure.
- Oklahoma Access Service Tariff cross references to Tariff FCC No. 73 for Switched Access Service rates only as of July 2, 2013 effective July 2, 2013.
- Texas Access Service Tariff began cross referencing to Tariff FCC No. 73 for Carrier Common Line Access Service and Switched Access Services rates and regulations effective August 20, 2012.

The MRCs and NRCs for the EO features will not be tariffed as originating and terminating.

Instead, AT&T changed the rate to zero for these rate elements in the 2015 Annual Filing, thereby eliminating the need to tariff and bill these features based on directionality. It should be noted, however, that only terminating demand was utilized in determining the eligible recovery as discussed in the following section Fiscal Year 2011 Demand Development.

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<sup>9</sup> While the intrastate rate elements were separated into originating and terminating prior to July 2, 2013, intrastate terminating rates were revised effective July 2, 2013 as needed to comply with Part 51.907(c).

**18. FISCAL YEAR 2011 DEMAND DEVELOPMENT**

For all twenty-one ILEC states, AT&T obtained the interstate and intrastate billed quantities for Fiscal Year 2011<sup>10</sup> for rate elements existing in each state access tariff. The interstate and intrastate rates in effect for Fiscal Year 2011 did not have separate rates for originating and terminating. Therefore, unless a rate element is specifically assessed on a particular direction of traffic, such as Message Unit Credit, which is assessed on the originating end of a call, AT&T allocated the demand to terminating by applying a terminating percentage developed from originating and terminating Local Switching MOUs and Tandem Switching MOUs. Although originating and terminating rates for Local Switching and Tandem Switching were not separately identified in the tariffs when the rates were frozen on December 29, 2011, customers' Switched Access bills provide minutes by originating and terminating, thus enabling AT&T to easily develop factors designating the amount of total traffic that is terminating.

Except for the dedicated end office trunk port and the dedicated tandem trunk port rate elements, the Local Switching and Tandem Switching terminating percentages were then applied to those MRC and NRC rate elements within the Local Switching and Tandem Switching categories, respectively, that have been included in the Switched Access Revenue Reduction.

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<sup>10</sup> Part 51.903(e) Fiscal Year 2011 means October 1, 2010 through September 30, 2011.

The demand for the dedicated end office trunk port and dedicated tandem trunk port rate elements have been split between originating and terminating using a Percent Originating Usage (POU) factor of 50 percent in accordance with the currently effective tariffs.<sup>11</sup>

To help determine the billed demand quantities for which payment was collected by March 31, 2012,<sup>12</sup> calculations were completed to determine an “uncollected” experience and produce a factor that could be used to determine billed but not collected quantities. This experience was determined by reviewing twelve months of billed Switched Access revenue data in the aggregate for all five AT&T ILECs. These Switched Access revenues were compared to the negative revenue adjustments created by service center adjustments or settlements that reduce revenue (contra revenue). This produced a factor of 3.84 percent. This represents in a revenue format what was billed but not collected. The uncollected factor, again roughly 4 percent, was employed in adjusting billed quantities to estimate the billed quantities which were collected.

The intrastate demand quantities adjusted for these uncollected quantities are used to calculate the intrastate revenue based on intrastate rates and the intrastate revenue based on interstate rates.

### **Arkansas Additional Demand Development**

Arkansas did not establish the rate elements allowed in the *First Report and Order (Access Reform)*, released May 16, 1997, DA 97-158. The current Arkansas *Access Service Tariff* does not contain the Dedicated End Office Trunk Port, Shared End Office Trunk Port, Dedicated

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<sup>11</sup> POU language became effective May 15, 2013 in AIT Tariff FCC No. 2, BST Tariff FCC No. 1, NBTC Tariff FCC No.1, PBTC Tariff FCC No. 1 and SWBT Tariff FCC No. 73 effective May 15, 2013 and will apply to the intrastate jurisdiction effective July 2, 2013. The POU language also became effective May 17, 2013 in Illinois ILL. C.C. NO. 21.

<sup>12</sup> *USF/ICC Transformation Order*, para. 880 and para. 898.

Tandem Trunk Port, Tandem Shared End Office Multiplexer, Host Remote Transmission per minute nor Host Remote Transmission per minute per mile rate elements. Host remote traffic is currently assessed Tandem Switched Transmission charges, which is the structure that existed prior to *Access Reform*. Therefore, the Tandem Switched Transmission demand is reduced by the amounts shown in the respective Host Remote Transmission rows.

To enable a proper comparison of the Arkansas intrastate rate structure to the current interstate rate structure for the Local Switching category, AT&T developed restructured intrastate rates for Local Switching per minute of use (MOU), Dedicated End Office Trunk Port, and Shared End Office Trunk Port that produce the same revenue as the current rate structure, i.e., Local Switching per MOU. The restructured rates are located in column A2, and the associated demand is located in column D1 of ***Exhibit AR***. *Access Reform* did not impact how the Local Switching per MOU rate is assessed; therefore, the demand for that element is the same pre-access reform and post-access reform. For rate elements assigned a Universal Service Order Code (USOC), e.g., Dedicated End Office Trunk Port, the interstate and intrastate demand is available in the billing system via application of the Percent Interstate Usage (PIU) factor. As a result, the intrastate quantity is available within the billing system. The intrastate demand for the Shared End Office Trunk Port was estimated based on the interstate Shared End Office Trunk Port and the Local Switching PIU.

To enable a proper comparison of the current interstate and intrastate rate structures for the Tandem Switching category, AT&T developed restructured intrastate rates for Tandem Switching per MOU, Host Remote Transmission per MOU and per minute per mile, Dedicated Tandem Trunk Port and Tandem Shared End Office Multiplexing that produce the same revenue

as the current Arkansas intrastate Tandem Switching rate element. The Dedicated Tandem Trunk Port is assigned a USOC; therefore, that demand is readily available in the billing system. The intrastate demand for Host Remote was removed from the intrastate Tandem Switched Transmission demand to ensure no double counting. The Tandem Shared End Office Multiplexer demand was estimated based on interstate Tandem Switching experience.

### **Missouri Additional Demand Development**

Missouri did not establish the rate elements created by the *Local Transport Restructure Order*<sup>13</sup> (*LTR*) nor the *Access Reform Order*. Instead, Missouri PSC MO No. 36 Access Service Tariff is structured as distance sensitive Local Transport per MOU. To determine the Switched Access Revenue Reduction, AT&T developed intrastate demand quantities for all interstate rate elements that would be in Missouri PSC MO NO. 36 Access Service Tariff had Missouri implemented the two major reforms of Switched Access service.

After obtaining intrastate quantities for rate elements that are assigned USOCs, the following steps were taken to create intrastate demand quantities for the remaining restructured rate elements that could not be obtained from the billing system via USOCs.

AT&T developed a Local Switching PIU from Missouri interstate and intrastate Local Switching usage. Because there is no data upon which to create a Missouri Tandem Switching PIU, AT&T used an average terminating Tandem Switching PIU based upon the sum of Arkansas, Kansas, and Oklahoma. The Texas PIU factor is significantly different than the other SWBT states and was excluded.

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<sup>13</sup> First Memorandum Opinion and Order on Reconsideration, released July 21, 1993 and the Second Memorandum Opinion and Order on Reconsideration, released August 18, 1993 (*Local Transport Restructure Order*).

As stated previously, AT&T also developed a factor to represent the percent terminating for Local Switching from Missouri specific data. For Tandem Switching, AT&T once again used the average of Arkansas, Kansas, and Oklahoma to develop the percent terminating factor.

To enable a proper comparison to the current interstate rate structure for the Local Switching category, AT&T developed restructured intrastate rates for Local Switching per MOU, Dedicated End Office Trunk Port and Shared End Office Trunk Port that produce the same revenue as the current intrastate rate structure. The restructured rates are located in column A2, and the associated demand is located in column D2 of ***Exhibit MO***. Neither *LTR* nor *Access Reform* impacted the local switching traffic to which the Local Switching per MOU rate is assessed. Therefore, the demand for this rate element is the same pre- *LTR* / *Access Reform* and post- *LTR* / *Access Reform*. As explained above rate elements assigned a USOC, e.g., Dedicated End Office Trunk Port, are available within the billing system. The intrastate demand for the Shared End Office Trunk Port was estimated based on interstate Shared End Office Trunk Port and Local Switching PIU.

To enable a proper comparison to the current interstate rate structure for the Local Transport category, AT&T developed restructured intrastate rates for Tandem Switching, Tandem Switched Transmission (TST) and Direct Trunked Transport (DTT). Intrastate demand quantities were obtained from the billing system for the USOC-based rate elements. The terminating intrastate demand for Tandem Switching, TST per MOU, TST per minute per mile, and Tandem Shared End Office Multiplexer were estimated based on Tandem Switching experience.



## 19. DEVELOPMENT OF THE STEP 6 SWITCHED ACCESS SERVICE REVENUE REDUCTION AMOUNT

The Step 6 Access Reduction is an accumulation of the 2012 through 2016 reduction amounts and the additional amounts identified in response to the rate changes proposed in the 2017 Annual Filing.

### **2012 and 2013 Intrastate Reduction**

As discussed in the 2013 Annual Filing, in accordance with Part 51.907(b)(2)(ii) and 51.907(4), AT&T calculated the total intrastate revenue at intrastate access rates by multiplying the Fiscal Year 2011 intrastate demand by the intrastate rates in effect December 29, 2011. Because the interstate rates were frozen at December 29, 2011 levels, no interstate reduction amount was identified prior to 2014. The results of the intrastate calculations were carried into column M of each state's 2015 Switched Access Revenue Reduction Exhibit, which is labeled as ***Exhibit xx***, where xx equals the state abbreviation. In the case of Ameritech, BellSouth and SWBT, which are multi-state regions, the states were summed into a regional 2015 Switched Access Revenue Reduction Exhibit, which is labeled as ***Exhibit xx***, where xx equals Ameritech, BellSouth or SWBT.

### **2014 Intrastate and Interstate Reduction**

The 2014 reduction amounts are developed by:

- A) reducing both intrastate and interstate end office rates as required by Part 51.907 (d)
- B) developing eligible recovery per 51.915 (d) (iii).

### **2015 Intrastate and Interstate Reduction**

The 2015 reduction amounts are developed by:

- C) reducing both intrastate and interstate end office rates as required by Part 51.907 (e)
- D) developing eligible recovery per 51.915 (d) (iv).

### **2016 Intrastate and Interstate Reduction**

Multiple calculations are required to obtain the 2016 reduction amounts.

**First**, the interstate 2011 Baseline Terminating End Office Access Rate is determined in accordance with Part 51.907(d)(2)(i) by:

- A) Multiplying the Fiscal Year 2011 terminating interstate end office demand by the interstate rates in effect December 29, 2011 (aka current rates) in column F of each state's 2016 Switched Access Revenue Reduction Exhibit.
- B) The terminating interstate end office revenue is summed into the cell labeled Terminating End Office Revenue at Current Rate.
- C) The terminating interstate local switching (aka End Office) minutes of use are summed into the cell labeled FY2011 Terminating Local Switching MOUs
- D) The interstate 2011 Baseline Composite Terminating End Office Rate is calculated by dividing B by C in the cell labeled Initial Composite Terminating End Office Access Rate.

**Second**, the 2016 Interstate Target Composite Terminating EO Access Rate is calculated in accordance with Part 51.907(f), which is **\$0.0007 per minute**. In the case of Ameritech, BellSouth and SWBT, this calculation is completed on the regional form only.

**Third**, in 2016 AT&T continued to implement a single per minute rate element for terminating End Office Access Service that is no greater than the 2016 Target Composite Terminating End Office Access Rate” as allowed by Part 51.907(f).<sup>14</sup> AT&T is proposing to use terminating interstate local switching rate element as the stand-in for the 2016 Target Composite Terminating End Office Rate. The proposed interstate rates and reduced revenue are shown in columns H and I, respectively, of the state 2016 Switched Access Revenue Reduction Exhibits. In the case of Ameritech, BellSouth and SWBT, the regional exhibit sums the results from the state exhibits.

**Fourth**, as the FCC clarified in paragraph 5 of the *ICC Clarification Order*, released March 31, 2014, AT&T must maintain “parity between interstate and intrastate rates, not interstate and intrastate composite rates.” In column J of each state’s exhibit, the intrastate terminating local switching rates are set equal to the proposed interstate rates, and column K calculates the revenue based on the proposed rates. On the exhibits, the 2016 intrastate reduction amount is the difference between column K and column G, which is the FY 2011 intrastate demand multiplied by the July 2, 2013 intrastate rates.

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<sup>14</sup> *ICC Clarification Order*, paragraph 17, “We thus clarify that both price cap and rate-of-return carriers may tariff the single composite rate as a terminating local switching access rate, consistent with the ICC transition, as long as all other rate elements associated with terminating end office access service are reduced to zero.<sup>43</sup> If its Target Composite Terminating End Office Access Rate is higher than the terminating local switching rate such carrier tariffed the previous year that will not constitute an impermissible rate increase.”

**Lastly**, the total interstate plus intrastate 2016 reduction amount (aka 2016 Total Difference) is identified in column L of each state's and region's 2016 Switched Access Revenue Reduction Exhibit.

### **2017 Intrastate and Interstate Reduction**

**First**, AT&T, in accordance with a bill-and-keep methodology, has refiled its interstate access tariffs and any state tariffs, in accordance with §51.905(b)(2), by removing any intercarrier charges for terminating End Office Access Service. Therefore, AT&T's terminating Local Switching Rates are set to be zero.

### **Second**,

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (*USF/ICC Order*), FCC No. 11-161 released November 18, 2011, carriers are required to bifurcate their tandem end office rates elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings. Subsequent to discussion between the Price Cap Industry and the FCC the following clarifications and common approach were agreed upon:

- Traffic Terminating from a Price Cap ILEC owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered "Tandem-to-End Office" that will transition to \$0.0007 (July 2017).
- All other Tandem Traffic that traverses an ILEC owned tandem and does not terminate to an end user served by the ILEC End Office will be considered "Tandem-to- 3<sup>rd</sup> Parties" and will continued to be billed at the current Interstate rates this includes traffic that terminates from a Price Cap ILEC owned tandem to an affiliated CLEC or wireless end office
- Terminating traffic switched through a Tandem to an End Office to a Host and then to a Remote that are all owned by the same Price Cap LEC, should be billed at the transitional rates – (Tandem to End office).

- For terminating traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities, the rate depends on whether or not the Tandem within the study area (Homing Tandem) is owned by the Price Cap LEC.

### **2017 Accumulated Access Reductions and Eligible Recovery**

Beginning July 1, 2017, AT&T's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi) through (d)(1)(vi)(F) of this section, and then adding the amount in paragraph (d)(1)(vi)(G) of this section to that amount:

- (A) The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to §51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
- (B) The reduction in interstate switched access revenues equal to the 2011 Baseline Composite Terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (C) The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (D) The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate, for traffic that terminates to telephone companies own end offices, to \$0.0007 pursuant to §51.907(g)(2) using pro-rated share of Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;<sup>15</sup>
- (E) CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
- (F) The cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenue less other than those associated with CMRS traffic as described in §51.701(b)(2) resulting from rate reductions required by §51.705. and
- (G) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2015.

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<sup>15</sup> AT&T determined the amount of traffic terminating directly to an AT&T End Office, AT&T Tandem to End Office and AT&T Tandem to 3<sup>rd</sup> Party based on the following methods. First, "peg counts" (a count of calls over telephone trunks performed by the AT&T Network organization) were used to develop an AT&T Direct to End Office percentage. Peg counts provide the amount of calls on the network to determine traffic load. Next, to determine the AT&T Tandem to AT&T End Office percent, data from network traffic studies were analyzed. This study ran traffic data up against a Local Exchange Routing Guide (LERG) and Local Number Portability (LNP) databases. Finally, percentages were developed based upon tandem to end office and tandem 3<sup>rd</sup> party usage.

***NOTE: For the purpose of establishing its recovery for net reciprocal compensation, AT&T has elected to forgo that step (as described in F, above). As a result, AT&T will not receive any recovery for reductions in net reciprocal compensation.***

The sum of the interstate and intrastate 2017 cumulative reductions are utilized in determining the 2017 Access Recovery Charge (ARC) and are presented in column N of each state's Switched Access Revenue Reduction Exhibit, as well as the regional forms for Ameritech, BellSouth and SWBT.

## **20. INTRASTATE AND INTERSTATE RATES**

In accordance with Part 51.907(b)(2)(i), the rates utilized in determining the 2012 and 2013 Total Reductions presented in column M and to develop the interstate revenue amounts in columns F and I are the rates that were in effect in the intrastate and interstate access tariffs on December 29, 2011.<sup>16</sup> The intrastate rates utilized to calculate this year's additional reductions, which are the difference between columns G and K, are the rates that became effective July 2, 2013.

## **21. SERVICES EXCLUDED FROM THE SWITCHED ACCESS REVENUE REDUCTION CALCULATION**

The Switched Access Revenue Reduction calculations are based on terminating traffic only for CCL, Local Switching and Tandem rate elements and the total demand for Entrance Facilities and Direct Trunk Transport. Therefore, services that are assessed on the originating end of a call only have been excluded from the Switched Access Revenue Reduction calculation.

This includes, but is not limited to, Message Unit Credit and 500 access service and Carrier Identification Parameter (CIP).

All end user services, such as International Blocking, are excluded from the Switched Access Revenue Reduction calculation.

Dedicated Network Access Lines (DNALs) are not a circuit switched service. Therefore, despite being located in the Switched Access section of most of the tariffs, DNALs and any associated services are excluded from the Switched Access Revenue Reduction calculation.

As the Commission recognized in paragraph 63 of the *USF/ICC Transformation Order*, packet services are not circuit switched services. Therefore, they are excluded from the Switched Access Revenue Reduction calculations. This includes X.25 and X.75 protocol services and frame relay services.

Telecommunications Relay Services (TRS) / Telecommunications Relay Interconnection Services (TRIS) / Telecommunications Relay Service-Provider Transport (TRS-PT) are specialized services created for a very specific purpose. They are not part of basic Switched Access service and are excluded from the Switched Access Revenue Reduction calculations.

In footnote 114 of the *USF/ICC Transformation Order*, the Commission states “while we encourage carriers to continue to offer operator services and directory assistance, we do not mandate that ETCs provide operator services or directory assistance.” Therefore, all directory

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<sup>16</sup> South Carolina utilizes a price list for Switched Local Channel, Switched Interoﬃce Channel and Channelization.

assistance and operator services are excluded from the Switched Access Revenue Reduction calculations.

## **22. EXHIBITS**

- Exhibit SWBT- SWBT Target Composite Terminating EO Access Rate



**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)****23. ARC DEVELOPMENT AND APPLICATION**

AT&T has chosen to calculate the ARC once at the holding company level while each AT&T incumbent local exchange carrier (ILEC) must file all supporting documents separately to comply with the requirements of the *Tariff Review Plan* order. As a result, the required exhibits for this Holding Company ARC section are the same in all five transmittals filed separately by the AT&T ILECs.

Price cap carriers like the ILECs are permitted to recover a limited portion of their Eligible Recovery from their end users through a monthly fixed charge called Access Recovery Charge (ARC). Section 51.915(e)(1) of the FCC's proposed rules defines ARC as:

A charge that is expressed in dollars and cents per line per month may be assessed upon end users that may also be assessed an end user common line charge pursuant to § 69.152 of the chapter, to the extent necessary to allow the Price Cap Carrier to recover some or all of its eligible recovery determined pursuant to paragraph 51.915(d), subject to the caps described in paragraph 51.915(e)(5). A Price Cap Carrier may elect to forgo charging some or all of the Access Recovery Charge.

AT&T, a Price Cap Carrier Holding Company, is allowed to recover eligible recovery attributable to any of the 21 price cap study areas operated by its wholly-owned operating companies through assessment of the ARC on end users in any of those price cap study areas, all of which are operating as price cap ILECs. However, distribution of ARC among different types of lines should follow rules outlined in Section 51.915(e)(4) of the *USF/ICC Transformation Order*. Per that rule, AT&T Holding Company may not recover a higher fraction of its total eligible revenue recovery from ARC assessed on Residential and Single Line Business lines than their share of Total Weighted Lines where Multi-Line Business lines gets twice the weight (i.e.

Total Weighted Lines = Residential Lines + Single-Line Business Lines+ (2 X Multi-Line Business Lines)).

- For purposes of distribution of ARC among different types of lines, the AT&T ILECs' Residential and Single Line Business lines are lines (other than lines of Lifeline Customers) assessed the residential and single line business end user common line charge and lines assessed the non-primary residential EUCL charge.
- AT&T ILECs' Multi-Line Business Lines are lines assessed the multi-line business end user common line charge.

As shown on *Exhibit ATTER17* and summarized on *Exhibit ICC SUM-1*, the total eligible recovery based on the Switched Access Revenue Reductions in Steps 1 through 6 and the CMRS Recip Comp Eligible Recovery is equal to the CALLS Study Area Base Factor multiplied by the sum of the amounts calculated per paragraphs (A) through (E) below:

Beginning July 1, 2017, AT&T's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi) through (d)(1)(vi)(F) of this section, and then adding the amount in paragraph (d)(1)(vi)(G) of this section to that amount:

- (A) The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to §51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
- (B) The reduction in interstate switched access revenues equal to the 2011 Baseline Composite Terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (C) The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (D) The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate, for traffic that terminates to telephone companies own end offices, to \$0.0007 pursuant to §51.907(g)(2) using pro-rated share of Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;

- (E) CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
- (F) The cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenue less other than those associated with CMRS traffic as described in 51.701(b)(2) resulting from rate reductions required by 51.705.<sup>10</sup> and
- (G) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2015

The eligible recovery amounts from each of the 21 states are aggregated up to the AT&T Holding Company level and as shown on each state's *Exhibit ARC-NO CAF-1*<sup>17</sup> and *Exhibit ARC-NO CAF-2*, distributed among lines of different types using the criteria outlined in Section 51.915(e)(4).<sup>18</sup>

Billing constraints and the availability of granular E-911 charges restricts AT&T's ability to implement exchange level Residential and Single-Line Business ARC. As a result, AT&T will spread the recovery of Eligible Recovery among a subset of end-users.<sup>19</sup> For the July 2017 through June 2018 tariff period, AT&T has decided not to charge ARC to residential and single-line business customers in 18<sup>20</sup> of its 21 ILEC study areas. AT&T will recover revenues from

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<sup>17</sup> Each state's form is labeled as Exhibit ARC-NO CAF-1 xx, where xx equals the state abbreviation.

<sup>18</sup> A Price Cap carrier holding company that does not receive ICC-replacement CAF support may not recover a higher fraction of its total revenue recovery from Access Recovery Charges assessed on Residential and Single Line Business lines than:

- A. The number of Residential and Single-Line Business lines divided by
- B. The sum of the number of Residential and Single-Line Business lines and two times the number of Multi-Line Business lines.

<sup>19</sup> We permit carriers to determine at the holding company level how Eligible Recovery will be allocated among their incumbent LECs' ARCs. By providing this flexibility, carriers will be able to spread the recovery of Eligible Recovery among a broader set of customers, minimizing the increase experienced by any one customer. This also will enable carriers to more fully recover Eligible Recovery from end-users with rates below the \$30 Residential Rate Ceiling, limiting the potential impact on the CAF (Paragraph 910).

<sup>20</sup> Alabama, Arkansas, California, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Nevada, North Carolina, Oklahoma, Tennessee, Texas and Wisconsin.

residential and single-line business customers in the remaining 3<sup>21</sup> ILEC study areas. AT&T will charge ARC to multi-line business customers in all 21 ILEC study areas.

The total AT&T ILEC reduction determined pursuant to § 51.907(b)(2) is projected to be \$306.8M. The Net CMRS Reciprocal Compensation Revenue reduction is projected to be \$19.2M. The amount equal to True-up Revenues for Access Recovery Charge is - \$0.8M, which is calculated by exchange on *Exhibit ARC-TUP-1* and summarized by state on *Exhibit ARC-TUP-2*. AT&T has elected to forgo the recovery for net non-CMRS reciprocal compensation per the option outlined in Section 51.915(d)(3) of the Rules. As a result, the total Eligible Recovery Revenue pursuant to 51.915(d)(1)(i) of the Rules (after adjusting for CALLS Study Area Base Factor and Price Cap Carriers Traffic Demand Factor) is \$155.1M.

Per Paragraph 911 of the *USF/ICC Transformation Order*, AT&T could have allocated 31.2 percent of the Eligible Recovery (i.e. \$48.4 M) to Residential Lines (that includes Single-Line Business and BRI-ISDN) and 68.8 percent to Multi-Line Business Lines. However, due to residential rate ceiling constraints, the Eligible Recovery allocated to Residential (including Single-Line Business and BRI-ISDN) is only 13.3 percent, or \$20.7 M, and the Eligible Recovery for Multi-Line Business is 86.7 percent, or \$134.4 M.

Given the ARC rates filed with this tariff and projected line count for this tariff period, AT&T's Expected ARC Revenue from Residential Lines and Single Line Business will be \$20.7 M and from Multi-Line Business Lines \$134.4 M.

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<sup>21</sup> Illinois, Ohio, and South Carolina.

Currently, AT&T ILECs are not receiving any ICC-CAF funding. However, AT&T is still required to file one additional form called Rate Ceiling Calcs spreadsheet, which is attached to the *Tariff Review Plan*. As a result, **Exhibit ARC-NO-CAF-3** is included in the filing package.

**Exhibits ARCRCTRP-NO CAF-1<sup>22</sup>** and **ARCRCTRP-NO CAF-2** provide the required Tariff Rate Comparisons.

## 24. EXHIBITS

- Exhibit ATTTTER15 - Total Eligible Recovery Step 4
- Exhibit ICC SUM-1 - Eligible ARC/ARC Recovery

### **Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Exhibit ARC-NO CAF-1 IL - Illinois ARC Form
- Exhibit ARC-NO CAF-1 IN - Indiana ARC Form
- Exhibit ARC-NO CAF-1 MI - Michigan ARC Form
- Exhibit ARC-NO CAF-1 OH - Ohio ARC Form
- Exhibit ARC-NO CAF-1 WI - Wisconsin ARC Form

### **BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 AL - Alabama ARC Form
- Exhibit ARC-NO CAF-1 FL - Florida ARC Form
- Exhibit ARC-NO CAF-1 GA - Georgia ARC Form
- Exhibit ARC-NO CAF-1 KY - Kentucky ARC Form
- Exhibit ARC-NO CAF-1 LA - Louisiana ARC Form
- Exhibit ARC-NO CAF-1 MS - Mississippi ARC Form
- Exhibit ARC-NO CAF-1 NC - North Carolina ARC Form
- Exhibit ARC-NO CAF-1 SC - South Carolina ARC Form
- Exhibit ARC-NO CAF-1 TN - Tennessee ARC Form

### **Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 NV - Nevada ARC Form

### **Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 CA - California ARC Form

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<sup>22</sup> Each state's form is labeled as Exhibit ARCRCTRP – NO CAF-1 xx, where xx equals the state abbreviation.

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- Exhibit ARC-NO CAF-1 AR - Arkansas ARC Form
- Exhibit ARC-NO CAF-1 KS - Kansas ARC Form
- Exhibit ARC-NO CAF-1 MO - Missouri ARC Form
- Exhibit ARC-NO CAF-1 OK - Oklahoma ARC Form
- Exhibit ARC-NO CAF-1 TX - Texas ARC Form
- Exhibit ARC-NO CAF-2 - Maximum ARC Revenue Calculation
- Exhibit ARC-NO CAF-3 - Rate Ceiling No CAF
- Exhibit ARC-NO CAF-4 - Footnotes

**Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Exhibit ARCRCTRP-NO CAF-1 IL - Illinois Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 IN - Indiana Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MI - Michigan Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 OH - Ohio Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 WI - Wisconsin Tariff Rate Comparison No CAF

**BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- Exhibit ARCRCTRP-NO CAF-1 AL - Alabama Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 FL - Florida Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 GA - Georgia Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 KY - Kentucky Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 LA - Louisiana Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MS - Mississippi Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 NC - North Carolina Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 SC - South Carolina Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 TN - Tennessee Tariff Rate Comparison No CAF

**Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Exhibit ARCRCTRP-NO CAF-1 NV - Nevada Tariff Rate Comparison No CAF

**Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- Exhibit ARCRCTRP-NO CAF-1 CA - California Tariff Rate Comparison No CAF

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- Exhibit ARCRCTRP-NO CAF-1 AR - Arkansas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 KS - Kansas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MO - Missouri Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 OK - Oklahoma Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 TX - Texas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-2 - Tariff Rate Comparison No CAF

Exhibit ARCRCTRP-NO CAF-3 - Footnotes

Exhibit ARC-TUP-1 - True Up Calculation by Exchange

Exhibit ARC-TUP-2 - True Up Summary by State

Exhibit ARC-TUP-3 - Footnotes

BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
109TH REVISED PAGE 1  
CANCELS 108TH REVISED PAGE 1

ISSUED: JUNE 16, 2017

EFFECTIVE: JULY 1, 2017

Issuing Officer: Kristen Shore, Executive Director - Regulatory

ACCESS SERVICE  
CHECK SHEET

The Title Page and Pages 1 to 29-48 inclusive of this tariff are effective as of the date shown. Original and revised pages as named below and Supplement Nos. 1 and 2 contain all changes from the original tariff that are in effect on the date hereof.

<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>
Title	1st	44	1st	88	1st
1	109th*	45	1st	89	1st
2	23rd	46	1st	90	1st
3	53rd*	47	1st	91	1st
4	11th	48	3rd	92	1st
5	14th*	49	1st	93	2nd
6	26th*	50	2nd	94	1st
7	21st	51	1st	95	1st
8	22nd	52	1st	96	1st
9	1st	53	1st	97	1st
10	10th	54	1st	98	1st
11	10th	55	Original	99	1st
12	14th	56	19th	100	1st
13	17th	57	Original	101	2nd
14	7th	58	2nd	102	2nd
15	16th	59	2nd	103	2nd
16	10th	60	1st	104	1st
17	3rd	61	1st	105	Original
18	6th	62	1st	106	2nd
19	1st	63	1st	107	1st
20	Original	64	1st	108	1st
21	Original	65	1st	109	Original
22	8th	66	1st	110	1st
23	12th	67	1st	111	Original
23.1	3rd	68	1st	112	Original
24	1st	69	1st	113	Original
25	2nd	70	1st	114	Original
26	1st	71	1st	115	Original
27	1st	72	1st	116	Original
28	1st	73	1st	117	1st
29	1st	74	1st	118	Original
30	1st	75	2nd	119	Original
31	Original	76	2nd	120	Original
32	2nd	77	1st	121	Original
33	2nd	78	1st	122	Original
34	5th	79	1st	123	Original
35	1st	80	2nd	124	Original
36	1st	81	1st	125	Original
37	2nd	82	1st	126	Original
38	4th	83	1st	127	Original
39	2nd	84	2nd	128	Original
40	3rd	85	1st	129	Original
41	3rd	86	2nd	130	Original
42	1st	87	1st	131	Original
43	1st				

(This page filed under Transmittal No. 130)

\* New or Revised Page



BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
53RD REVISED PAGE 3  
CANCELS 52ND REVISED PAGE 3

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2-126	Original	2-176	Original	5-2	Original
2-127	Original	2-177	1st	5-3	Original
2-128	Original	2-178	Original	5-4	3rd
2-129	Original	2-179	Original	5-5	Original
2-130	Original	2-180	Original	5-6	Original
2-131	Original	2-181	1st	5-7	Original
2-132	1st	2-182	Original	5-8	Original
2-133	Original	2-183	Original	5-9	Original
2-134	Original	2-184	Original	5-10	Original
2-135	1st	2-185	Original	5-11	3rd
2-136	1st	2-186	Original	5-12	2nd
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2-138	1st	2-188	Original	5-14	Original
2-139	3rd	2-189	1st	5-15	Original
2-140	3rd	2-190	Original	5-16	2nd
2-141	1st	2-191	Original	5-17	1st
2-142	1st	2-192	Original	5-18	Original
2-143	1st	2-193	1st	5-19	1st
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2-145	1st	3-2	1st	5-21	Original
2-146	1st	3-3	2nd	5-22	Original
2-147	1st	3-4	Original	5-23	2nd
2-148	1st	3-5	1st	5-24	4th
2-149	1st	3-6	1st	5-25	Original
2-150	1st	3-7	Original	5-26	3rd
2-151	1st	3-8	2nd	5-27	Original
2-152	2nd	3-9	2nd	5-28	1st
2-153	3rd	3-10	Original	5-28.1	Original
2-154	1st	3-11	1st	5-29	2nd
2-155	1st	3-12	2nd	5-30	Original
2-156	2nd	3-13	1st	5-31	1st
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2-164	Original	4-6.1	5th*	5-38	2nd
2-165	Original	4-7	8th*	5-39	Original
2-166	Original	4-8	8th*	5-40	1st
2-167	Original	4-8.1	6th*	5-41	Original
2-168	Original	4-8.2	6th*	5-42	Original
2-169	Original	4-8.3	6th*	5-43	1st
2-170	Original	4-9	27th*	5-44	Original
2-171	Original	4-10	12th*	5-45	Original
2-172	Original	4-11	12th*	5-46	1st
2-173	1st	4-12	12th*	6-1	1st
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2-175	1st	5-1	Original	6-3	1st
				6-4	Original

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\* New or Revised Page

BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
14TH REVISED PAGE 5  
CANCELS 13TH REVISED PAGE 5

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6-143	Original	6-192	Original	6-241	1st
6-144	Original	6-193	Original	6-242	Original
6-145	Original	6-194	1st	6-243	Original
6-146	Original	6-195	2nd	6-244	Original
6-147	Original	6-196	Original	6-245	Original
6-148	1st	6-197	1st	6-246	Original
6-149	1st	6-198	2nd	6-247	1st
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6-152	Original	6-201	Original	6-250	1st
6-153	1st	6-202	1st	6-251	1st
6-154	1st	6-203	Original	6-252	1st
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6-156	1st	6-205	3rd	6-254	Original
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6-162	Original	6-211	Original	6-260	Original
6-163	Original	6-212	Original	6-261	Original
6-164	Original	6-213	Original	6-262	Original
6-165	Original	6-214	Original	6-263	Original
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6-171	1st	6-220	1st	6-269	4th*
6-172	1st	6-221	1st	6-270	4th*
6-173	Original	6-222	3rd	6-271	4th*
6-174	Original	6-223	1st	6-272	4th*
6-175	2nd	6-224	Original	6-273	4th*
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6-179	1st	6-228	Original	6-277	1st
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6-187	Original	6-236	Original	6-285	Original
6-188	1st	6-237	Original	6-286	Original
6-189	1st	6-238	Original	6-287	Original
6-190	1st	6-239	2nd	6-288	Original
6-191	Original	6-240	1st	6-289	Original

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BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
26TH REVISED PAGE 6  
CANCELS 25TH REVISED PAGE 6

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6-291	Original	6-340	Original	7-8	3rd
6-292	Original	6-341	Original	7-9	Original
6-293	Original	6-342	Original	7-10	2nd
6-294	Original	6-343	1st	7-11	2nd
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6-296	Original	6-345	1st	7-13	Original
6-297	Original	6-346	1st	7-14	Original
6-298	Original	6-347	1st	7-15	Original
6-299	Original	6-348	1st	7-16	Original
6-300	Original	6-349	1st	7-17	Original
6-301	Original	6-350	1st	7-18	Original
6-302	Original	6-351	1st	7-19	Original
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6-305	Original	6-354	1st	7-22	1st
6-306	Original	6-355	1st	7-23	Original
6-307	Original	6-356	10th*	7-24	Original
6-308	Original	6-357	1st	7-25	2nd
6-309	Original	6-358	1st	7-26	2nd
6-310	Original	6-359	2nd	7-27	2nd
6-311	Original	6-360	Original	7-28	2nd
6-312	Original	6-361	3rd	7-29	2nd
6-313	Original	6-362	3rd	7-30	2nd
6-314	Original	6-363	3rd	7-31	2nd
6-315	Original	6-364	3rd	7-32	3rd
6-316	Original	6-365	3rd	7-33	1st
6-317	Original	6-366	3rd	7-34	2nd
6-318	Original	6-367	3rd	7-35	3rd
6-319	Original	6-368	3rd	7-36	3rd
6-320	Original	6-369	1st	7-37	2nd
6-321	Original	6-370	3rd	7-38	3rd
6-322	Original	6-371	3rd	7-39	2nd
6-323	Original	6-372	1st	7-40	2nd
6-324	Original	6-373	Original	7-41	2nd
6-325	Original	6-374	Original	7-42	2nd
6-326	Original	6-375	1st	7-43	2nd
6-327	Original	6-376	1st	7-44	2nd
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6-332	Original	6-381	Original	7-49	2nd
6-333	Original	7-1	1st	7-50	2nd
6-334	Original	7-2	3rd	7-51	2nd
6-335	Original	7-3	Original	7-52	1st
6-336	Original	7-4	1st	7-53	1st
6-337	Original	7-5	2nd	7-54	Original
6-338	Original	7-6	Original	7-55	1st

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PUBLIC VERSION

BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
4TH REVISED PAGE 6-269  
CANCELS 3RD REVISED PAGE 6-269

ISSUED: JUNE 16, 2017

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ACCESS SERVICE

6 - BELLSOUTH SWA SERVICE (CONT'D)

6.8 Rates and Charges (Cont'd)

6.8.1 BellSouth SWA Transport (Cont'd)

(B) BellSouth SWA Interoffice  
Channel (Cont'd)

(2) BellSouth SWA  
Common Transport  
**Zone 1** - Facility Termination

All States  
Per access minute of use

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
\$ 0.000168	\$ 0.000168	\$0.00	(R)

**Zone 1**

All States  
Per access minute of use, per mile

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
\$ 0.000020	\$ 0.000020	\$0.00	(R)

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PUBLIC VERSION

BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
4TH REVISED PAGE 6-270  
CANCELS 3RD REVISED PAGE 6-270

ISSUED: JUNE 16, 2017

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ACCESS SERVICE

6 - BELLSOUTH SWA SERVICE (CONT'D)

6.8 Rates and Charges (Cont'd)

6.8.1 BellSouth SWA Transport (Cont'd)

(B) BellSouth SWA Interoffice  
Channel (Cont'd)

(2) BellSouth SWA  
Common Transport

**Zone 2 - Facility Termination**

All States  
Per access minute of use

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
\$ 0.000168	\$ 0.000168	\$0.00	(R)

**Zone 2 -**

All States  
Per access minute of use, per mile

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
\$ 0.000020	\$ 0.000020	\$0.00	(R)

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BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
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ISSUED: JUNE 16, 2017

EFFECTIVE: JULY 1, 2017

ACCESS SERVICE

6 - BELLSOUTH SWA SERVICE (CONT'D)

6.8 Rates and Charges (Cont'd)

6.8.1 BellSouth SWA Transport (Cont'd)

(B) BellSouth SWA Interoffice  
Channel (Cont'd)

(2) BellSouth SWA  
Common Transport

**Zone 3 - Facility Termination**

All States  
Per access minute of use

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
\$ 0.000168	\$ 0.000168	\$0.00	(R)

**Zone 3 -**

All States  
Per access minute of use, per mile

Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
\$ 0.000020	\$ 0.000020	\$0.00	(R)

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PUBLIC VERSION

BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
4TH REVISED PAGE 6-272  
CANCELS 3RD REVISED PAGE 6-272

ISSUED: JUNE 16, 2017

EFFECTIVE: JULY 1, 2017

ACCESS SERVICE

6 - BELLSOUTH SWA SERVICE (CONT'D)

6.8 Rates and Charges (Cont'd)

6.8.1 BellSouth SWA Transport (Cont'd)

(B) BellSouth SWA Interoffice  
Channel (Cont'd)

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
(2) BellSouth SWA Common Transport (Cont'd)				
(a) DS3 to DS1 Multiplexer Per Access Minute of Use	\$0.000380	\$0.000380	\$0.00	(R)
(b) DS1 to VG Multiplexer Per Access Minute of Use associated with an analog tandem	\$0.000695	\$0.000695	\$0.00	(R)

(This page filed under Transmittal No. 130)

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PUBLIC VERSION

BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA 30308

TARIFF F.C.C. NO. 1  
4TH REVISED PAGE 6-273  
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ISSUED: JUNE 16, 2017

EFFECTIVE: JULY 1, 2017

ACCESS SERVICE

6 - BELLSOUTH SWA SERVICE (CONT'D)

6.8 Rates and Charges (Cont'd)

6.8.1 BellSouth SWA Transport (Cont'd)

(C) Access Tandem Switching

(1) Per access minute of use

All States

	Originating	Terminating to non-Telephone Company 3rd party locations	Terminating to Telephone Company's own end office	
Zone 1	\$0.001145	\$0.001145	\$0.0007	(R)
Zone 2	\$0.001145	\$0.001145	\$0.0007	(R)
Zone 3	\$0.001145	\$0.001145	\$0.0007	(R)

(This page filed under Transmittal No. 130)

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BELLSOUTH TELECOMMUNICATIONS  
675 W. Peachtree St. NW, Atlanta, GA

TARIFF F. C. C. NO. 1  
3030810TH REVISED PAGE 6-356  
CANCELS 9TH REVISED PAGE 6-356

ISSUED: JUNE 16, 2017

EFFECTIVE: JULY 1, 2017

ACCESS SERVICE

6 - Bell South SWA Service (Cont'd)

6.8 Rates and Charges (Cont'd)

6.8.2 Local Switching

(A) Usage Sensitive Rates

(1) per access minute  
ALL STATES

	<u>Originating</u>	<u>Terminating</u>	
LS1	\$.002126	\$.00	(R)
LS2	\$.002126	\$.00	(R)
LS3	\$.002126	\$.00	(R)
LS4	\$.002126	\$.00	(R)

Transitional

Bell South SWA FGs	\$.000957	\$.00	(R)
Bell South SWA Basic Serving Arrangement	\$.000957	\$.00	(R)

(2)	Common Trunk Port Service per each common transport trunk termination per access MOU	<u>Originating</u> \$.000800	<u>Terminating</u> \$0.00
-----	---	---------------------------------	------------------------------

(B) Dedicated End Office Trunk Port Service

	<u>Originating</u> <u>USOC</u>	<u>Originating</u> <u>Monthly</u> <u>Rate</u>	<u>Terminating</u> <u>USOC</u>	<u>Terminating</u> <u>Monthly</u> <u>Rate</u>
- Per dedicated DS1 trunk Port required	3P02X	\$ 146.93	3PT2X	\$ 0.00
- Per dedicated DS0/VG trunk port required	3P01X	\$ 9.47	3PT1X	\$ 0.00

(C) Common Switching (Bell South SWA FG Customers Only) <sup>(1)</sup>

ALL STATES

Hunt Group Arrangement (available with Bell South SWA FGA)	<u>FID</u>
- Per Transmission Path Group	HML/HTG
Uniform Call Distribution Arrangement (available with Bell South SWA FGA)	
- Per Transmission Path Group	HTY UD

<sup>(1)</sup> This Common Switching Optional Feature is not available for Bell South SWA Basic Serving Arrangement. See Section 6.8.2(C) for the appropriate BSE.

# **EXHIBIT 11(c)**

**Excerpts from AT&T Price Cap  
Carrier June 16, 2017 Tariff Filings -  
Nevada Bell: Cover Letter, Description  
& Justification, Revised Tariff Pages**



Kristen E. Shore,  
Assistant Vice President – Regulatory  
675 W. Peachtree St. NW  
Atlanta, Georgia 30308

FRN: 0005-0491-27

June 16, 2017

Transmittal No. 301

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Washington, D.C. 20554

Attention: Wireline Competition Bureau

The accompanying tariff material, issued by Nevada Bell Telephone Company (NBTC) and bearing Tariff F.C.C. No. 1 is sent to you for publication in compliance with the requirements of the Communications Act of 1934, as amended.

This filing, scheduled to become effective July 1, 2017, consists of the tariff pages as indicated on the following check sheets

Tariff F.C.C. No.  
1

Check Sheet Revision No.  
281st Revised Page 1  
117th Revised Page 1.2  
35th Revised Page 1.4

NBTC is submitting the 2017 Annual Access Tariff Filing in accordance with the Bureau's Order DA 17-386, *In the Matter of Material to be Filed in Support of 2017 Annual Access Tariff Filings, (Tariff Review Plan)*, released April 24, 2017 and Order DA 17-258, *In the Matter of July 1, 2017 Annual Access Charge Tariff Filings (TRP Order)*, released March 16, 2017, and *In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Order (June 5, 2012 Order)*, FCC 11-161, released June 5, 2012.

Supporting information discussed under Section 61.49 of the Commission's Rules, to the extent applicable, is included with this filing in the attached Description and Justification.

In accordance with Section 61.14, this transmittal letter and associated attachments are being filed electronically today via the Federal Communications Commission's Electronic Tariff Filing System (ETFS) in compliance with the electronic filing procedures.

Wireline Competition Bureau

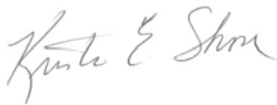
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June 16, 2017

Payment in the amount of \$925.00 has been electronically transmitted to the US Bank in St. Louis, Missouri, in accordance with the fee program procedures. The Form 159 is being transmitted electronically via ETFS as a proprietary document. These actions have been committed on the date established as the issued (filed) date as reflected above.

Personal or facsimile service petitions against this Letter, as required under Section 1.773(a)(4) of the Commission's Rules, should be sent to Rosemary Chambers, Area Manager – Regulatory Relations, 311 S. Akard St., Room 9-A19, Dallas, Texas, 75202, facsimile number (214) 464-2006. All other correspondence and inquiries concerning this Transmittal should be addressed to Debra L. Clemens, Director-Federal Regulatory, (202) 457-3066, 1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

Sincerely,

A handwritten signature in cursive script, appearing to read "Krista E. Shum".

Attachments:

- Letter
- Tariff Pages
- Description & Justification and Exhibits
- Tariff Review Plan (TRP)
- Rate Detail

**NEVADA BELL TELEPHONE COMPANY (NBTC)**  
**2017 ANNUAL FILING**  
**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS**  
**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6**  
**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)**

**DESCRIPTION AND JUSTIFICATION**  
**FCC No. 1, Transmittal No. 301**  
**June 16, 2017**

**Section**

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**2017 ANNUAL FILING**

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  - A. Investment Tax Credit (ITC) Amortization
  - B. Combined Effect
  - C. Telecommunications Relay Service (TRS) Fund
  - D. Regulatory Fee Payment
  - E. Summary of Exogenous Costs & Distributions
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4. Development of 2016 Base Period Demand
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**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)**

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## 1. INTRODUCTION

This filing is being made in compliance with the following:

- ❑ In the Matter of July 1, 2017 Annual Access Charge Tariff Filings, DA 17-258 (*Filing Dates*), released March 16, 2017;
- ❑ In the Matter of Material to be Filed in Support of 2017 Annual Access Tariff Filings, DA 17-386 (*Tariff Review Plans*), released April 24, 2017;
- ❑ In the Matter of Assessment and Collection of Regulatory Fees for the Fiscal Year 2017, MD Docket 15-121, FCC 17-62, released May 23, 2017;
- ❑ In the Matter of Connect America Fund and Developing an Unified Intercarrier Compensation Plan, *ICC Clarification Order*, DA 14-434, released March 31, 2014;
- ❑ In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Order (*June 5, 2012 Order*), FCC 11-161, released June 5, 2012;
- ❑ In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking (*USF/ICC Transformation Order*), FCC 11-161, released November 18, 2011;
- ❑ 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, Sixth Report and Order CC Docket Nos. 96-262 and 94-1, Report and

Order CC Docket No. 99-249 and Eleventh Report and Order CC Docket No. 96-45, (*CALLS Order*), FCC 00-193, 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;
- ❑ 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*);
- ❑ In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, 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.

This filing is comprised of four sections. The first section contains supporting documentation for the Price Cap 2017 Annual Filing. The *LEC Price Cap Order* requires an annual access tariff filing in which Price Cap companies are 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.

The second portion of this filing contains supporting documentation to implement the 3rd quarter USF factor.

The third portion of this filing contains supporting documentation necessary to implement the Step 6 requirements of the *USF/ICC Transformation Order*.

The final portion of this filing contains supporting documentation for development of AT&T's Access Recovery Charge (ARC) established in the *USF/ICC Transformation Order*.

**2017 ANNUAL FILING****2. EXOGENOUS COST DEVELOPMENT - ( $\Delta Z$ )**

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

In the 2017 Annual Filing, the following exogenous adjustments will be made. All are allowable in accordance with the Commission's Part 61 Rules or were designated in Commission Orders:

- Investment Tax Credit (ITC)
- Telecommunications Relay Service (TRS)
- Regulatory Fee Payment Exogenous

Part 61.45(d)(3) requires that exogenous cost changes be apportioned between price cap services and excluded services. The exogenous cost changes were 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.

**2.A INVESTMENT TAX CREDIT (ITC) AMORTIZATION**

In paragraph 72 of the *LEC Price Cap Reconsideration Order*, the FCC allowed exogenous treatment of the flow-through of the repeal of the Invest Tax Credit (ITC). In this filing, NBTC reflects the estimated exogenous cost changes associated with this item in ***Exhibit 2.2*** for the 2017-2018 tariff period.

## 2.B 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 2.3* summarizes this impact. Details pertaining to this calculation are shown in *Exhibit 2.4*.

## 2.C TELECOMMUNICATIONS RELAY SERVICES (TRS) FUND

The Commission has also ruled Telecommunications Relay Service (TRS) fund payments<sup>1</sup> may be treated as exogenous. NBTC is estimating the total TRS contribution amount for the ensuing tariff period based on the proposed factor of \$.02244. The development of the TRS exogenous cost for this filing is provided in *Exhibit 2.5*.

## 2.D 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) and the Common Carrier Bureau's October 7, 1994 *Order*.<sup>2</sup> NBTC is estimating the total Regulatory Fees for fiscal year 2017 tariff period based on the proposed factor of \$.00302. The regulatory fee payments and the corresponding exogenous adjustment are estimated based up on the proposed factor and revenue. The exogenous adjustment is detailed in *Exhibit 2.5*.

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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.

## 2.E SUMMARY OF EXOGENOUS COSTS & DISTRIBUTIONS

Part 61.45(d) (4) 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 representing non-price cap service revenue. Totals of all exogenous costs applied in this filing are summarized on *Exhibit 2.6*.

## 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 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 if the proposed service category rates are in-band for the Special Access basket. The change in the

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

PCI also affects the allowable Sub-Index upper limits for 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(c) as "the immediately preceding PCI value." For purposes of the 2017 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 11*.

## **SPECIAL ACCESS AND INTEREXCHANGE REDUCTIONS**

No reductions are required in the Special Access Service pursuant to Part 61.45(b)(iv).

## **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 2017 Annual Filing is 1.5385 percent.

## **X FACTOR**

The x-factor for the Special Access basket is set equal to the GDP-PI 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 2016.

The calculation of the 'R' variable for the Common Line and Special Access baskets are detailed in *Exhibits 5 and 6*, respectively.

**COMMON LINE USAGE GROWTH (g)**

The Minutes of Use (MOU) Carrier Common Line (CCL) charges are zero, which eliminates the need to calculate a (g) factor.

**4. DEVELOPMENT OF 2016 BASE PERIOD DEMAND**

Historical base period demand is required for the Common Line and Special Access baskets.

Demand information for these baskets is detailed on exhibits provided with this filing. Historical base period demand for the Special Access Basket reflects the removal of demand in MSAs that have been granted Phase II regulatory relief.<sup>4</sup>

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<sup>4</sup> MO&O, CCB/CPD No. 00-26, DA 01-670, released March 14, 2001; MO&O, CCB/CPD No. 01-32, DA 02-823, released April 11, 2002; and MO&O, WCB/Pricing No. 03-8, DA 03-1721, released May 15, 2003 MO&O, CCB/CPD No. 00-25, DA 01-670, released March 14, 2001; MO&O, CCB/CPD No. 01-35, DA 02-823, released April 11, 2002.

## 5. COMMON LINE BASKET RATE DEVELOPMENT

The Common Line Basket rates were developed in accordance with Part 69.152. *Exhibit 5* lists the rates and demand used to calculate the Common Line ‘R’ value.

## 6. 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 2017 Annual Filing are developed using 2016 base period demand. The 2017 Annual Filing PCI calculation is detailed on the IND-1, PCI-1, and RTE-1 forms of the TRP.

In addition, exhibits detailing compliance with the CFR are as follows:

*Exhibit 6* – Calculation of ‘R’ Value

*Exhibit 6.1* – Calculation of API and SBI

*Exhibit 6.2* - Calculation of DS1 & DS3 Sub-Indices

## 7. INTEREXCHANGE BASKET PCI, API AND RATE DEVELOPMENT

In accordance with Part 61.45, the existing and proposed PCI for the Interexchange Basket is detailed on the PCI-1 form of the TRP. The associated APIs are included on the IND-1 and RTE-1 forms of the TRP.

## 8. PART 69 WAIVERS

The following is a list of Part 69 waivers involving Southwestern Bell Telephone Company (SWBT), Pacific Bell Telephone Company (PBTC), NBTC, Ameritech Operating Companies (Ameritech), and BellSouth Telecommunications, LLC (BellSouth), 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:

- Ameritech, PBTC, NBTC, SWBT, BellSouth – Order (DA 17-443), released May 10, 2017, granting permission to waive of the requirement that price cap incumbent local exchange carriers (LECs) file short form Tariff Review Plans (TRPs).
- Ameritech, PBTC, NBTC, SWBT – 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.
- Ameritech, BellSouth, PBTC, SWBT – Order (DA 96-2004) 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 Service Category of the Trunking Basket. NBTC does not offer SONET-based switched transport.
- Ameritech – Order (DA 96-446) released March 27, 1996, to establish unbundled rate elements for SS7 service. These rate elements are included in the Traffic Sensitive and Trunking baskets. BST, NBTC, PBTC, and SWBT do not offer TCAP and ISUP usage rates.
- Ameritech, BellSouth, NBTC, PBTC, SWBT – Order (DA 94-1350) released November 30, 1994, granting establishment of a new rate element for 500 Access Service. The service is included in the Local Switching Service Category of the Traffic Sensitive Basket.
- AT&T ILECs - 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 is scheduled to be replaced. These rate elements are included in the HiCap Service Category of the Trunking 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.
- AT&T ILECs - *Ameritech DNAL Waiver Order* (DA 91-1629), released December 27, 1991; *BOC DNAL Order* (DA 92-199), released January 30, 1992, PBTC & NBTC *Memorandum Opinion and Order* (DA 92-271), released March 6, 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.
- AT&T ILECs - Commission Order, released October 9, 1991, granting establishment of an Information Surcharge rate element within the Information Category. This rate element is included in the Traffic Sensitive Basket.

- AT&T ILECs – *Operator Services Waiver Order* (DA 91-274), released March 5, 1991. 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.
- AT&T ILECs - 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.
- AT&T ILECs - 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.
- AT&T ILECs - Commission MO&O (FCC 83–356), 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.

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

No new services were added in 2016.

## 10. SERVICES EXCLUDED FROM PRICE CAPS

The Commission's Order, *In the Matter of Material to be Filed in Support of 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 10***, NBTC has included a list of all services excluded from price cap regulation, which has been revised to reflect activity subsequent to the 2016 Annual Filing in accordance with the *2017 TRP Order*.

## 11. IND-1 REFERENCE

The reference document, which is required to identify the transmittal associated with each of the existing PCIs, is provided as *Exhibit 11*.

## 12. RATE COMPARISON

*Exhibit 12* identifies current and proposed rates for elements with changing rates. In addition to this exhibit, a Rate Detail file which lists all price cap services demand and revenues by service basket is provided.

## 13. EXHIBITS

This section provides the exhibits and other support documents referenced in prior sections of the D&J.

- Exhibit 2.2 – Investment Tax Credit (ITC)
- Exhibit 2.3 – Combined Effect
- Exhibit 2.4 – EDT/ITC Adjusted for Non-Price Cap Services
- Exhibit 2.5 – Telecommunications Relay Service and Regulatory Fee Exogenous
- Exhibit 2.6 – Summary of Exogenous Costs & Distribution
- Exhibit 5 – Common Line basket Price Cap Model
- Exhibit 6 – Calculation of ‘R’ Value – (Special)
- Exhibit 6.1 – Calculation of Price Cap Indices (Special)
- Exhibit 6.2 – Calculation of DS1 & DS3 Sub-Indices (Special)
- Exhibit 10 – Excluded Services List
- Exhibit 11 – IND-1 Reference
- Exhibit 12 – Rate Comparison
- Tariff Review Plan (TRP)
- Rate Detail File

**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS****14. 3RD QUARTER UNIVERSAL SERVICE FUND ADJUSTMENTS**

This portion of the filing is to revise the USF obligation based on the 3rd quarter 2017 contribution factor, which NBTC will begin billing July 1, 2017. The 3rd quarter contribution factor, 17.1 percent, was provided in the Commission's recent Public Notice, DA 17-580, released June 13, 2017. Recovery of this contribution is allowable pursuant to Part 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*, NBTC recovers its USF obligation associated with switched access services through various flat-rate end user charges.<sup>5</sup> The charges will be assessed with respect to the interstate end user service that generates the USF obligation.

NBTC assesses three general types of USF charges (Basic, Port, and Non-recurring) for switched access customers. These charges are calculated using the following methodology as shown on *Exhibit 14.1* and *Exhibit 14.2*.

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<sup>5</sup>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 (2202) (*Interim Contribution Methodology Order*).

## 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.

## Residential / Single Line Business (SLB)

NBTC 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 rate is demonstrated in *Exhibit 14.1*.

## BRI ISDN / BRI ISDN Port

NBTC 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 14.1*.

## Multi Line Business, PRI ISDN, and Centrex

NBTC elected to utilize the provisions granted in the Commission's *Order and Second Order on Reconsideration* regarding Centrex customers.<sup>6</sup> A portion of the un-recovered obligation created

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<sup>6</sup> 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, *Order and Second Order on Reconsideration*, FCC 03-58, para. 3 (rel. March 14, 2003).

from using the PICC equivalency ratios for Centrex customers is applied to Multi-line business customers. However, due to the constraints included in the Commission's *Order*, NBTC averages the obligation associated with End User Common Line (EUCL) charges for Centrex customers. Centrex customers are assessed the full amount of the obligation associated with their SPNP end user surcharges.

NBTC determines the Basic USF recovery rate for business customers using the method detailed below.

### **Establish the Basic Multi-line Business Rate**

**Step 1** – Determine total revenue using access lines as of March 2017 for these customers generated from EUCL assessments by multiplying the EUCL rate by the number of lines.

**Step 2** – Multiply the result from Step 1 by the contribution factor to obtain the obligation associated with the customer base.

**Step 3** – Divide the obligation developed in Step 2 by the number of billable lines (using lines as of March 2017). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

**Step 4** – Add to the Basic MLB rate, all other USF recovery associated with the customer type.

Step 4 is calculated by customer type for Multi-line business, PRI ISDN, and Centrex customers as shown in *Exhibit 14.2*.

The final rates per customer type are detailed on both *Exhibit 14.1* and *Exhibit 14.2*. These final rates preclude any USF recovery necessary from non-recurring interstate end user charges.

### **Other Non-recurring USF Surcharges**

Non-recurring USF surcharges are assessed to interstate end user non-recurring charges, which generate a USF obligation. NBTC calculates Other Non-recurring USF charges by multiplying the non-recurring charge by the contribution factor. These USF recovery charges will only be assessed per occurrence of the interstate end user non-recurring charge. For billing purposes, the USF recovery charge may be added to the existing interstate end user charge, which generates the obligation.

NBTC assesses Lifeline customers the Non-recurring USF charges when they are assessed the non-recurring charge that generates the obligation. NBTC also assesses Interexchange Carriers (ICs) the Presubscribed Interexchange Change (PIC) USF Charge when the IC is assessed the PIC change charge.

### **Other Recurring Federal Universal Fund Surcharges**

NBTC will continue to recover its other recurring (i.e. Special Access and True Internet Protocol to Public Switched Telephone Network (TIPToP Service)) USF obligations through a percentage-based USF recovery charge applied to interstate end user billed revenues. This percentage-based USF recovery charge is set equal to the Commission's contribution factor released via Public Notice.

## **15. EXHIBITS**

This section provides the exhibits and other support documents referenced in prior sections of the D&J.

- Exhibit 14.1 – Universal Service Fee Rate Development 1
- Exhibit 14.2 – Universal Service Fee Rate Development 2

**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6****16. DEVELOPING THE INTERSTATE AND INTRASTATE SWITCHED ACCESS REVENUE REDUCTION**

The purpose of this section of the filing is to implement the Step 6 Transition of Price Cap

Carrier Access Service<sup>7</sup> per Part 51.907(g) of the CFR. This includes:

- (a) Each Price Cap Carrier shall, in accordance with a bill-and-keep methodology, refile its interstate access tariffs and any state tariffs, in accordance with §51.905(b)(2), removing any intercarrier charges for terminating End Office Access Service.
- (b) Each Price Cap Carrier shall establish, for interstate and intrastate terminating traffic traversing a tandem switch that the terminating carrier or its affiliates owns (i.e. Tandem to End Office), Tandem-Switched Transport Access Service rates no greater than \$0.0007 per minute. All other terminating tandem-Switched Transport Access Service rates (i.e. Tandem to 3rd Party) rates will not be subject to transition.
- (c) Nothing in this section obligates or allows a Price Cap Carrier that has intrastate rates lower than its functionally equivalent interstate rates to make any intrastate tariff filing or intrastate tariff revisions raising such rates.
- (d) Each Price Cap Carrier shall calculate its eligible recovery, for July 2017 through June 2018, as per the *ICC Transformation Order*.<sup>8</sup>

The company and state-specific forms are filed with the transmittals for each of the AT&T

Companies. The access revenue reduction exhibits by company and state are:

**Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Ameritech – *Exhibit AIT*

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<sup>7</sup> Part 51.903(d) defines *End Office Access Service* as:

- (1) The switching of access traffic at the carrier's end office switch and the delivery to or from of such traffic to the called party's premises;
- (2) The routing of interexchange telecommunications traffic to or from the called party's premises, either directly or via contractual or other arrangements with an affiliated or unaffiliated entity, regardless of the specific functions provided or facilities used; or
- (3) Any functional equivalent of the incumbent local exchange carrier access service provided by a non-incumbent local exchange carrier. End Office Access Service rate elements for an incumbent local exchange carrier include the local switching rate elements specified in §69.106 of this chapter, the carrier common line rate elements specified in §69.154 of this chapter, and the intrastate rate elements for functionally equivalent access services. End Office Access Service rate elements for an incumbent local exchange carrier also include any rate elements assessed on local switching access minutes, including the information surcharge and residual rate elements.

<sup>8</sup> Part 51.915(d)(1)(vi).



**BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- BellSouth – *Exhibit BST*

**Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Nevada – *Exhibit NV*

**Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- California – *Exhibit CA*

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- SWBT – *Exhibit SWBT*

**17. ESTABLISHMENT OF ORIGINATING AND TERMINATING RATES**

Part 51.907(d)(1) states “[a] Price Cap Carrier shall establish separate originating and terminating rate elements for all per-minute components within interstate and intrastate End Office Access Service. For fixed charges, the Price Cap Carrier shall divide the rate between originating and terminating rate elements based on relative originating and terminating end office switching minutes. If sufficient originating and terminating end office switching minute data is not available, the carrier shall divide such charges equally between originating and terminating elements.”

All of the AT&T ILEC End Office Access Services are comprised of one or more local switching per minute of use (MOU) charges, a shared end office (EO) trunk port per MOU charge, one or two dedicated EO trunk port monthly recurring charges (MRCs) and various optional EO feature MRCs and nonrecurring charges (NRCs). To meet the requirement of Part 51.907(d)(1), AT&T separated the intrastate and interstate local switching per MOU, shared EO trunk port per MOU and dedicated EO trunk port charges into originating and terminating rates

in 2013. The filings separating<sup>9</sup> the per MOU charges and dedicated port charges into originating and terminating were effective as follows:

- Ameritech Tariff FCC No. 2, Transmittal No. 1792, effective May 15, 2013.
- Illinois ILL. C.C. No. 21, Switched Access Service usage effective March 11, 2013 and ports effective May 25, 2013.
- Indiana, Michigan, Ohio and Wisconsin Access Service Tariffs have long cross referenced to Tariff FCC No. 2 for Switched Access Service rates and regulations.
- BellSouth Tariff FCC No. 1, Transmittal No. 60, effective May 15, 2013.
- Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee Access Service Tariffs cross reference to Tariff FCC No. 1 for Switched Access Service rates and regulations effective July 2, 2013.
- NBTC Tariff FCC No 1, Transmittal No. 246, effective May 15, 2013.
- Nevada Tariff P.U.C.N. No. C cross references to Tariff FCC No. 1 for Switched Access Service rates and regulations effective July 2, 2013.
- PBTC Tariff FCC No. 1, Transmittal No. 488, effective May 15, 2013.
- California Schedule CAL.P.U.C. NO. 175-T cross references to Tariff FCC No. 1 for Switched Access Service rates and regulations effective June 10, 2013.
- SWBT Tariff FCC No. 73, Transmittal No. 3373, effective May 15, 2013.
- Arkansas, Kansas and Missouri Access Service Tariffs cross reference to Tariff FCC No. 73 for Switched Access Service rates and structure.
- Oklahoma Access Service Tariff cross references to Tariff FCC No. 73 for Switched Access Service rates only as of July 2, 2013 effective July 2, 2013.
- Texas Access Service Tariff began cross referencing to Tariff FCC No. 73 for Carrier Common Line Access Service and Switched Access Services rates and regulations effective August 20, 2012.

The MRCs and NRCs for the EO features will not be tariffed as originating and terminating.

Instead, AT&T changed the rate to zero for these rate elements in the 2015 Annual Filing, thereby eliminating the need to tariff and bill these features based on directionality. It should be noted, however, that only terminating demand was utilized in determining the eligible recovery as discussed in the following section Fiscal Year 2011 Demand Development.

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<sup>9</sup> While the intrastate rate elements were separated into originating and terminating prior to July 2, 2013, intrastate terminating rates were revised effective July 2, 2013 as needed to comply with Part 51.907(c).

**18. FISCAL YEAR 2011 DEMAND DEVELOPMENT**

For all twenty-one ILEC states, AT&T obtained the interstate and intrastate billed quantities for Fiscal Year 2011<sup>10</sup> for rate elements existing in each state access tariff. The interstate and intrastate rates in effect for Fiscal Year 2011 did not have separate rates for originating and terminating. Therefore, unless a rate element is specifically assessed on a particular direction of traffic, such as Message Unit Credit, which is assessed on the originating end of a call, AT&T allocated the demand to terminating by applying a terminating percentage developed from originating and terminating Local Switching MOUs and Tandem Switching MOUs. Although originating and terminating rates for Local Switching and Tandem Switching were not separately identified in the tariffs when the rates were frozen on December 29, 2011, customers' Switched Access bills provide minutes by originating and terminating, thus enabling AT&T to easily develop factors designating the amount of total traffic that is terminating.

Except for the dedicated end office trunk port and the dedicated tandem trunk port rate elements, the Local Switching and Tandem Switching terminating percentages were then applied to those MRC and NRC rate elements within the Local Switching and Tandem Switching categories, respectively, that have been included in the Switched Access Revenue Reduction.

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<sup>10</sup> Part 51.903(e) Fiscal Year 2011 means October 1, 2010 through September 30, 2011.

The demand for the dedicated end office trunk port and dedicated tandem trunk port rate elements have been split between originating and terminating using a Percent Originating Usage (POU) factor of 50 percent in accordance with the currently effective tariffs.<sup>11</sup>

To help determine the billed demand quantities for which payment was collected by March 31, 2012,<sup>12</sup> calculations were completed to determine an “uncollected” experience and produce a factor that could be used to determine billed but not collected quantities. This experience was determined by reviewing twelve months of billed Switched Access revenue data in the aggregate for all five AT&T ILECs. These Switched Access revenues were compared to the negative revenue adjustments created by service center adjustments or settlements that reduce revenue (contra revenue). This produced a factor of 3.84 percent. This represents in a revenue format what was billed but not collected. The uncollected factor, again roughly 4 percent, was employed in adjusting billed quantities to estimate the billed quantities which were collected.

The intrastate demand quantities adjusted for these uncollected quantities are used to calculate the intrastate revenue based on intrastate rates and the intrastate revenue based on interstate rates.

### **Arkansas Additional Demand Development**

Arkansas did not establish the rate elements allowed in the *First Report and Order (Access Reform)*, released May 16, 1997, DA 97-158. The current Arkansas *Access Service Tariff* does not contain the Dedicated End Office Trunk Port, Shared End Office Trunk Port, Dedicated

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<sup>11</sup> POU language became effective May 15, 2013 in AIT Tariff FCC No. 2, BST Tariff FCC No. 1, NBTC Tariff FCC No.1, PBTC Tariff FCC No. 1 and SWBT Tariff FCC No. 73 effective May 15, 2013 and will apply to the intrastate jurisdiction effective July 2, 2013. The POU language also became effective May 17, 2013 in Illinois ILL. C.C. NO. 21.

<sup>12</sup> *USF/ICC Transformation Order*, para. 880 and para. 898.

Tandem Trunk Port, Tandem Shared End Office Multiplexer, Host Remote Transmission per minute nor Host Remote Transmission per minute per mile rate elements. Host remote traffic is currently assessed Tandem Switched Transmission charges, which is the structure that existed prior to *Access Reform*. Therefore, the Tandem Switched Transmission demand is reduced by the amounts shown in the respective Host Remote Transmission rows.

To enable a proper comparison of the Arkansas intrastate rate structure to the current interstate rate structure for the Local Switching category, AT&T developed restructured intrastate rates for Local Switching per minute of use (MOU), Dedicated End Office Trunk Port, and Shared End Office Trunk Port that produce the same revenue as the current rate structure, i.e., Local Switching per MOU. The restructured rates are located in column A2, and the associated demand is located in column D1 of ***Exhibit AR***. *Access Reform* did not impact how the Local Switching per MOU rate is assessed; therefore, the demand for that element is the same pre-access reform and post-access reform. For rate elements assigned a Universal Service Order Code (USOC), e.g., Dedicated End Office Trunk Port, the interstate and intrastate demand is available in the billing system via application of the Percent Interstate Usage (PIU) factor. As a result, the intrastate quantity is available within the billing system. The intrastate demand for the Shared End Office Trunk Port was estimated based on the interstate Shared End Office Trunk Port and the Local Switching PIU.

To enable a proper comparison of the current interstate and intrastate rate structures for the Tandem Switching category, AT&T developed restructured intrastate rates for Tandem Switching per MOU, Host Remote Transmission per MOU and per minute per mile, Dedicated Tandem Trunk Port and Tandem Shared End Office Multiplexing that produce the same revenue

as the current Arkansas intrastate Tandem Switching rate element. The Dedicated Tandem Trunk Port is assigned a USOC; therefore, that demand is readily available in the billing system. The intrastate demand for Host Remote was removed from the intrastate Tandem Switched Transmission demand to ensure no double counting. The Tandem Shared End Office Multiplexer demand was estimated based on interstate Tandem Switching experience.

### **Missouri Additional Demand Development**

Missouri did not establish the rate elements created by the *Local Transport Restructure Order*<sup>13</sup> (*LTR*) nor the *Access Reform Order*. Instead, Missouri PSC MO No. 36 Access Service Tariff is structured as distance sensitive Local Transport per MOU. To determine the Switched Access Revenue Reduction, AT&T developed intrastate demand quantities for all interstate rate elements that would be in Missouri PSC MO NO. 36 Access Service Tariff had Missouri implemented the two major reforms of Switched Access service.

After obtaining intrastate quantities for rate elements that are assigned USOCs, the following steps were taken to create intrastate demand quantities for the remaining restructured rate elements that could not be obtained from the billing system via USOCs.

AT&T developed a Local Switching PIU from Missouri interstate and intrastate Local Switching usage. Because there is no data upon which to create a Missouri Tandem Switching PIU, AT&T used an average terminating Tandem Switching PIU based upon the sum of Arkansas, Kansas, and Oklahoma. The Texas PIU factor is significantly different than the other SWBT states and was excluded.

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<sup>13</sup> First Memorandum Opinion and Order on Reconsideration, released July 21, 1993 and the Second Memorandum Opinion and Order on Reconsideration, released August 18, 1993 (*Local Transport Restructure Order*).

As stated previously, AT&T also developed a factor to represent the percent terminating for Local Switching from Missouri specific data. For Tandem Switching, AT&T once again used the average of Arkansas, Kansas, and Oklahoma to develop the percent terminating factor.

To enable a proper comparison to the current interstate rate structure for the Local Switching category, AT&T developed restructured intrastate rates for Local Switching per MOU, Dedicated End Office Trunk Port and Shared End Office Trunk Port that produce the same revenue as the current intrastate rate structure. The restructured rates are located in column A2, and the associated demand is located in column D2 of ***Exhibit MO***. Neither *LTR* nor *Access Reform* impacted the local switching traffic to which the Local Switching per MOU rate is assessed. Therefore, the demand for this rate element is the same pre- *LTR* / *Access Reform* and post- *LTR* / *Access Reform*. As explained above rate elements assigned a USOC, e.g., Dedicated End Office Trunk Port, are available within the billing system. The intrastate demand for the Shared End Office Trunk Port was estimated based on interstate Shared End Office Trunk Port and Local Switching PIU.

To enable a proper comparison to the current interstate rate structure for the Local Transport category, AT&T developed restructured intrastate rates for Tandem Switching, Tandem Switched Transmission (TST) and Direct Trunked Transport (DTT). Intrastate demand quantities were obtained from the billing system for the USOC-based rate elements. The terminating intrastate demand for Tandem Switching, TST per MOU, TST per minute per mile, and Tandem Shared End Office Multiplexer were estimated based on Tandem Switching experience.

## 19. DEVELOPMENT OF THE STEP 6 SWITCHED ACCESS SERVICE REVENUE REDUCTION AMOUNT

The Step 6 Access Reduction is an accumulation of the 2012 through 2016 reduction amounts and the additional amounts identified in response to the rate changes proposed in the 2017 Annual Filing.

### **2012 and 2013 Intrastate Reduction**

As discussed in the 2013 Annual Filing, in accordance with Part 51.907(b)(2)(ii) and 51.907(4), AT&T calculated the total intrastate revenue at intrastate access rates by multiplying the Fiscal Year 2011 intrastate demand by the intrastate rates in effect December 29, 2011. Because the interstate rates were frozen at December 29, 2011 levels, no interstate reduction amount was identified prior to 2014. The results of the intrastate calculations were carried into column M of each state's 2015 Switched Access Revenue Reduction Exhibit, which is labeled as ***Exhibit xx***, where xx equals the state abbreviation. In the case of Ameritech, BellSouth and SWBT, which are multi-state regions, the states were summed into a regional 2015 Switched Access Revenue Reduction Exhibit, which is labeled as ***Exhibit xx***, where xx equals Ameritech, BellSouth or SWBT.



### **2014 Intrastate and Interstate Reduction**

The 2014 reduction amounts are developed by:

- A) reducing both intrastate and interstate end office rates as required by Part 51.907 (d)
- B) developing eligible recovery per 51.915 (d) (iii).

### **2015 Intrastate and Interstate Reduction**

The 2015 reduction amounts are developed by:

- C) reducing both intrastate and interstate end office rates as required by Part 51.907 (e)
- D) developing eligible recovery per 51.915 (d) (iv).

### **2016 Intrastate and Interstate Reduction**

Multiple calculations are required to obtain the 2016 reduction amounts.

**First**, the interstate 2011 Baseline Terminating End Office Access Rate is determined in accordance with Part 51.907(d)(2)(i) by:

- A) Multiplying the Fiscal Year 2011 terminating interstate end office demand by the interstate rates in effect December 29, 2011 (aka current rates) in column F of each state's 2016 Switched Access Revenue Reduction Exhibit.
- B) The terminating interstate end office revenue is summed into the cell labeled Terminating End Office Revenue at Current Rate.
- C) The terminating interstate local switching (aka End Office) minutes of use are summed into the cell labeled FY2011 Terminating Local Switching MOUs.
- D) The interstate 2011 Baseline Composite Terminating End Office Rate is calculated by dividing B by C in the cell labeled Initial Composite Terminating End Office Access Rate.

**Second**, the 2016 Interstate Target Composite Terminating EO Access Rate is calculated in accordance with Part 51.907(f), which is **\$0.0007 per minute**. In the case of Ameritech, BellSouth and SWBT, this calculation is completed on the regional form only.

**Third**, in 2016 AT&T continued to implement a single per minute rate element for terminating End Office Access Service that is no greater than the 2016 Target Composite Terminating End Office Access Rate” as allowed by Part 51.907(f).<sup>14</sup> AT&T is proposing to use terminating interstate local switching rate element as the stand-in for the 2016 Target Composite Terminating End Office Rate. The proposed interstate rates and reduced revenue are shown in columns H and I, respectively, of the state 2016 Switched Access Revenue Reduction Exhibits. In the case of Ameritech, BellSouth and SWBT, the regional exhibit sums the results from the state exhibits.

**Fourth**, as the FCC clarified in paragraph 5 of the *ICC Clarification Order*, released March 31, 2014, AT&T must maintain “parity between interstate and intrastate rates, not interstate and intrastate composite rates.” In column J of each state’s exhibit, the intrastate terminating local switching rates are set equal to the proposed interstate rates, and column K calculates the revenue based on the proposed rates. On the exhibits, the 2016 intrastate reduction amount is the difference between column K and column G, which is the FY 2011 intrastate demand multiplied by the July 2, 2013 intrastate rates.

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<sup>14</sup> *ICC Clarification Order*, paragraph 17, “We thus clarify that both price cap and rate-of-return carriers may tariff the single composite rate as a terminating local switching access rate, consistent with the ICC transition, as long as all other rate elements associated with terminating end office access service are reduced to zero.<sup>43</sup> If its Target Composite Terminating End Office Access Rate is higher than the terminating local switching rate such carrier tariffed the previous year that will not constitute an impermissible rate increase.”

**Lastly**, the total interstate plus intrastate 2016 reduction amount (aka 2016 Total Difference) is identified in column L of each state's and region's 2016 Switched Access Revenue Reduction Exhibit.

### **2017 Intrastate and Interstate Reduction**

**First**, AT&T, in accordance with a bill-and-keep methodology, has refiled its interstate access tariffs and any state tariffs, in accordance with §51.905(b)(2), by removing any intercarrier charges for terminating End Office Access Service. Therefore, AT&T's terminating Local Switching Rates are set to be zero.

### **Second**,

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (*USF/ICC Order*), FCC No. 11-161 released November 18, 2011, carriers are required to bifurcate their tandem end office rates elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings. Subsequent to discussion between the Price Cap Industry and the FCC the following clarifications and common approach were agreed upon:

- Traffic Terminating from a Price Cap ILEC owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered "Tandem-to-End Office" that will transition to \$0.0007 (July 2017).
- All other Tandem Traffic that traverses an ILEC owned tandem and does not terminate to an end user served by the ILEC End Office will be considered "Tandem-to- 3<sup>rd</sup> Parties" and will continued to be billed at the current Interstate rates this includes traffic that terminates from a Price Cap ILEC owned tandem to an affiliated CLEC or wireless end office
- Terminating traffic switched through a Tandem to an End Office to a Host and then to a Remote that are all owned by the same Price Cap LEC, should be billed at the transitional rates – (Tandem to End office).

- For terminating traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities, the rate depends on whether or not the Tandem within the study area (Homing Tandem) is owned by the Price Cap LEC.

### **2017 Accumulated Access Reductions and Eligible Recovery**

Beginning July 1, 2017, AT&T's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi) through (d)(1)(vi)(F) of this section, and then adding the amount in paragraph (d)(1)(vi)(G) of this section to that amount:

- (A) The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to §51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
- (B) The reduction in interstate switched access revenues equal to the 2011 Baseline Composite Terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (C) The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (D) The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate, for traffic that terminates to telephone companies own end offices, to \$0.0007 pursuant to §51.907(g)(2) using pro-rated share of Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;<sup>15</sup>
- (E) CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
- (F) The cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenue less other than those associated with CMRS traffic as described in §51.701(b)(2) resulting from rate reductions required by §51.705; and
- (G) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2015.

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<sup>15</sup> AT&T determined the amount of traffic terminating directly to an AT&T End Office, AT&T Tandem to End Office and AT&T Tandem to 3<sup>rd</sup> Party based on the following methods. First, "peg counts" (a count of calls over telephone trunks performed by the AT&T Network organization) were used to develop an AT&T Direct to End Office percentage. Peg counts provide the amount of calls on the network to determine traffic load. Next, to determine the AT&T Tandem to AT&T End Office percent, data from network traffic studies were analyzed. This study ran traffic data up against a Local Exchange Routing Guide (LERG) and Local Number Portability (LNP) databases. Finally, percentages were developed based upon tandem to end office and tandem 3<sup>rd</sup> party usage.

***NOTE: For the purpose of establishing its recovery for net reciprocal compensation, AT&T has elected to forgo that step (as described in F, above). As a result, AT&T will not receive any recovery for reductions in net reciprocal compensation.***

The sum of the interstate and intrastate 2017 cumulative reductions are utilized in determining the 2017 Access Recovery Charge (ARC) and are presented in column N of each state's Switched Access Revenue Reduction Exhibit, as well as the regional forms for Ameritech, BellSouth and SWBT.

## **20. INTRASTATE AND INTERSTATE RATES**

In accordance with Part 51.907(b)(2)(i), the rates utilized in determining the 2012 and 2013 Total Reductions presented in column M and to develop the interstate revenue amounts in columns F and I are the rates that were in effect in the intrastate and interstate access tariffs on December 29, 2011.<sup>16</sup> The intrastate rates utilized to calculate this year's additional reductions, which are the difference between columns G and K, are the rates that became effective July 2, 2013.

## **21. SERVICES EXCLUDED FROM THE SWITCHED ACCESS REVENUE REDUCTION CALCULATION**

The Switched Access Revenue Reduction calculations are based on terminating traffic only for CCL, Local Switching and Tandem rate elements and the total demand for Entrance Facilities and Direct Trunk Transport. Therefore, services that are assessed on the originating end of a call only have been excluded from the Switched Access Revenue Reduction calculation.

This includes, but is not limited to, Message Unit Credit and 500 access service and Carrier Identification Parameter (CIP).

All end user services, such as International Blocking, are excluded from the Switched Access Revenue Reduction calculation.

Dedicated Network Access Lines (DNALs) are not a circuit switched service. Therefore, despite being located in the Switched Access section of most of the tariffs, DNALs and any associated services are excluded from the Switched Access Revenue Reduction calculation.

As the Commission recognized in paragraph 63 of the *USF/ICC Transformation Order*, packet services are not circuit switched services. Therefore, they are excluded from the Switched Access Revenue Reduction calculations. This includes X.25 and X.75 protocol services and frame relay services.

Telecommunications Relay Services (TRS) / Telecommunications Relay Interconnection Services (TRIS) / Telecommunications Relay Service-Provider Transport (TRS-PT) are specialized services created for a very specific purpose. They are not part of basic Switched Access service and are excluded from the Switched Access Revenue Reduction calculations.

In footnote 114 of the *USF/ICC Transformation Order*, the Commission states “while we encourage carriers to continue to offer operator services and directory assistance, we do not mandate that ETCs provide operator services or directory assistance.” Therefore, all directory

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<sup>16</sup> South Carolina utilizes a price list for Switched Local Channel, Switched Interoffice Channel and Channelization.

assistance and operator services are excluded from the Switched Access Revenue Reduction calculations.

## **22. EXHIBITS**

- Exhibit SWBT- SWBT Target Composite Terminating EO Access Rate

**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)****23. ARC DEVELOPMENT AND APPLICATION**

AT&T has chosen to calculate the ARC once at the holding company level while each AT&T incumbent local exchange carrier (ILEC) must file all supporting documents separately to comply with the requirements of the *Tariff Review Plan* order. As a result, the required exhibits for this Holding Company ARC section are the same in all five transmittals filed separately by the AT&T ILECs.

Price cap carriers like the ILECs are permitted to recover a limited portion of their Eligible Recovery from their end users through a monthly fixed charge called Access Recovery Charge (ARC). Section 51.915(e)(1) of the FCC's proposed rules defines ARC as:

A charge that is expressed in dollars and cents per line per month may be assessed upon end users that may also be assessed an end user common line charge pursuant to § 69.152 of the chapter, to the extent necessary to allow the Price Cap Carrier to recover some or all of its eligible recovery determined pursuant to paragraph 51.915(d), subject to the caps described in paragraph 51.915(e)(5). A Price Cap Carrier may elect to forgo charging some or all of the Access Recovery Charge.

AT&T, a Price Cap Carrier Holding Company, is allowed to recover eligible recovery attributable to any of the 21 price cap study areas operated by its wholly-owned operating companies through assessment of the ARC on end users in any of those price cap study areas, all of which are operating as price cap ILECs. However, distribution of ARC among different types of lines should follow rules outlined in Section 51.915(e)(4) of the *USF/ICC Transformation Order*. Per that rule, AT&T Holding Company may not recover a higher fraction of its total eligible revenue recovery from ARC assessed on Residential and Single Line Business lines than their share of Total Weighted Lines where Multi-Line Business lines gets twice the weight (i.e.



Total Weighted Lines = Residential Lines + Single-Line Business Lines+ (2 X Multi-Line Business Lines)).

- For purposes of distribution of ARC among different types of lines, the AT&T ILECs' Residential and Single Line Business lines are lines (other than lines of Lifeline Customers) assessed the residential and single line business end user common line charge and lines assessed the non-primary residential EUCL charge.
- AT&T ILECs' Multi-Line Business Lines are lines assessed the multi-line business end user common line charge.

As shown on *Exhibit ATTER17* and summarized on *Exhibit ICC SUM-1*, the total eligible recovery based on the Switched Access Revenue Reductions in Steps 1 through 6 and the CMRS Recip Comp Eligible Recovery is equal to the CALLS Study Area Base Factor multiplied by the sum of the amounts calculated per paragraphs (A) through (E) below:

Beginning July 1, 2017, AT&T's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi) through (d)(1)(vi)(F) of this section, and then adding the amount in paragraph (d)(1)(vi)(G) of this section to that amount:

- (A) The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to §51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
- (B) The reduction in interstate switched access revenues equal to the 2011 Baseline Composite Terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (C) The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (D) The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate, for traffic that terminates to telephone companies own end offices, to \$0.0007 pursuant to §51.907(g)(2) using pro-rated share of Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;

- (E) CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
- (F) The cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenue other than those associated with CMRS traffic as described in 51.701(b)(2) resulting from rate reductions required by 51.705;<sup>10</sup> and
- (G) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2015

The eligible recovery amounts from each of the 21 states are aggregated up to the AT&T Holding Company level and as shown on each state's *Exhibit ARC-NO CAF-1*<sup>17</sup> and *Exhibit ARC-NO CAF-2*, distributed among lines of different types using the criteria outlined in Section 51.915(e)(4).<sup>18</sup>

Billing constraints and the availability of granular E-911 charges restricts AT&T's ability to implement exchange level Residential and Single-Line Business ARC. As a result, AT&T will spread the recovery of Eligible Recovery among a subset of end-users.<sup>19</sup> For the July 2017 through June 2018 tariff period, AT&T has decided not to charge ARC to residential and single-line business customers in 18<sup>20</sup> of its 21 ILEC study areas. AT&T will recover revenues from

<sup>17</sup> Each state's form is labeled as Exhibit ARC-NO CAF-1 xx, where xx equals the state abbreviation.

<sup>18</sup> A Price Cap carrier holding company that does not receive ICC-replacement CAF support may not recover a higher fraction of its total revenue recovery from Access Recovery Charges assessed on Residential and Single Line Business lines than:

- A. The number of Residential and Single-Line Business lines divided by
- B. The sum of the number of Residential and Single-Line Business lines and two times the number of Multi-Line Business lines.

<sup>19</sup> We permit carriers to determine at the holding company level how Eligible Recovery will be allocated among their incumbent LECs' ARCs. By providing this flexibility, carriers will be able to spread the recovery of Eligible Recovery among a broader set of customers, minimizing the increase experienced by any one customer. This also will enable carriers to more fully recover Eligible Recovery from end-users with rates below the \$30 Residential Rate Ceiling, limiting the potential impact on the CAF (Paragraph 910).

<sup>20</sup> Alabama, Arkansas, California, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Nevada, North Carolina, Oklahoma, Tennessee, Texas and Wisconsin.

residential and single-line business customers in the remaining 3<sup>21</sup> ILEC study areas. AT&T will charge ARC to multi-line business customers in all 21 ILEC study areas.

The total AT&T ILEC reduction determined pursuant to § 51.907(b)(2) is projected to be \$306.8M. The Net CMRS Reciprocal Compensation Revenue reduction is projected to be \$19.2M. The amount equal to True-up Revenues for Access Recovery Charge is - \$0.8M, which is calculated by exchange on *Exhibit ARC-TUP-1* and summarized by state on *Exhibit ARC-TUP-2*. AT&T has elected to forgo the recovery for net non-CMRS reciprocal compensation per the option outlined in Section 51.915(d)(3) of the Rules. As a result, the total Eligible Recovery Revenue pursuant to 51.915(d)(1)(i) of the Rules (after adjusting for CALLS Study Area Base Factor and Price Cap Carriers Traffic Demand Factor) is \$155.1M.

Per Paragraph 911 of the *USF/ICC Transformation Order*, AT&T could have allocated 31.2 percent of the Eligible Recovery (i.e. \$48.4 M) to Residential Lines (that includes Single-Line Business and BRI-ISDN) and 68.8 percent to Multi-Line Business Lines. However, due to residential rate ceiling constraints, the Eligible Recovery allocated to Residential (including Single-Line Business and BRI-ISDN) is only 13.3 percent, or \$20.7 M, and the Eligible Recovery for Multi-Line Business is 86.7 percent, or \$134.4 M.

Given the ARC rates filed with this tariff and projected line count for this tariff period, AT&T's Expected ARC Revenue from Residential Lines and Single Line Business will be \$20.7 M and from Multi-Line Business Lines \$134.4 M.

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<sup>21</sup> Illinois, Ohio, and South Carolina.

Currently, AT&T ILECs are not receiving any ICC-CAF funding. However, AT&T is still required to file one additional form called Rate Ceiling Calcs spreadsheet, which is attached to the *Tariff Review Plan*. As a result, **Exhibit ARC-NO-CAF-3** is included in the filing package.

**Exhibits ARCRCTRP-NO CAF-1<sup>22</sup>** and **ARCRCTRP-NO CAF-2** provide the required Tariff Rate Comparisons.

## 24. EXHIBITS

- Exhibit ATTTER15 - Total Eligible Recovery Step 4
- Exhibit ICC SUM-1 - Eligible ARC/ARC Recovery

### **Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Exhibit ARC-NO CAF-1 IL - Illinois ARC Form
- Exhibit ARC-NO CAF-1 IN - Indiana ARC Form
- Exhibit ARC-NO CAF-1 MI - Michigan ARC Form
- Exhibit ARC-NO CAF-1 OH - Ohio ARC Form
- Exhibit ARC-NO CAF-1 WI - Wisconsin ARC Form

### **BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 AL - Alabama ARC Form
- Exhibit ARC-NO CAF-1 FL - Florida ARC Form
- Exhibit ARC-NO CAF-1 GA - Georgia ARC Form
- Exhibit ARC-NO CAF-1 KY - Kentucky ARC Form
- Exhibit ARC-NO CAF-1 LA - Louisiana ARC Form
- Exhibit ARC-NO CAF-1 MS - Mississippi ARC Form
- Exhibit ARC-NO CAF-1 NC - North Carolina ARC Form
- Exhibit ARC-NO CAF-1 SC - South Carolina ARC Form
- Exhibit ARC-NO CAF-1 TN - Tennessee ARC Form

### **Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 NV - Nevada ARC Form

### **Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 CA - California ARC Form

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<sup>22</sup> Each state's form is labeled as Exhibit ARCRCTRP – NO CAF-1 xx, where xx equals the state abbreviation.

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- Exhibit ARC-NO CAF-1 AR - Arkansas ARC Form
- Exhibit ARC-NO CAF-1 KS - Kansas ARC Form
- Exhibit ARC-NO CAF-1 MO - Missouri ARC Form
- Exhibit ARC-NO CAF-1 OK - Oklahoma ARC Form
- Exhibit ARC-NO CAF-1 TX - Texas ARC Form
- Exhibit ARC-NO CAF-2 - Maximum ARC Revenue Calculation
- Exhibit ARC-NO CAF-3 - Rate Ceiling No CAF
- Exhibit ARC-NO CAF-4 - Footnotes

**Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Exhibit ARCRCTRP-NO CAF-1 IL - Illinois Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 IN - Indiana Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MI - Michigan Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 OH - Ohio Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 WI - Wisconsin Tariff Rate Comparison No CAF

**BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- Exhibit ARCRCTRP-NO CAF-1 AL - Alabama Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 FL - Florida Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 GA - Georgia Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 KY - Kentucky Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 LA - Louisiana Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MS - Mississippi Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 NC - North Carolina Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 SC - South Carolina Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 TN - Tennessee Tariff Rate Comparison No CAF

**Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Exhibit ARCRCTRP-NO CAF-1 NV - Nevada Tariff Rate Comparison No CAF

**Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- Exhibit ARCRCTRP-NO CAF-1 CA - California Tariff Rate Comparison No CAF

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- Exhibit ARCRCTRP-NO CAF-1 AR - Arkansas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 KS - Kansas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MO - Missouri Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 OK - Oklahoma Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 TX - Texas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-2 - Tariff Rate Comparison No CAF

Exhibit ARCRCTRP-NO CAF-3 - Footnotes

Exhibit ARC-TUP-1 - True Up Calculation by Exchange

Exhibit ARC-TUP-2 - True Up Summary by State

Exhibit ARC-TUP-3 - Footnotes



## PUBLIC VERSION

NEVADA BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 1  
281st Revised Page 1  
CANCELS 280th Revised Page 1

## ACCESS SERVICE

## RATES, RULES AND CHARGES

Title Page and Pages 1 to 22-45, inclusive of this tariff are effective as of the date shown. Original and revised pages as named below and Supplement No. 7 contains all changes from the original tariff that are in effect on the date hereof.

## CHECK SHEET

<u>Page</u>	Number of Revision Except as Indicated	<u>Page</u>	Number of Revision Except as Indicated
Title	4th	22.3	6th
1	281st*	22.4	7th
1.1	25th	23	Original
1.2	117th*	24	Original
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1.3	11th	26	1st
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1.15	4th	2-6	1st
1.16	1st	2-7	Original
2	4th	2-8	Original
3	2nd	2-9	Original
4	3rd	2-10	Original
5	2nd	2-11	Original
6	3rd	2-12	1st
7	4th	2-13	Original
8	3rd	2-14	6th
9	1st	2-15	5th
10	7th	2-15.1	4th
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14	1st	2-19	Original
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19	5th	2-24	Original
20	2nd	2-25	Original
21	5th	2-26	1st
22	7th	2-27	Original
22.1	2nd	2-28	Original
22.2	44th	2-29	Original

\* New or Revised Page

Issuing Officer: Kristen Shore, Executive Director - Regulatory  
(This page filed under Transmittal No. 301)

Issued: June 16, 2017

Effective: July 1, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

## PUBLIC VERSION

NEVADA BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 1  
117th Revised Page 1.2  
CANCELS 116th Revised Page 1.2

## RATES, RULES AND CHARGES

## CHECK SHEET (Cont'd)

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3-22	1st	5-17.1	8th
3-23	1st	5-17.1.1	6th
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4-2	2nd	5-19.6	4th
4-3	Original	5-19.7	4th
4-4	4th	5-20	6th
4-5	2nd	5-21	Original
4-6	1st	5-22	Original
4-7	1st	5-23	Original
4-8	2nd	5-24	Original
4-8.1	4th	5-25	Original
4-9	62nd*	5-26	1st
4-10	26th*	5-27	Original
4-10.1	6th*	5-28	Original
4-11	67th*	6-1	3rd
5-1	5th	6-2	1st
5-2	2nd	6-3	1st
5-3	7th	6-4	1st
5-3.1	6th	6-5	Original
5-3.2	3rd	6-6	Original
5-3.3	3rd	6-7	Original
5-3.4	7th	6-8	Original
5-4	1st	6-9	1st
5-5	1st	6-10	1st
5-6	3rd	6-11	Original
5-7	2nd	6-12	Original
5-8	Original	6-13	Original
5-9	1st	6-14	Original
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5-11	2nd	6-16	Original
5-11.1	1st		

\* New or Revised Page

(This page filed under Transmittal No. 301)

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675 W. Peachtree St. NW, Atlanta, GA 30308



## PUBLIC VERSION

NEVADA BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 1  
35th Revised Page 1.4  
CANCELS 34th Revised Page 1.4ACCESS SERVICE  
RATES, RULES AND CHARGES  
CHECK SHEET (Cont'd)

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6-105	Original	6-148	1st
6-106	Original	6-149	6th
6-107	Original	6-150	15th*
6-108	Original	6-151	1st
6-109	Original	6-152	2nd
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6-111	Original	6-154	1st
6-112	1st	6-155	1st
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6-113.1	Original	6-157	Original
6-114	1st	6-158	1st
6-115	1st	6-159	1st
6-116	2nd	6-160	2nd
6-117	Original	6-161	Original
6-118	Original	6-162	4th
6-119	Original	6-163	1st
6-120	Original	7-1	2nd
6-121	Original	7-2	1st
6-122	Original	7-2.1	2nd
6-123	Original	7-3	3rd
6-124	Original	7-4	Original
6-125	3rd	7-5	Original
6-126	1st	7-6	Original
6-127	2nd	7-7	Original
6-128	2nd	7-8	Original
6-129	2nd	7-9	1st
6-130	2nd	7-10	Original
6-131	Original	7-11	Original
6-132	1st	7-12	1st
6-133	Original	7-13	Original
6-134	Original	7-14	2nd
6-135	Original	7-15	Original
6-136	Original	7-16	3rd
6-137	1st	7-17	Original
6-138	1st	7-18	Original
6-139	1st	7-19	Original
6-140	Original	7-20	1st
6-141	Original	7-21	Original
6-142	Original	7-22	Original
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6-145	Original	7-25	1st
6-146	11th*		

\* New or Revised Page

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675 W. Peachtree St. NW, Atlanta, GA 30308

NEVADA BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 1  
11th Revised Page 6-146  
CANCELS 10th Revised Page 6-146

## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.8 Rates and Charges (Cont'd)6.8.1 Switched Transport(A) Entrance Facilities

	USOC	Monthly Rates	Nonrecurring Charge
(1) Voice Grade per point of termination	TSW2X	\$ 16.04	\$ 500.00
	TSW4X	24.68	500.00
(2) DS1 per point of termination	TMESW	36.06	585.66
(3) DS3 per point of termination	ZOMSW	1,560.00	1,950.70

(B) Direct Trunked Transport

	USOC	Monthly Fixed	Rate Per Mile
(1) Voice Grade per transport channel	1L5SW	\$ 6.00	\$ .40
(2) DS1 per point of termination	1L5SW	17.92	3.30
(3) DS3 per point of termination	1L5SW	134.65	20.40

(C) Tandem Switched Transport/Common Transport

	Originating Per Access Minute	Terminating to non-Telephone Company 3rd party location Per Access Minute	Terminating to Telephone Company's own end office Per Access Minute	
(1) Tandem Switched Transport				
Fixed per MOU	\$0.000120	\$0.000120	\$0.00	(R)
Per Mile per MOU	\$0.000008	\$0.000008	\$0.00	(R)
(2) Tandem Switching				
Per Access Minute	\$0.001062	\$0.001062	\$0.0007	(R)
(3) Tandem End Office Multiplexing per Access Minute	\$0.000018	\$0.000018	\$0.00	(R)
(4) Host Remote Transmission				
Fixed per MOU	\$0.000901	N/A	\$0.00	(R)
Per Mile per MOU	\$0.000019	N/A	\$0.00	(R)

(5) Dedicated Tandem Trunk Port	Originating USOC	Originating Rate	Terminating USOC	Terminating Rate
Per Port	3PO3X	\$1.20	3PT3X	\$1.20

(D) Transport Interconnection Charge

Premium	Per Access Minute
(a) Originating	0.000000
(b) Terminating	0.000000
<u>Non-Facilities Based Interconnection Charge</u>	
Premium	
(a) Originating	0.000000
(b) Terminating	0.000000

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Nevada to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

(This page filed under Transmittal No. 301)

Issued: June 16, 2017

Effective: July 1, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

NEVADA BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 1  
15th Revised Page 6-150  
CANCELS 14th Revised Page 6-1506. Switched Access Service (Cont'd)6.8 Rates and Charges (Cont'd)6.8.2 Local Switching

	Originating Rate Per Access Minute	Terminating Rate Per Access Minute	
(A) Usage Sensitive Rates			
Premium			
LS1-Feature Groups A and B except for FGA and FGB used to terminate traffic to a WAL provided from an end office	\$0.001342	\$0.00	(R)
LS1A-Access Line Arrangement and Access Trunk Arrangement 950 except for ALA and ATA950 used to terminate traffic to a WAL provided from an end office.	\$0.001342	\$0.00	(R)
LS2-Feature Group D, FGA and FGB used to terminate traffic to a WAL provided from an end office, and originating FGB routed to FGD as specified in Section 6.2.4 (A) (9).	\$0.001342	\$0.00	(R)
LS2A-Access Trunk Arrangements 10XXX, ALA and ATA950 used to terminate traffic to a WAL provided from an end office, and originating ATA950 routed to ATAXXX as specified in Section 6.2.4 (A) (9).	\$0.001342	\$0.00	(R)
<u>Feature Group Transitional</u>			
Per Access Minute	\$0.000604	\$0.00	(R)
<u>Basic Service Arrangement Transitional</u>			
Per Access Minute	\$0.000604	\$0.00	(R)

	Originating <u>USOC</u>	Originating Monthly <u>Rate</u>	Terminating <u>USOC</u>	Terminating Monthly <u>Rate</u>
(B) <u>Dedicated End</u> <u>Office Trunk Port</u> Per Port	3PO1X	\$ 13.76	3PT1X	\$ 0.00
(C) <u>Shared End Office</u> <u>Trunk Port</u> Per Minute of Use		\$ 0.001663		\$ 0.00
(D) <u>Feature Group A</u> <u>Line Port</u> Per Port	3PO1X	\$ 13.00	3PT1X	\$ 0.00

(This page filed under Transmittal No. 301)

Issued: June 16, 2017

Effective: July 1, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

# **EXHIBIT 11(d)**

**Excerpts from AT&T Price Cap  
Carrier June 16, 2017 Tariff Filings -  
PacBell: Cover Letter, Description &  
Justification, Revised Tariff Pages**



Kristen E. Shore,  
Assistant Vice President – Regulatory  
675 W. Peachtree St. NW  
Atlanta, Georgia 30308

FRN: 0005-0490-85

June 16, 2017

Transmittal No. 553

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Washington, D.C. 20554

This filing is being made on a streamlined basis on 15 days notice under Section 204(a) (3) of the Communications Act.

Attention: Wireline Competition Bureau

The accompanying tariff material, issued by Pacific Bell Telephone Company (PBTC) and bearing Tariff F.C.C. No. 1, is sent to you for publication in compliance with the Commission's Rules and the requirements of the Communications Act of 1934, as amended.

This filing, scheduled to become effective July 1, 2017, consists of the tariff pages as indicated on the following check sheets

Tariff F.C.C. No.  
1

Check Sheet Revision No.  
505th Revised Page 1  
141st Revised Page 1.2  
56th Revised Page 1.5

PBTC is submitting the 2017 Annual Access Tariff Filing in accordance with the Bureau's Order DA 17-386, *In the Matter of Material to be Filed in Support of 2017 Annual Access Tariff Filings, (Tariff Review Plan)*, released April 24, 2017 and Order DA 17-258, *In the Matter of July 1, 2017 Annual Access Charge Tariff Filings (TRP Order)*, released March 16, 2017, and *In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Order (June 5, 2012 Order)*, FCC 11-161, released June 5, 2012.

Supporting information discussed under Section 61.49 of the Commission's Rules, to the extent applicable, is included with this filing in the attached Description and Justification.

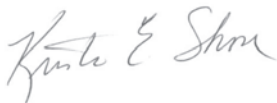
In accordance with Section 61.14, this transmittal letter and associated attachments are being filed electronically today via the Federal Communications Commission's Electronic Tariff Filing System (ETFS) in compliance with the electronic filing procedures.

Wireline Competition Bureau  
Page 2  
June 16, 2017

Payment in the amount of \$925.00 has been electronically transmitted to the US Bank in St. Louis, Missouri, in accordance with the fee program procedures. The Form 159 is being transmitted electronically via ETFS as a proprietary document. These actions have been committed on the date established as the issued (filed) date as reflected above.

Personal or facsimile service petitions against this Letter, as required under Section 1.773(a)(4) of the Commission's Rules, should be sent to Rosemary Chambers, Area Manager – Regulatory Relations, 311 S. Akard St., Room 9-A19, Dallas, Texas, 75202, facsimile number (214) 464-2006. All other correspondence and inquiries concerning this Transmittal should be addressed to Debra L. Clemens, Director-Federal Regulatory, (202) 457-3066, 1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

Sincerely,

A handwritten signature in cursive script, appearing to read "Krista E. Shon".

Attachments:

- Letter
- Tariff Pages
- Description & Justification and Exhibits
- Tariff Review Plan (TRP)
- Rate Detail

**PACIFIC BELL TELEPHONE COMPANY (PBTC)**  
**2017 ANNUAL FILING**  
**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS**  
**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6**  
**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)**

**DESCRIPTION AND JUSTIFICATION**  
**FCC No. 1, Transmittal No. 553**  
**June 16, 2017**

**Section**

1. Introduction

**2017 ANNUAL FILING**

2. Exogenous Cost Development ( $\Delta Z$ )
  - A. Investment Tax Credit (ITC) Amortization
  - B. Combined Effect
  - C. Telecommunications Relay Service (TRS) Fund
  - D. Regulatory Fee Payment
  - E. Summary of Exogenous Costs & Distributions
3. Other Price Cap Index Factors/Variables Development
4. Development of 2016 Base Period Demand
5. Common Line Basket Rate Development
6. Special Access Basket PCI, API, SBI and Rate Development
7. Interexchange Basket PCI, API, SBI and Rate Development
8. Part 69 Waivers
9. New Services Included in the Price Cap Indices
10. Services Excluded from Price Caps
11. IND-1 Reference
12. Rate Comparison
13. Exhibits

**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS**

14. 3rd Quarter Universal Service Fund Adjustments
15. Exhibits

**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6**

16. Developing the Interstate and Intrastate Switched Access Revenue Reduction
17. Establishment of Originating and Terminating Rates
18. Fiscal Year 2011 Demand Development
19. Development of the Step 6 Switched Access Service Revenue Reduction Amount
20. Intrastate and Interstate Rates
21. Services Excluded from the Switched Access Revenue Reduction Calculation
22. Exhibits

**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)**

23. ARC Development and Application
24. Exhibits



## 1. INTRODUCTION

This filing is being made in compliance with the following:

- ❑ In the Matter of July 1, 2017 Annual Access Charge Tariff Filings, DA 17-258 (*Filing Dates*), released March 16, 2017;
- ❑ In the Matter of Material to be Filed in Support of 2017 Annual Access Tariff Filings, DA 17-386 (*Tariff Review Plans*), released April 24, 2017;
- ❑ In the Matter of Assessment and Collection of Regulatory Fees for the Fiscal Year 2017, MD Docket 15-121, FCC 17-62, released May 23, 2017;
- ❑ In the Matter of Connect America Fund and Developing an Unified Intercarrier Compensation Plan, *ICC Clarification Order*, DA 14-434, released March 31, 2014;
- ❑ In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Order (*June 5, 2012 Order*), FCC 11-161, released June 5, 2012;
- ❑ In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking (*USF/ICC Transformation Order*), FCC 11-161, released November 18, 2011;
- ❑ 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, Sixth Report and Order CC Docket Nos. 96-262 and 94-1, Report and

Order CC Docket No. 99-249 and Eleventh Report and Order CC Docket No. 96-45, (*CALLS Order*), FCC 00-193, 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;
- ❑ 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*);
- ❑ In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, 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.

This filing is comprised of four sections. The first section contains supporting documentation for the Price Cap 2017 Annual Filing. The *LEC Price Cap Order* requires an annual access tariff filing in which Price Cap companies are 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.

The second portion of this filing contains supporting documentation to implement the 3rd quarter USF factor.

The third portion of this filing contains supporting documentation necessary to implement the Step 6 requirements of the *USF/ICC Transformation Order*.

The final portion of this filing contains supporting documentation for development of AT&T's Access Recovery Charge (ARC) established in the *USF/ICC Transformation Order*.

**2017 ANNUAL FILING****2. EXOGENOUS COST DEVELOPMENT - ( $\Delta Z$ )**

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

In the 2017 Annual Filing, the following exogenous adjustments will be made. All are allowable in accordance with the Commission's Part 61 Rules or were designated in Commission Orders:

- Investment Tax Credit (ITC)
- Telecommunications Relay Service (TRS)
- Regulatory Fee Payment Exogenous

Part 61.45(d)(3) requires that exogenous cost changes be apportioned between price cap services and excluded services. The exogenous cost changes were 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.

**2.A 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, PBTC reflects the estimated exogenous cost changes associated with this item in ***Exhibit 2.2*** for the 2017-2018 tariff period.

## 2.B 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 2.3* summarizes this impact. Details pertaining to this calculation are shown in *Exhibit 2.4*.

## 2.C TELECOMMUNICATIONS RELAY SERVICES (TRS) FUND

The Commission has also ruled Telecommunications Relay Service (TRS) fund payments<sup>1</sup> may be treated as exogenous. PBTC is estimating the total TRS contribution amount for the ensuing tariff period based on the proposed factor of \$.02244. The development of the TRS exogenous cost for this filing is provided in *Exhibit 2.5*.

## 2.D 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) and the Common Carrier Bureau's October 7, 1994 *Order*.<sup>2</sup> PBTC is estimating the total Regulatory Fee for fiscal year 2017 at \$.00302. The regulatory fee payments and the corresponding exogenous adjustment are estimated based up on the proposed factor and revenue. The exogenous adjustment is detailed in *Exhibit 2.5*.

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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.

## 2.E SUMMARY OF EXOGENOUS COSTS & DISTRIBUTIONS

Part 61.45(d) (4) 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 representing non-price cap service revenue. Totals of all exogenous costs applied in this filing are summarized on *Exhibit 2.6*.

## 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 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 if the proposed service category rates are in-band for the Special Access basket. The change in the

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

PCI also affects the allowable Sub-Index upper limits for 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(c) as "the immediately preceding PCI value." For purposes of the 2017 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 11*.

## **SPECIAL ACCESS AND INTEREXCHANGE REDUCTIONS**

No reductions are required in the Special Access Service pursuant to Part 61.45(b)(iv).

## **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 2017 Annual Filing is 1.5385 percent.

## **X FACTOR**

The x-factor for the Special Access basket is set equal to the GDP-PI 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 2016.

The calculation of the 'R' variable for the Common Line and Special Access baskets are detailed in *Exhibits 5 and 6*, respectively.

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

The Minutes of Use (MOU) Carrier Common Line (CCL) charges are zero, which eliminates the need to calculate a (g) factor.

#### **4. DEVELOPMENT OF 2016 BASE PERIOD DEMAND**

Historical base period demand is required for the Common Line and Special Access baskets.

Demand information for these baskets is detailed on exhibits provided with this filing.

Historical base period demand for the Special Access Basket reflects the removal of demand in MSAs that have been granted Phase II regulatory relief.<sup>4</sup>

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

The Common Line Basket rates were developed in accordance with Part 69.152. *Exhibit 5* lists

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<sup>4</sup> MO&O, CCB/CPD No. 00-26, DA 01-670, released March 14, 2001; MO&O, CCB/CPD No. 01-32, DA 02-823, released April 11, 2002; and MO&O, WCB/Pricing No. 03-8, DA 03-1721, released May 15, 2003 MO&O, CCB/CPD No. 00-25, DA 01-670, released March 14, 2001; MO&O, CCB/CPD No. 01-35, DA 02-823, released April 11, 2002.

the rates and demand used to calculate the Common Line ‘R’ value.

## **6. 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 2017 Annual Filing are developed using 2016 base period demand. The 2017 Annual Filing PCI calculation is detailed on the IND-1, PCI-1, and RTE-1 forms of the TRP.

In addition, exhibits detailing compliance with the CFR are as follows:

***Exhibit 6*** – Calculation of ‘R’ Value

***Exhibit 6.1*** – Calculation of API and SBI

***Exhibit 6.2*** - Calculation of DS1 & DS3 Sub-Indices

## **7. INTEREXCHANGE BASKET PCI, API AND RATE DEVELOPMENT**

In accordance with Part 61.45, the existing and proposed PCI for the Interexchange Basket is detailed on the PCI-1 form of the TRP.

## **8. PART 69 WAIVERS**

The following is a list of Part 69 waivers involving Southwestern Bell Telephone Company (SWBT), Pacific Bell Telephone Company (PBTC), Nevada Bell Telephone Company (NBTC), Ameritech Operating Companies (Ameritech), and BellSouth Telecommunications, LLC (BellSouth), 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:

- Ameritech, PBTC, NBTC, SWBT, BellSouth – Order (DA 17-443), released May 10, 2017, granting permission to waive of the requirement that price cap incumbent local exchange carriers (LECs) file short form Tariff Review Plans (TRPs).
- Ameritech, PBTC, NBTC, SWBT – 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.
- Ameritech, BellSouth, PBTC, SWBT – Order (DA 96-2004) 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 Service Category of the Trunking Basket. NBTC does not offer SONET-based switched transport.
- Ameritech – Order (DA 96-446) released March 27, 1996, to establish unbundled rate elements for SS7 service. These rate elements are included in the Traffic Sensitive and Trunking baskets. BST, NBTC, PBTC, and SWBT do not offer TCAP and ISUP usage rates.
- Ameritech, BellSouth, NBTC, PBTC, SWBT – Order (DA 94-1350) released November 30, 1994, granting establishment of a new rate element for 500 Access Service. The service is included in the Local Switching Service Category of the Traffic Sensitive Basket.
- AT&T ILECs - 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 is scheduled to be replaced. These rate elements are included in the HiCap Service Category of the Trunking 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.
- AT&T ILECs - *Ameritech DNAL Waiver Order* (DA 91-1629), released December 27, 1991; *BOC DNAL Order* (DA 92-199), released January 30, 1992, PBTC & NBTC *Memorandum Opinion and Order* (DA 92-271), released March 6, 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.
- AT&T ILECs - Commission Order, released October 9, 1991, granting establishment of an Information Surcharge rate element within the Information Category. This rate element is included in the Traffic Sensitive Basket.
- AT&T ILECs – *Operator Services Waiver Order* (DA 91-274), released March 5, 1991. 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.

- AT&T ILECs - 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.
- AT&T ILECs - 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.
- AT&T ILECs - Commission MO&O (FCC 83–356), 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.

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

No new services were added in 2016.

## 10. SERVICES EXCLUDED FROM PRICE CAPS

The Commission's Order, *In the Matter of Material to be Filed in Support of 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 10**, PBTC has included a list of all services excluded from price cap regulation, which has been revised to reflect activity subsequent to the 2016 Annual Filing in accordance with the *2017 TRP Order*.

## 11. IND-1 REFERENCE

The reference document, which is required to identify the transmittal associated with each of the existing PCIs, is provided as *Exhibit 11*.

## 12. RATE COMPARISON

*Exhibit 12* identifies current and proposed rates for elements with changing rates. In addition to this exhibit, a Rate Detail file which lists all price cap services demand and revenues by service basket is provided.

## 13. EXHIBITS

This section provides the exhibits and other support documents referenced in prior sections of the D&J.

- Exhibit 2.2 – Investment Tax Credit (ITC)
- Exhibit 2.3 – Combined Effect
- Exhibit 2.4 – EDT/ITC Adjusted for Non-Price Cap Services
- Exhibit 2.5 – Telecommunications Relay Service and Regulatory Fee Exogenous
- Exhibit 2.6 – Summary of Exogenous Costs & Distribution
- Exhibit 5 – Common Line basket Price Cap Model
- Exhibit 6 – Calculation of ‘R’ Value – (Special)
- Exhibit 6.1 – Calculation of Price Cap Indices (Special)
- Exhibit 6.2 – Calculation of DS1 & DS3 Sub-Indices (Special)
- Exhibit 10 – Excluded Services List
- Exhibit 11 – IND-1 Reference
- Exhibit 12 – Rate Comparison
- Tariff Review Plan (TRP)
- Rate Detail File

**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS****14. 3RD QUARTER UNIVERSAL SERVICE FUND ADJUSTMENTS**

This portion of the filing is to revise the USF obligation based on the 3rd quarter 2017 contribution factor, which PBTC will begin billing July 1, 2017. The 3rd quarter contribution factor, 17.1 percent, was provided in the Commission's recent Public Notice, DA 17-580, released June 13, 2017. Recovery of this contribution is allowable pursuant to Part 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*, PBTC recovers its USF obligation associated with switched access services through various flat-rate end user charges.<sup>5</sup> The charges will be assessed with respect to the interstate end user service that generates the USF obligation.

PBTC assesses three general types of USF charges (Basic, Port, and Non-recurring) for switched access customers. These charges are calculated using the following methodology as shown on *Exhibit 14.1* and *Exhibit 14.2*.

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<sup>5</sup>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 (2202) (*Interim Contribution Methodology Order*).

## **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.

### **Residential / Single Line Business (SLB)**

PBTC 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 rate is demonstrated in *Exhibit 14.1*.

### **BRI ISDN / BRI ISDN Port**

PBTC 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 14.1*.

### **Multi Line Business, PRI ISDN, and Centrex**

PBTC elected to utilize the provisions granted in the Commission's *Order and Second Order on Reconsideration* regarding Centrex customers.<sup>6</sup> A portion of the un-recovered obligation created

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<sup>6</sup> 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, *Order and Second Order on Reconsideration*, FCC 03-58, para. 3 (rel. March 14, 2003).

from using the PICC equivalency ratios for Centrex customers is applied to Multi-line business customers. However, due to the constraints included in the Commission's *Order*, PBTC averages the obligation associated with End User Common Line (EUCL) charges for Centrex customers. Centrex customers are assessed the full amount of the obligation associated with their SPNP end user surcharges.

PBTC determines the Basic USF recovery rate for business customers using the method detailed below.

### **Establish the Basic Multi-line Business Rate**

**Step 1** – Determine total revenue using access lines as of March 2017 for these customers generated from EUCL assessments by multiplying the EUCL rate by the number of lines.

**Step 2** – Multiply the result from Step 1 by the contribution factor to obtain the obligation associated with the customer base.

**Step 3** – Divide the obligation developed in Step 2 by the number of billable lines (using lines as of March 2017). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

**Step 4** – Add to the Basic MLB rate, all other USF recovery associated with the customer type.

Step 4 is calculated by customer type for Multi-line business, PRI ISDN, and Centrex customers as shown in *Exhibit 14.2*.

The final rates per customer type are detailed on both *Exhibit 14.1* and *Exhibit 14.2*. These final rates preclude any USF recovery necessary from non-recurring interstate end user charges.



### **Other Non-recurring USF Surcharges**

Non-recurring USF surcharges are assessed to interstate end user non-recurring charges, which generate a USF obligation. PBTC calculates Other Non-recurring USF charges by multiplying the non-recurring charge by the contribution factor. These USF recovery charges will only be assessed per occurrence of the interstate end user non-recurring charge. For billing purposes, the USF recovery charge may be added to the existing interstate end user charge, which generates the obligation.

PBTC assesses Lifeline customers the Non-recurring USF charges when they are assessed the non-recurring charge that generates the obligation. PBTC also assesses Interexchange Carriers (ICs) the Presubscribed Interexchange Change (PIC) USF Charge when the IC is assessed the PIC change charge.

### **Other Recurring Federal Universal Fund Surcharges**

PBTC will continue to recover its other recurring (i.e. Special Access and True Internet Protocol to Public Switched Telephone Network (TIPToP Service)) USF obligations through a percentage-based USF recovery charge applied to interstate end user billed revenues. This percentage-based USF recovery charge is set equal to the Commission's contribution factor released via Public Notice.

## **15. EXHIBITS**

This section provides the exhibits and other support documents referenced in prior sections of the D&J.

- Exhibit 14.1 – Universal Service Fee Rate Development 1
- Exhibit 14.2 – Universal Service Fee Rate Development 2

**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6****16. DEVELOPING THE INTERSTATE AND INTRASTATE SWITCHED ACCESS REVENUE REDUCTION**

The purpose of this section of the filing is to implement the Step 6 Transition of Price Cap

Carrier Access Service<sup>7</sup> per Part 51.907(g) of the CFR. This includes:

- (a) Each Price Cap Carrier shall, in accordance with a bill-and-keep methodology, refile its interstate access tariffs and any state tariffs, in accordance with §51.905(b)(2), removing any intercarrier charges for terminating End Office Access Service.
- (b) Each Price Cap Carrier shall establish, for interstate and intrastate terminating traffic traversing a tandem switch that the terminating carrier or its affiliates owns (i.e. Tandem to End Office), Tandem-Switched Transport Access Service rates no greater than \$0.0007 per minute. All other terminating tandem-Switched Transport Access Service rates (i.e. Tandem to 3rd Party) rates will not be subject to transition.
- (c) Nothing in this section obligates or allows a Price Cap Carrier that has intrastate rates lower than its functionally equivalent interstate rates to make any intrastate tariff filing or intrastate tariff revisions raising such rates.
- (d) Each Price Cap Carrier shall calculate its eligible recovery, for July 2017 through June 2018, as per the *ICC Transformation Order*.<sup>8</sup>

The company and state-specific forms are filed with the transmittals for each of the AT&T

Companies. The access revenue reduction exhibits by company and state are:

**Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Ameritech – *Exhibit AIT*

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<sup>7</sup> Part 51.903(d) defines *End Office Access Service* as:

- (1) The switching of access traffic at the carrier's end office switch and the delivery to or from of such traffic to the called party's premises;
- (2) The routing of interexchange telecommunications traffic to or from the called party's premises, either directly or via contractual or other arrangements with an affiliated or unaffiliated entity, regardless of the specific functions provided or facilities used; or
- (3) Any functional equivalent of the incumbent local exchange carrier access service provided by a non-incumbent local exchange carrier. End Office Access Service rate elements for an incumbent local exchange carrier include the local switching rate elements specified in §69.106 of this chapter, the carrier common line rate elements specified in §69.154 of this chapter, and the intrastate rate elements for functionally equivalent access services. End Office Access Service rate elements for an incumbent local exchange carrier also include any rate elements assessed on local switching access minutes, including the information surcharge and residual rate elements.

<sup>8</sup> Part 51.915(d)(1)(vi).

**BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- BellSouth – *Exhibit BST*

**Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Nevada – *Exhibit NV*

**Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- California – *Exhibit CA*

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- SWBT – *Exhibit SWBT*

**17. ESTABLISHMENT OF ORIGINATING AND TERMINATING RATES**

Part 51.907(d)(1) states “[a] Price Cap Carrier shall establish separate originating and terminating rate elements for all per-minute components within interstate and intrastate End Office Access Service. For fixed charges, the Price Cap Carrier shall divide the rate between originating and terminating rate elements based on relative originating and terminating end office switching minutes. If sufficient originating and terminating end office switching minute data is not available, the carrier shall divide such charges equally between originating and terminating elements.”

All of the AT&T ILEC End Office Access Services are comprised of one or more local switching per minute of use (MOU) charges, a shared end office (EO) trunk port per MOU charge, one or two dedicated EO trunk port monthly recurring charges (MRCs) and various optional EO feature MRCs and nonrecurring charges (NRCs). To meet the requirement of Part 51.907(d)(1), AT&T separated the intrastate and interstate local switching per MOU, shared EO trunk port per MOU and dedicated EO trunk port charges into originating and terminating rates

in 2013. The filings separating<sup>9</sup> the per MOU charges and dedicated port charges into originating and terminating were effective as follows:

- Ameritech Tariff FCC No. 2, Transmittal No. 1792, effective May 15, 2013.
- Illinois ILL. C.C. No. 21, Switched Access Service usage effective March 11, 2013 and ports effective May 25, 2013.
- Indiana, Michigan, Ohio and Wisconsin Access Service Tariffs have long cross referenced to Tariff FCC No. 2 for Switched Access Service rates and regulations.
- BellSouth Tariff FCC No. 1, Transmittal No. 60, effective May 15, 2013.
- Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee Access Service Tariffs cross reference to Tariff FCC No. 1 for Switched Access Service rates and regulations effective July 2, 2013.
- NBTC Tariff FCC No 1, Transmittal No. 246, effective May 15, 2013.
- Nevada Tariff P.U.C.N. No. C cross references to Tariff FCC No. 1 for Switched Access Service rates and regulations effective July 2, 2013.
- PBTC Tariff FCC No. 1, Transmittal No. 488, effective May 15, 2013.
- California Schedule CAL.P.U.C. NO. 175-T cross references to Tariff FCC No. 1 for Switched Access Service rates and regulations effective June 10, 2013.
- SWBT Tariff FCC No. 73, Transmittal No. 3373, effective May 15, 2013.
- Arkansas, Kansas and Missouri Access Service Tariffs cross reference to Tariff FCC No. 73 for Switched Access Service rates and structure.
- Oklahoma Access Service Tariff cross references to Tariff FCC No. 73 for Switched Access Service rates only as of July 2, 2013 effective July 2, 2013.
- Texas Access Service Tariff began cross referencing to Tariff FCC No. 73 for Carrier Common Line Access Service and Switched Access Services rates and regulations effective August 20, 2012.

The MRCs and NRCs for the EO features will not be tariffed as originating and terminating.

Instead, AT&T changed the rate to zero for these rate elements in the 2015 Annual Filing, thereby eliminating the need to tariff and bill these features based on directionality. It should be noted, however, that only terminating demand was utilized in determining the eligible recovery as discussed in the following section Fiscal Year 2011 Demand Development.

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<sup>9</sup> While the intrastate rate elements were separated into originating and terminating prior to July 2, 2013, intrastate terminating rates were revised effective July 2, 2013 as needed to comply with Part 51.907(c).

**18. FISCAL YEAR 2011 DEMAND DEVELOPMENT**

For all twenty-one ILEC states, AT&T obtained the interstate and intrastate billed quantities for Fiscal Year 2011<sup>10</sup> for rate elements existing in each state access tariff. The interstate and intrastate rates in effect for Fiscal Year 2011 did not have separate rates for originating and terminating. Therefore, unless a rate element is specifically assessed on a particular direction of traffic, such as Message Unit Credit, which is assessed on the originating end of a call, AT&T allocated the demand to terminating by applying a terminating percentage developed from originating and terminating Local Switching MOUs and Tandem Switching MOUs. Although originating and terminating rates for Local Switching and Tandem Switching were not separately identified in the tariffs when the rates were frozen on December 29, 2011, customers' Switched Access bills provide minutes by originating and terminating, thus enabling AT&T to easily develop factors designating the amount of total traffic that is terminating.

Except for the dedicated end office trunk port and the dedicated tandem trunk port rate elements, the Local Switching and Tandem Switching terminating percentages were then applied to those MRC and NRC rate elements within the Local Switching and Tandem Switching categories, respectively, that have been included in the Switched Access Revenue Reduction.

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<sup>10</sup> Part 51.903(e) Fiscal Year 2011 means October 1, 2010 through September 30, 2011.

The demand for the dedicated end office trunk port and dedicated tandem trunk port rate elements have been split between originating and terminating using a Percent Originating Usage (POU) factor of 50 percent in accordance with the currently effective tariffs.<sup>11</sup>

To help determine the billed demand quantities for which payment was collected by March 31, 2012,<sup>12</sup> calculations were completed to determine an “uncollected” experience and produce a factor that could be used to determine billed but not collected quantities. This experience was determined by reviewing twelve months of billed Switched Access revenue data in the aggregate for all five AT&T ILECs. These Switched Access revenues were compared to the negative revenue adjustments created by service center adjustments or settlements that reduce revenue (contra revenue). This produced a factor of 3.84 percent. This represents in a revenue format what was billed but not collected. The uncollected factor, again roughly 4 percent, was employed in adjusting billed quantities to estimate the billed quantities which were collected.

The intrastate demand quantities adjusted for these uncollected quantities are used to calculate the intrastate revenue based on intrastate rates and the intrastate revenue based on interstate rates.

### **Arkansas Additional Demand Development**

Arkansas did not establish the rate elements allowed in the *First Report and Order (Access Reform)*, released May 16, 1997, DA 97-158. The current Arkansas *Access Service Tariff* does not contain the Dedicated End Office Trunk Port, Shared End Office Trunk Port, Dedicated

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<sup>11</sup> POU language became effective May 15, 2013 in AIT Tariff FCC No. 2, BST Tariff FCC No. 1, NBTC Tariff FCC No.1, PBTC Tariff FCC No. 1 and SWBT Tariff FCC No. 73 effective May 15, 2013 and will apply to the intrastate jurisdiction effective July 2, 2013. The POU language also became effective May 17, 2013 in Illinois ILL. C.C. NO. 21.

<sup>12</sup> *USF/ICC Transformation Order*, para. 880 and para. 898.

Tandem Trunk Port, Tandem Shared End Office Multiplexer, Host Remote Transmission per minute nor Host Remote Transmission per minute per mile rate elements. Host remote traffic is currently assessed Tandem Switched Transmission charges, which is the structure that existed prior to *Access Reform*. Therefore, the Tandem Switched Transmission demand is reduced by the amounts shown in the respective Host Remote Transmission rows.

To enable a proper comparison of the Arkansas intrastate rate structure to the current interstate rate structure for the Local Switching category, AT&T developed restructured intrastate rates for Local Switching per minute of use (MOU), Dedicated End Office Trunk Port, and Shared End Office Trunk Port that produce the same revenue as the current rate structure, i.e., Local Switching per MOU. The restructured rates are located in column A2, and the associated demand is located in column D1 of ***Exhibit AR***. *Access Reform* did not impact how the Local Switching per MOU rate is assessed; therefore, the demand for that element is the same pre-access reform and post-access reform. For rate elements assigned a Universal Service Order Code (USOC), e.g., Dedicated End Office Trunk Port, the interstate and intrastate demand is available in the billing system via application of the Percent Interstate Usage (PIU) factor. As a result, the intrastate quantity is available within the billing system. The intrastate demand for the Shared End Office Trunk Port was estimated based on the interstate Shared End Office Trunk Port and the Local Switching PIU.

To enable a proper comparison of the current interstate and intrastate rate structures for the Tandem Switching category, AT&T developed restructured intrastate rates for Tandem Switching per MOU, Host Remote Transmission per MOU and per minute per mile, Dedicated Tandem Trunk Port and Tandem Shared End Office Multiplexing that produce the same revenue

as the current Arkansas intrastate Tandem Switching rate element. The Dedicated Tandem Trunk Port is assigned a USOC; therefore, that demand is readily available in the billing system. The intrastate demand for Host Remote was removed from the intrastate Tandem Switched Transmission demand to ensure no double counting. The Tandem Shared End Office Multiplexer demand was estimated based on interstate Tandem Switching experience.

### **Missouri Additional Demand Development**

Missouri did not establish the rate elements created by the *Local Transport Restructure Order*<sup>13</sup> (*LTR*) nor the *Access Reform Order*. Instead, Missouri PSC MO No. 36 Access Service Tariff is structured as distance sensitive Local Transport per MOU. To determine the Switched Access Revenue Reduction, AT&T developed intrastate demand quantities for all interstate rate elements that would be in Missouri PSC MO NO. 36 Access Service Tariff had Missouri implemented the two major reforms of Switched Access service.

After obtaining intrastate quantities for rate elements that are assigned USOCs, the following steps were taken to create intrastate demand quantities for the remaining restructured rate elements that could not be obtained from the billing system via USOCs.

AT&T developed a Local Switching PIU from Missouri interstate and intrastate Local Switching usage. Because there is no data upon which to create a Missouri Tandem Switching PIU, AT&T used an average terminating Tandem Switching PIU based upon the sum of Arkansas, Kansas, and Oklahoma. The Texas PIU factor is significantly different than the other SWBT states and was excluded.

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<sup>13</sup> First Memorandum Opinion and Order on Reconsideration, released July 21, 1993 and the Second Memorandum Opinion and Order on Reconsideration, released August 18, 1993 (*Local Transport Restructure Order*).



As stated previously, AT&T also developed a factor to represent the percent terminating for Local Switching from Missouri specific data. For Tandem Switching, AT&T once again used the average of Arkansas, Kansas, and Oklahoma to develop the percent terminating factor.

To enable a proper comparison to the current interstate rate structure for the Local Switching category, AT&T developed restructured intrastate rates for Local Switching per MOU, Dedicated End Office Trunk Port and Shared End Office Trunk Port that produce the same revenue as the current intrastate rate structure. The restructured rates are located in column A2, and the associated demand is located in column D2 of ***Exhibit MO***. Neither *LTR* nor *Access Reform* impacted the local switching traffic to which the Local Switching per MOU rate is assessed. Therefore, the demand for this rate element is the same pre- *LTR* / *Access Reform* and post- *LTR* / *Access Reform*. As explained above rate elements assigned a USOC, e.g., Dedicated End Office Trunk Port, are available within the billing system. The intrastate demand for the Shared End Office Trunk Port was estimated based on interstate Shared End Office Trunk Port and Local Switching PIU.

To enable a proper comparison to the current interstate rate structure for the Local Transport category, AT&T developed restructured intrastate rates for Tandem Switching, Tandem Switched Transmission (TST) and Direct Trunked Transport (DTT). Intrastate demand quantities were obtained from the billing system for the USOC-based rate elements. The terminating intrastate demand for Tandem Switching, TST per MOU, TST per minute per mile, and Tandem Shared End Office Multiplexer were estimated based on Tandem Switching experience.

## 19. DEVELOPMENT OF THE STEP 6 SWITCHED ACCESS SERVICE REVENUE REDUCTION AMOUNT

The Step 6 Access Reduction is an accumulation of the 2012 through 2016 reduction amounts and the additional amounts identified in response to the rate changes proposed in the 2017 Annual Filing.

### **2012 and 2013 Intrastate Reduction**

As discussed in the 2013 Annual Filing, in accordance with Part 51.907(b)(2)(ii) and 51.907(4), AT&T calculated the total intrastate revenue at intrastate access rates by multiplying the Fiscal Year 2011 intrastate demand by the intrastate rates in effect December 29, 2011. Because the interstate rates were frozen at December 29, 2011 levels, no interstate reduction amount was identified prior to 2014. The results of the intrastate calculations were carried into column M of each state's 2015 Switched Access Revenue Reduction Exhibit, which is labeled as ***Exhibit xx***, where xx equals the state abbreviation. In the case of Ameritech, BellSouth and SWBT, which are multi-state regions, the states were summed into a regional 2015 Switched Access Revenue Reduction Exhibit, which is labeled as ***Exhibit xx***, where xx equals Ameritech, BellSouth or SWBT.

### **2014 Intrastate and Interstate Reduction**

The 2014 reduction amounts are developed by:

- A) reducing both intrastate and interstate end office rates as required by Part 51.907 (d)
- B) developing eligible recovery per 51.915 (d) (iii).

### **2015 Intrastate and Interstate Reduction**

The 2015 reduction amounts are developed by:

- C) reducing both intrastate and interstate end office rates as required by Part 51.907 (e)
- D) developing eligible recovery per 51.915 (d) (iv).

### **2016 Intrastate and Interstate Reduction**

Multiple calculations are required to obtain the 2016 reduction amounts.

**First**, the interstate 2011 Baseline Terminating End Office Access Rate is determined in accordance with Part 51.907(d)(2)(i) by:

- A) Multiplying the Fiscal Year 2011 terminating interstate end office demand by the interstate rates in effect December 29, 2011 (aka current rates) in column F of each state's 2016 Switched Access Revenue Reduction Exhibit.
- B) The terminating interstate end office revenue is summed into the cell labeled Terminating End Office Revenue at Current Rate.
- C) The terminating interstate local switching (aka End Office) minutes of use are summed into the cell labeled FY2011 Terminating Local Switching MOUs.
- D) The interstate 2011 Baseline Composite Terminating End Office Rate is calculated by dividing B by C in the cell labeled Initial Composite Terminating End Office Access Rate.

**Second**, the 2016 Interstate Target Composite Terminating EO Access Rate is calculated in accordance with Part 51.907(f), which is **\$0.0007 per minute**. In the case of Ameritech, BellSouth and SWBT, this calculation is completed on the regional form only.

**Third**, in 2016 AT&T continued to implement a single per minute rate element for terminating End Office Access Service that is no greater than the 2016 Target Composite Terminating End Office Access Rate” as allowed by Part 51.907(f).<sup>14</sup> AT&T is proposing to use terminating interstate local switching rate element as the stand-in for the 2016 Target Composite Terminating End Office Rate. The proposed interstate rates and reduced revenue are shown in columns H and I, respectively, of the state 2016 Switched Access Revenue Reduction Exhibits. In the case of Ameritech, BellSouth and SWBT, the regional exhibit sums the results from the state exhibits.

**Fourth**, as the FCC clarified in paragraph 5 of the *ICC Clarification Order*, released March 31, 2014, AT&T must maintain “parity between interstate and intrastate rates, not interstate and intrastate composite rates.” In column J of each state’s exhibit, the intrastate terminating local switching rates are set equal to the proposed interstate rates, and column K calculates the revenue based on the proposed rates. On the exhibits, the 2016 intrastate reduction amount is the difference between column K and column G, which is the FY 2011 intrastate demand multiplied by the July 2, 2013 intrastate rates.

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<sup>14</sup> *ICC Clarification Order*, paragraph 17, “We thus clarify that both price cap and rate-of-return carriers may tariff the single composite rate as a terminating local switching access rate, consistent with the ICC transition, as long as all other rate elements associated with terminating end office access service are reduced to zero.<sup>43</sup> If its Target Composite Terminating End Office Access Rate is higher than the terminating local switching rate such carrier tariffed the previous year that will not constitute an impermissible rate increase.”

**Lastly**, the total interstate plus intrastate 2016 reduction amount (aka 2016 Total Difference) is identified in column L of each state's and region's 2016 Switched Access Revenue Reduction Exhibit.

### **2017 Intrastate and Interstate Reduction**

**First**, AT&T, in accordance with a bill-and-keep methodology, has refiled its interstate access tariffs and any state tariffs, in accordance with §51.905(b)(2), by removing any intercarrier charges for terminating End Office Access Service. Therefore, AT&T's terminating Local Switching Rates are set to be zero.

### **Second**,

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (*USF/ICC Order*), FCC No. 11-161 released November 18, 2011, carriers are required to bifurcate their tandem end office rates elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings. Subsequent to discussion between the Price Cap Industry and the FCC the following clarifications and common approach were agreed upon:

- Traffic Terminating from a Price Cap ILEC owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered "Tandem-to-End Office" that will transition to \$0.0007 (July 2017).
- All other Tandem Traffic that traverses an ILEC owned tandem and does not terminate to an end user served by the ILEC End Office will be considered "Tandem-to- 3<sup>rd</sup> Parties" and will continued to be billed at the current Interstate rates this includes traffic that terminates from a Price Cap ILEC owned tandem to an affiliated CLEC or wireless end office
- Terminating traffic switched through a Tandem to an End Office to a Host and then to a Remote that are all owned by the same Price Cap LEC, should be billed at the transitional rates – (Tandem to End office).

- For terminating traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities, the rate depends on whether or not the Tandem within the study area (Homing Tandem) is owned by the Price Cap LEC.

### **2017 Accumulated Access Reductions and Eligible Recovery**

Beginning July 1, 2017, AT&T's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi) through (d)(1)(vi)(F) of this section, and then adding the amount in paragraph (d)(1)(vi)(G) of this section to that amount:

- (A) The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to §51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
- (B) The reduction in interstate switched access revenues equal to the 2011 Baseline Composite Terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (C) The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (D) The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate, for traffic that terminates to telephone companies own end offices, to \$0.0007 pursuant to §51.907(g)(2) using pro-rated share of Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;<sup>15</sup>
- (E) CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
- (F) The cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenue less other than those associated with CMRS traffic as described in §51.701(b)(2) resulting from rate reductions required by §51.705; and
- (G) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2015.

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<sup>15</sup> AT&T determined the amount of traffic terminating directly to an AT&T End Office, AT&T Tandem to End Office and AT&T Tandem to 3<sup>rd</sup> Party based on the following methods. First, "peg counts" (a count of calls over telephone trunks performed by the AT&T Network organization) were used to develop an AT&T Direct to End Office percentage. Peg counts provide the amount of calls on the network to determine traffic load. Next, to determine the AT&T Tandem to AT&T End Office percent, data from network traffic studies were analyzed. This study ran traffic data up against a Local Exchange Routing Guide (LERG) and Local Number Portability (LNP) databases. Finally, percentages were developed based upon tandem to end office and tandem 3<sup>rd</sup> party usage.

***NOTE: For the purpose of establishing its recovery for net reciprocal compensation, AT&T has elected to forgo that step (as described in F, above). As a result, AT&T will not receive any recovery for reductions in net reciprocal compensation.***

The sum of the interstate and intrastate 2017 cumulative reductions are utilized in determining the 2017 Access Recovery Charge (ARC) and are presented in column N of each state's Switched Access Revenue Reduction Exhibit, as well as the regional forms for Ameritech, BellSouth and SWBT.

## **20. INTRASTATE AND INTERSTATE RATES**

In accordance with Part 51.907(b)(2)(i), the rates utilized in determining the 2012 and 2013 Total Reductions presented in column M and to develop the interstate revenue amounts in columns F and I are the rates that were in effect in the intrastate and interstate access tariffs on December 29, 2011.<sup>16</sup> The intrastate rates utilized to calculate this year's additional reductions, which are the difference between columns G and K, are the rates that became effective July 2, 2013.

## **21. SERVICES EXCLUDED FROM THE SWITCHED ACCESS REVENUE REDUCTION CALCULATION**

The Switched Access Revenue Reduction calculations are based on terminating traffic only for CCL, Local Switching and Tandem rate elements and the total demand for Entrance Facilities and Direct Trunk Transport. Therefore, services that are assessed on the originating end of a call only have been excluded from the Switched Access Revenue Reduction calculation.

This includes, but is not limited to, Message Unit Credit and 500 access service and Carrier Identification Parameter (CIP).

All end user services, such as International Blocking, are excluded from the Switched Access Revenue Reduction calculation.

Dedicated Network Access Lines (DNALs) are not a circuit switched service. Therefore, despite being located in the Switched Access section of most of the tariffs, DNALs and any associated services are excluded from the Switched Access Revenue Reduction calculation.

As the Commission recognized in paragraph 63 of the *USF/ICC Transformation Order*, packet services are not circuit switched services. Therefore, they are excluded from the Switched Access Revenue Reduction calculations. This includes X.25 and X.75 protocol services and frame relay services.

Telecommunications Relay Services (TRS) / Telecommunications Relay Interconnection Services (TRIS) / Telecommunications Relay Service-Provider Transport (TRS-PT) are specialized services created for a very specific purpose. They are not part of basic Switched Access service and are excluded from the Switched Access Revenue Reduction calculations.

In footnote 114 of the *USF/ICC Transformation Order*, the Commission states “while we encourage carriers to continue to offer operator services and directory assistance, we do not mandate that ETCs provide operator services or directory assistance.” Therefore, all directory

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<sup>16</sup> South Carolina utilizes a price list for Switched Local Channel, Switched Interoffice Channel and Channelization.



assistance and operator services are excluded from the Switched Access Revenue Reduction calculations.

## **22. EXHIBITS**

- Exhibit SWBT- SWBT Target Composite Terminating EO Access Rate

**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)****23. ARC DEVELOPMENT AND APPLICATION**

AT&T has chosen to calculate the ARC once at the holding company level while each AT&T incumbent local exchange carrier (ILEC) must file all supporting documents separately to comply with the requirements of the *Tariff Review Plan* order. As a result, the required exhibits for this Holding Company ARC section are the same in all five transmittals filed separately by the AT&T ILECs.

Price cap carriers like the ILECs are permitted to recover a limited portion of their Eligible Recovery from their end users through a monthly fixed charge called Access Recovery Charge (ARC). Section 51.915(e)(1) of the FCC's proposed rules defines ARC as:

A charge that is expressed in dollars and cents per line per month may be assessed upon end users that may also be assessed an end user common line charge pursuant to § 69.152 of the chapter, to the extent necessary to allow the Price Cap Carrier to recover some or all of its eligible recovery determined pursuant to paragraph 51.915(d), subject to the caps described in paragraph 51.915(e)(5). A Price Cap Carrier may elect to forgo charging some or all of the Access Recovery Charge.

AT&T, a Price Cap Carrier Holding Company, is allowed to recover eligible recovery attributable to any of the 21 price cap study areas operated by its wholly-owned operating companies through assessment of the ARC on end users in any of those price cap study areas, all of which are operating as price cap ILECs. However, distribution of ARC among different types of lines should follow rules outlined in Section 51.915(e)(4) of the *USF/ICC Transformation Order*. Per that rule, AT&T Holding Company may not recover a higher fraction of its total eligible revenue recovery from ARC assessed on Residential and Single Line Business lines than their share of Total Weighted Lines where Multi-Line Business lines gets twice the weight (i.e.

Total Weighted Lines = Residential Lines + Single-Line Business Lines+ (2 X Multi-Line Business Lines)).

- For purposes of distribution of ARC among different types of lines, the AT&T ILECs' Residential and Single Line Business lines are lines (other than lines of Lifeline Customers) assessed the residential and single line business end user common line charge and lines assessed the non-primary residential EUCL charge.
- AT&T ILECs' Multi-Line Business Lines are lines assessed the multi-line business end user common line charge.

As shown on *Exhibit ATTER17* and summarized on *Exhibit ICC SUM-1*, the total eligible recovery based on the Switched Access Revenue Reductions in Steps 1 through 6 and the CMRS Recip Comp Eligible Recovery is equal to the CALLS Study Area Base Factor multiplied by the sum of the amounts calculated per paragraphs (A) through (E) below:

Beginning July 1, 2017, AT&T's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi) through (d)(1)(vi)(F) of this section, and then adding the amount in paragraph (d)(1)(vi)(G) of this section to that amount:

- (A) The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to §51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
- (B) The reduction in interstate switched access revenues equal to the 2011 Baseline Composite Terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (C) The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (D) The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate, for traffic that terminates to telephone companies own end offices, to \$0.0007 pursuant to §51.907(g)(2) using pro-rated share of Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;

- (E) CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
- (F) The cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenue other than those associated with CMRS traffic as described in 51.701(b)(2) resulting from rate reductions required by 51.705;<sup>10</sup> and
- (G) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2015

The eligible recovery amounts from each of the 21 states are aggregated up to the AT&T Holding Company level and as shown on each state's *Exhibit ARC-NO CAF-1*<sup>17</sup> and *Exhibit ARC-NO CAF-2*, distributed among lines of different types using the criteria outlined in Section 51.915(e)(4).<sup>18</sup>

Billing constraints and the availability of granular E-911 charges restricts AT&T's ability to implement exchange level Residential and Single-Line Business ARC. As a result, AT&T will spread the recovery of Eligible Recovery among a subset of end-users.<sup>19</sup> For the July 2017 through June 2018 tariff period, AT&T has decided not to charge ARC to residential and single-line business customers in 18<sup>20</sup> of its 21 ILEC study areas. AT&T will recover revenues from

<sup>17</sup> Each state's form is labeled as Exhibit ARC-NO CAF-1 xx, where xx equals the state abbreviation.

<sup>18</sup> A Price Cap carrier holding company that does not receive ICC-replacement CAF support may not recover a higher fraction of its total revenue recovery from Access Recovery Charges assessed on Residential and Single Line Business lines than:

- A. The number of Residential and Single-Line Business lines divided by
- B. The sum of the number of Residential and Single-Line Business lines and two times the number of Multi-Line Business lines.

<sup>19</sup> We permit carriers to determine at the holding company level how Eligible Recovery will be allocated among their incumbent LECs' ARCs. By providing this flexibility, carriers will be able to spread the recovery of Eligible Recovery among a broader set of customers, minimizing the increase experienced by any one customer. This also will enable carriers to more fully recover Eligible Recovery from end-users with rates below the \$30 Residential Rate Ceiling, limiting the potential impact on the CAF (Paragraph 910).

<sup>20</sup> Alabama, Arkansas, California, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Nevada, North Carolina, Oklahoma, Tennessee, Texas and Wisconsin.

residential and single-line business customers in the remaining 3<sup>21</sup> ILEC study areas. AT&T will charge ARC to multi-line business customers in all 21 ILEC study areas.

The total AT&T ILEC reduction determined pursuant to § 51.907(b)(2) is projected to be \$306.8M. The Net CMRS Reciprocal Compensation Revenue reduction is projected to be \$19.2M. The amount equal to True-up Revenues for Access Recovery Charge is - \$0.8M, which is calculated by exchange on *Exhibit ARC-TUP-1* and summarized by state on *Exhibit ARC-TUP-2*. AT&T has elected to forgo the recovery for net non-CMRS reciprocal compensation per the option outlined in Section 51.915(d)(3) of the Rules. As a result, the total Eligible Recovery Revenue pursuant to 51.915(d)(1)(i) of the Rules (after adjusting for CALLS Study Area Base Factor and Price Cap Carriers Traffic Demand Factor) is \$155.1M.

Per Paragraph 911 of the *USF/ICC Transformation Order*, AT&T could have allocated 31.2 percent of the Eligible Recovery (i.e. \$48.4 M) to Residential Lines (that includes Single-Line Business and BRI-ISDN) and 68.8 percent to Multi-Line Business Lines. However, due to residential rate ceiling constraints, the Eligible Recovery allocated to Residential (including Single-Line Business and BRI-ISDN) is only 13.3 percent, or \$20.7 M, and the Eligible Recovery for Multi-Line Business is 86.7 percent, or \$134.4 M.

Given the ARC rates filed with this tariff and projected line count for this tariff period, AT&T's Expected ARC Revenue from Residential Lines and Single Line Business will be \$20.7 M and from Multi-Line Business Lines \$134.4 M.

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<sup>21</sup> Illinois, Ohio, and South Carolina.

Currently, AT&T ILECs are not receiving any ICC-CAF funding. However, AT&T is still required to file one additional form called Rate Ceiling Calcs spreadsheet, which is attached to the *Tariff Review Plan*. As a result, **Exhibit ARC-NO-CAF-3** is included in the filing package.

**Exhibits ARCRCTRP-NO CAF-1<sup>22</sup>** and **ARCRCTRP-NO CAF-2** provide the required Tariff Rate Comparisons.

## 24. EXHIBITS

- Exhibit ATTTER15 - Total Eligible Recovery Step 4
- Exhibit ICC SUM-1 - Eligible ARC/ARC Recovery

### **Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Exhibit ARC-NO CAF-1 IL - Illinois ARC Form
- Exhibit ARC-NO CAF-1 IN - Indiana ARC Form
- Exhibit ARC-NO CAF-1 MI - Michigan ARC Form
- Exhibit ARC-NO CAF-1 OH - Ohio ARC Form
- Exhibit ARC-NO CAF-1 WI - Wisconsin ARC Form

### **BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 AL - Alabama ARC Form
- Exhibit ARC-NO CAF-1 FL - Florida ARC Form
- Exhibit ARC-NO CAF-1 GA - Georgia ARC Form
- Exhibit ARC-NO CAF-1 KY - Kentucky ARC Form
- Exhibit ARC-NO CAF-1 LA - Louisiana ARC Form
- Exhibit ARC-NO CAF-1 MS - Mississippi ARC Form
- Exhibit ARC-NO CAF-1 NC - North Carolina ARC Form
- Exhibit ARC-NO CAF-1 SC - South Carolina ARC Form
- Exhibit ARC-NO CAF-1 TN - Tennessee ARC Form

### **Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 NV - Nevada ARC Form

### **Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 CA - California ARC Form

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<sup>22</sup> Each state's form is labeled as Exhibit ARCRCTRP – NO CAF-1 xx, where xx equals the state abbreviation.



**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- Exhibit ARC-NO CAF-1 AR - Arkansas ARC Form
- Exhibit ARC-NO CAF-1 KS - Kansas ARC Form
- Exhibit ARC-NO CAF-1 MO - Missouri ARC Form
- Exhibit ARC-NO CAF-1 OK - Oklahoma ARC Form
- Exhibit ARC-NO CAF-1 TX - Texas ARC Form
- Exhibit ARC-NO CAF-2 - Maximum ARC Revenue Calculation
- Exhibit ARC-NO CAF-3 - Rate Ceiling No CAF
- Exhibit ARC-NO CAF-4 - Footnotes

**Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Exhibit ARCRCTR-NO CAF-1 IL - Illinois Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 IN - Indiana Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 MI - Michigan Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 OH - Ohio Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 WI - Wisconsin Tariff Rate Comparison No CAF

**BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- Exhibit ARCRCTR-NO CAF-1 AL - Alabama Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 FL - Florida Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 GA - Georgia Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 KY - Kentucky Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 LA - Louisiana Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 MS - Mississippi Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 NC - North Carolina Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 SC - South Carolina Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 TN - Tennessee Tariff Rate Comparison No CAF

**Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Exhibit ARCRCTR-NO CAF-1 NV - Nevada Tariff Rate Comparison No CAF

**Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- Exhibit ARCRCTR-NO CAF-1 CA - California Tariff Rate Comparison No CAF

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- Exhibit ARCRCTRP-NO CAF-1 AR - Arkansas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 KS - Kansas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MO - Missouri Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 OK - Oklahoma Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 TX - Texas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-2 - Tariff Rate Comparison No CAF

Exhibit ARCRCTRP-NO CAF-3 - Footnotes

Exhibit ARC-TUP-1 - True Up Calculation by Exchange

Exhibit ARC-TUP-2 - True Up Summary by State

Exhibit ARC-TUP-3 - Footnotes



ACCESS SERVICE  
CHECK SHEET

Title Page and Pages 1 to 35-17, inclusive of this tariff are effective as of the date shown. Original and revised pages as named below and Supplement No. 13 contains all changes from the original tariff that are in effect on the date hereof.

<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>
Title 1	4th	8	6th	2-4	2nd
1	505th*	8.1	5th	2-5	1st
1.1	44th	9	3rd	2-6	6th
1.2	141st*	10	1st	2-7	2nd
1.3	16th	11	Original	2-8	1st
1.4	12th	12	Original	2-9	Original
1.5	56th*	13	Original	2-10	Original
1.6	53rd	14	5th	2-11	Original
1.7	92nd	15	Original	2-12	Original
1.8	50th	16	Original	2-13	Original
1.9	24th	17	Original	2-14	3rd
1.10	39th	17.1	Original	2-14.1	1st
1.11	12th	17.2	Original	2-14.2	1st
1.12	20th	18	1st	2-14.3	1st
1.13	Original	19	Original	2-15	1st
1.14	37th	20	Original	2-16	6th
1.14.1	21st	21	2nd	2-17	5th
1.15	112th	22	8th	2-17.1	4th
1.16	32nd	22.1	14th	2-18	1st
1.17	13th	22.1.1	3rd	2-19	5th
1.18	9th	22.2	23rd	2-19.1	Original
1.19	25th	22.3	32nd	2-20	Original
1.20	23rd	22.4	33rd	2-21	Original
1.21	27th	22.5	32nd	2-22	Original
1.22	21st	22.6	33rd	2-23	Original
1.23	20th	23	1st	2-24	Original
1.24	25th	24	Original	2-25	1st
1.25	26th	25	Original	2-26	Original
1.26	17th	26	1st	2-27	Original
1.27	17th	27	1st	2-28	1st
1.28	13th	28	2nd	2-29	Original
1.29	3rd	29	Original	2-30	Original
2	1st	30	Original	2-31	Original
2.1	2nd	31	Original	2-32	Original
3	4th	32	Original	2-33	Original
3.1	4th	33	4th	2-34	Original
3.2	1st	34	2nd	2-35	Original
3.3	1st	35	1st	2-36	Original
3.4	3rd	36	Original	2-37	Original
3.5	3rd	37	5th	2-38	Original
3.6	1st	38	2nd	2-39	1st
4	Original	39	2nd	2-40	Original
4.1	Original	1-1	Original	2-41	Original
5	Original	1-2	2nd	2-42	Original
6	6th	2-1	5th	2-43	Original
7	1st	2-2	3rd	2-43.1	Original
7.1	3rd	2-3	1st	2-44	Original
7.2	1st				

\* New or Revised Page

Issuing Officer: Kristen Shore, Executive Director - Regulatory  
(This page filed under Transmittal No. 553)

Issued: June 16, 2017

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675 W. Peachtree St. NW, Atlanta, GA 30308

## CHECK SHEET (Cont'd)

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3-2	1st	4-11.1	13th	5-21	8th
3-3	4th	4-11.1.1	Original	5-21.1	6th
3-4	1st	4-11.2	54th*	5-21.2	6th
3-5	Original	4-12	26th*	5-21.3	5th
3-6	1st	4-13	78th*	5-21.4	5th
3-7	1st	5-1	5th	5-21.5	6th
3-8	Original	5-2	3rd	5-21.6	5th
3-9	Original	5-3	4th	5-21.7	5th
3-10	1st	5-3.1	3rd	5-22	Original
3-11	Original	5-3.2	3rd	5-23	8th
3-12	Original	5-4	4th	5-24	5th
3-13	1st	5-4.1	7th	5-25	5th
3-14	1st	5-5	2nd	5-26	Original
3-15	1st	5-6	Original	5-27	Original
3-16	Original	5-7	2nd	5-28	Original
3-17	1st	5-8	Original	5-29	Original
3-18	1st	5-9	1st	5-30	Original
3-19	2nd	5-10	Original	5-31	1st
3-20	2nd	5-11	2nd	5-32	1st
3-21	1st	5-12	1st	5-33	1st
3-22	Original	5-12.1	2nd	5-34	Original
3-23	2nd	5-12.2	1st	5-35	2nd
3-24	1st	5-12.3	Original	5-35.1	3rd
3-25	1st	5-12.4	Original	5-36	Original
3-26	2nd	5-13	8th	5-37	Original
4-1	Original	5-14	Original	5-38	1st
4-2	5th	5-15	5th	5-39	Original
4-3	Original	5-15.1	Original	5-40	Original
4-4	Original	5-16	7th	6-1	2nd
4-5	Original	5-17	11th	6-2	3rd
4-6	5th	5-17.1	9th	6-3	2nd
4-7	2nd	5-17.1.1	7th	6-4	1st
4-8	1st	5-18	11th	6-5	Original
4-9	2nd	5-19	7th	6-6	Original
4-10	1st	5-20	7th	6-7	Original
4-11	1st			6-8	Original

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## PUBLIC VERSION

PACIFIC BELL TELEPHONE COMPANY

TARIFF F.C.C. NO. 1  
56th Revised Page 1.5  
CANCELS 55th Revised Page 1.5

## ACCESS SERVICE

## CHECK SHEET (Cont'd)

<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>	<u>Page</u>	<u>Number of Revision Except as Indicated</u>
6-183	Original	6-212	4th	6-241	1st
6-184	Original	6-213	10th	6-242	7th
6-185	Original	6-214	15th*	6-243	Original
6-186	Original	6-215	13th*	7-1	6th
6-187	Original	6-216	6th	7-2	5th
6-188	Original	6-217	1st	7-3	4th
6-189	Original	6-218	Original	7-4	2nd
6-190	Original	6-219	11th	7-5	4th
6-191	Original	6-220	15th*	7-6	Original
6-192	1st	6-221	1st	7-7	1st
6-193	Original	6-222	1st	7-7.1	Original
6-194	Original	6-223	1st	7-8	Original
6-195	Original	6-224	Original	7-9	2nd
6-196	Original	6-225	1st	7-10	1st
6-197	Original	6-226	3rd	7-11	Original
6-198	Original	6-227	Original	7-12	Original
6-199	1st	6-228	Original	7-13	Original
6-200	1st	6-229	10th	7-14	1st
6-201	Original	6-230	4th	7-15	1st
6-202	Original	6-231	2nd	7-16	1st
6-203	1st	6-232	1st	7-17	4th
6-204	1st	6-233	1st	7-18	Original
6-205	1st	6-234	4th	7-19	Original
6-206	7th	6-235	3rd	7-20	Original
6-207	2nd	6-235.1	1st	7-21	Original
6-208	5th	6-236	Original	7-22	Original
6-209	5th	6-237	Original	7-23	Original
6-210	5th	6-238	Original	7-24	1st
6-211	5th	6-238.1	Original	7-25	Original
		6-239	5th	7-26	Original
		6-240	7th	7-27	Original

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## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.8 Rates and Charges (Cont'd)6.8.2 Switched Transport (Cont'd)(C) Tandem Switched Transport(1) Tandem Switched Transmission

	<u>ZONE</u>	<u>Originating</u>	<u>Terminating to non-Telephone Company 3rd party location</u>	<u>Terminating to Telephone Company's own end office</u>	
Termination					
Fixed per Access					
Minute of Use					
0 Miles	1	None	None	None	
Over 0 Miles	1	\$.000075	\$.000075	\$0.00	(R)
FGA Over 0 Miles	1	.000068	.000068	\$0.00	(R)
0 Miles	2	None	None	None	
Over 0 Miles	2	.000130	.000130	\$0.00	(R)
FGA Over 0 Miles	2	.000076	.000076	\$0.00	(R)
0 Miles	3	None	None	None	
Over 0 Miles	3	.000240	.000240	\$0.00	(R)
FGA Over 0 Miles	3	.000084	.000084	\$0.00	(R)
Facility					
Per Mile per Access					
Minute of Use					
0 Miles	1	None	None	None	
Over 0 Miles	1	.000015	.000015	\$0.00	(R)
FGA Over 0 Miles	1	.000007	.000007	\$0.00	(R)
0 Miles	2	None	None	None	
Over 0 Miles	2	.000025	.000025	\$0.00	(R)
FGA Over 0 Miles	2	.000007	.000007	\$0.00	(R)
0 Miles	3	None	None	None	
Over 0 Miles	3	.000044	.000044	\$0.00	(R)
FGA Over 0 Miles	3	.000007	.000007	\$0.00	(R)
(2) Tandem Switching	1	.000440	.000440	\$0.000440	
per Access Minute					
Tandem Switching		.001042	.001042	\$0.0007	(R)
per Access Minute	2				
Tandem Switching		.001750	.001750	\$0.0007	(N)
per Access Minute	3				

(D) Reserved for Future Use(E) Reserved for Future Use

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## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.8 Rates and Charges (Cont'd)6.8.2 Switched Transport (Cont'd)(F) Tandem Switched Transport/Common Transport

	<u>ZONE</u>	<u>Originating</u>	<u>Terminating to non-Telephone Company 3rd party location</u>	<u>Terminating to Telephone Company's own end office</u>	
(1) <u>Host Remote Transmission</u>					
Rate per Access Minute	1	\$ .001005	N/A	\$0.00	(R)
	2	\$ .001219	N/A	\$0.00	(R)
	3	\$ .001232	N/A	\$0.00	(R)
Rate per Access Minute per mile					
	1	\$ .000028	N/A	\$0.00	(R)
	2	\$ .000028	N/A	\$0.00	(R)
	3	\$ .000028	N/A	\$0.00	(R)
(2) <u>Tandem End Office Multiplexing</u>					
Rate per Access Minute		\$ .000098	\$ .000098	\$0.00	(R)
	<u>USOC Effective Until 6/10/2013</u>	<u>Originating USOC Effective 6/10/2013</u>	<u>Originating Monthly Rate</u>	<u>Terminating USOC Effective 6/10/2013</u>	<u>Terminating Monthly Rate</u>
(3) <u>Dedicated Tandem Trunk Port</u>					
Per Port	PT8LX/DTRPT	3PO3X	\$3.70	3PT3X	\$3.70

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Pacific to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

(This page filed under Transmittal No. 553)

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## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.8 Rates and Charges (Cont'd)6.8.3 Local Switching for Feature Groups

	Originating Monthly Rate	Terminating Monthly Rate	
(A) <u>Usage Sensitive Rates</u>			
<u>Premium Rates</u>			
LS1 - Feature Groups A and B except for FGA and FGB used to terminate traffic to a WAL.	\$ 0.002620	\$ 0.00	(R)
LS2 - Feature Group D, Toll Free Access Service, FGA and FGB used to terminate traffic to a WAL and originating FGB routed to FGD as specified in Section 6.2.4(A) (9), preceding.	\$ 0.002620	\$ 0.00	(R)
	Originating <u>USOC</u>	Originating Monthly <u>Rate</u>	Terminating <u>USOC</u> Terminating Monthly <u>Rate</u>
(B) <u>Dedicated End Office Trunk Port</u> Per Port	3P01X	\$ 11.08	3PT1X \$ 0.00
(C) <u>Shared End Office Trunk Port</u> Per Minute of Use		\$ .004696	\$ 0.00
(D) <u>Feature Group A Line Port</u> Per Port		\$ 10.00	\$ 0.00

(This page filed under Transmittal No. 553)

Issued: June 16, 2017

Effective: July 1, 2017

675 W. Peachtree St. NW, Atlanta, GA 30308

# **EXHIBIT 11(e)**

**Excerpts from AT&T Price Cap  
Carrier June 16, 2017 Tariff Filings -  
Southwestern Bell: Cover Letter,  
Description & Justification, Revised  
Tariff Pages**



Kristen E. Shore,  
Assistant Vice President – Regulatory  
675 W. Peachtree St. NW  
Atlanta, Georgia 30308

FRN: 0005-9352-75

June 16, 2017

Transmittal No. 3444

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
Washington, D.C. 20554

Attention: Wireline Competition Bureau

The accompanying tariff material, issued by Southwestern Bell Telephone Company (SWBT) and bearing Tariff F.C.C. No. 73, is sent to you for filing in compliance with the requirements of the Communications Act of 1934, as amended.

This filing, scheduled to become effective July 1, 2017, consists of the tariff page indicated on the following Check Sheets:

<u>Tariff F.C.C. No.</u>	<u>Check Sheet Revision No.</u>
73	1221st Revised Page 1
	323rd Revised Page 1.2
	171st Revised Page 1.5

SWBT is submitting the 2017 Annual Access Tariff Filing in accordance with the Bureau's Order DA 17-386, *In the Matter of Material to be Filed in Support of 2017 Annual Access Tariff Filings, (Tariff Review Plan)*, released April 24, 2017 and Order DA 17-258 *the Matter of July 1, 2017 Annual Access Charge Tariff Filing (TRP Order)*, released March 16, 2017, and *In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Intercarrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Order (June 5, 2012 Order)*, FCC 11-161, released June 5, 2012.

Supporting information discussed under Section 61.49 of the Commission's Rules, to the extent applicable, is included with this filing in the attached Description and Justification.

In accordance with Section 61.14, this transmittal letter and associated attachments are being filed electronically today via the Federal Communications Commission's Electronic Tariff Filing System (ETFS) in compliance with the electronic filing procedures.

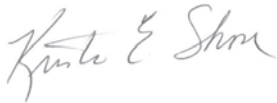


Wireline Competition Bureau  
Page 2  
June 16, 2017

Payment in the amount of \$925.00 has been electronically transmitted to the US Bank in St. Louis, Missouri, in accordance with the fee program procedures. The Form 159 is being transmitted electronically via ETFS as a proprietary document. These actions have been committed on the date established as the issued (filed) date as reflected above.

Personal or facsimile service petitions against this Letter, as required under Section 1.773(a)(4) of the Commission's Rules, should be sent to Rosemary Chambers, Area Manager – Regulatory Relations, 311 S. Akard St., Room 9-A19, Dallas, Texas, 75202, facsimile number (214) 464-2006. All other correspondence and inquiries concerning this Transmittal should be addressed to Debra L. Clemens, Director-Federal Regulatory, (202) 457-3066, 1120 20th Street, N.W., Suite 1000, Washington, D.C. 20036.

Sincerely,

A handwritten signature in cursive script, appearing to read "Krista E. Shon".

Attachments:

- Letter
- Tariff Pages
- Description & Justification and Exhibits
- Tariff Review Plan (TRP)
- Rate Detail

**SOUTHWESTERN BELL TELEPHONE COMPANY (SWBT)**  
**2017 ANNUAL FILING**  
**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS**  
**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6**  
**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)**

**DESCRIPTION AND JUSTIFICATION**  
**FCC No. 73, Transmittal No. 3444**  
**June 16, 2017**

**Section**

1. Introduction

**2017 ANNUAL FILING**

2. Exogenous Cost Development ( $\Delta Z$ )

- A. Excess Deferred Tax (EDT)
- B. Combined Effect
- C. Telecommunications Relay Service (TRS) Fund
- D. Regulatory Fee Payment
- E. Summary of Exogenous Costs & Distributions

3. Other Price Cap Index Factors/Variables Development

4. Development of 2016 Base Period Demand

5. Common Line Basket Rate Development

6. Special Access Basket PCI, API, SBI and Rate Development

7. Interexchange Basket PCI, API, SBI and Rate Development

8. Part 69 Waivers

9. New Services Included in the Price Cap Indices

10. Services Excluded from Price Caps

11. IND-1 Reference

12. Rate Comparison

13. Exhibits

**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS**

14. 3rd Quarter Universal Service Fund Adjustments

15. Exhibits

**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6**

- 16. Developing the Interstate and Intrastate Switched Access Revenue Reduction
- 17. Establishment of Originating and Terminating Rates
- 18. Fiscal Year 2011 Demand Development
- 19. Development of the Step 6 Switched Access Service Revenue Reduction Amount
- 20. Intrastate and Interstate Rates
- 21. Services Excluded from the Switched Access Revenue Reduction Calculation
- 22. Exhibits

**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)**

- 23. ARC Development and Application
- 24. Exhibits

## 1. INTRODUCTION

This filing is being made in compliance with the following:

- ❑ In the Matter of July 1, 2017 Annual Access Charge Tariff Filings, DA 17-258 (*Filing Dates*), released March 16, 2017;
- ❑ In the Matter of Material to be Filed in Support of 2017 Annual Access Tariff Filings, DA 17-386 (*Tariff Review Plans*), released April 24, 2017;
- ❑ In the Matter of Assessment and Collection of Regulatory Fees for the Fiscal Year 2016, MD Docket 17-62, released May 23, 2017;
- ❑ In the Matter of Connect America Fund and Developing an Unified Inter-carrier Compensation Plan, *ICC Clarification Order*, DA 14-434, released March 31, 2014;
- ❑ In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Inter-carrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Order (*June 5, 2012 Order*), FCC 11-161, released June 5, 2012;
- ❑ In the Matter of Connect America Fund WC Docket No. 10-90, A National Broadband Plan for Our Future GN Docket No. 09-51, Establishing Just and Reasonable Rates for Local Exchange Carriers WC Docket No. 07-135, High-Cost Universal Service Support WC Docket No. 05-337, Developing an Unified Inter-carrier Compensation Regime CC Docket No. 01-92, Federal-State Joint Board on Universal Service CC Docket No. 96-45, Lifeline and Link-Up WC Docket No. 03-109, Universal Service Reform – Mobility Fund WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking (*USF/ICC Transformation Order*), FCC 11-161, released November 18, 2011;
- ❑ 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, Sixth Report and Order CC Docket Nos. 96-262 and 94-1, Report and Order CC Docket No. 99-249 and Eleventh Report and Order CC Docket No. 96-45, (*CALLS Order*), FCC 00-193, 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;
- ❑ 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*);
- ❑ In the Matter of Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order, 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.

This filing is comprised of four sections. The first section contains supporting documentation for the Price Cap 2017 Annual Filing. The *LEC Price Cap Order* requires an annual access tariff filing in which Price Cap companies are 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.

The second portion of this filing contains supporting documentation to implement the 3rd quarter USF factor.

The third portion of this filing contains supporting documentation necessary to implement the Step 6 requirements of the *USF/ICC Transformation Order*.

The final portion of this filing contains supporting documentation for development of AT&T's Access Recovery Charge (ARC) established in the *USF/ICC Transformation Order*.

**2017 ANNUAL FILING****2. EXOGENOUS COST DEVELOPMENT - ( $\Delta Z$ )**

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

In the 2017 Annual Filing, the following exogenous adjustments will be made. All are allowable in accordance with the Commission's Part 61 Rules or were designated in Commission Orders:

- Excess Deferred Tax (EDT)
- Telecommunications Relay Service (TRS)
- Regulatory Fee Payment Exogenous

Part 61.45(d)(3) requires that exogenous cost changes be apportioned between price cap services and excluded services. The exogenous cost changes were 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.

**2.A EXCESS DEFERRED TAX (EDT)**

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, SWBT has reflected the estimated exogenous cost changes associated with this item for the 2017-2018 tariff period. ***Exhibit 2.1*** provides the development of the EDT impacts for the SWBT study area.



## 2.B 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 2.3* summarizes this impact. Details pertaining to this calculation are shown in *Exhibit 2.4*.

## 2.C TELECOMMUNICATIONS RELAY SERVICES (TRS) FUND

The Commission has also ruled Telecommunications Relay Service (TRS) fund payments<sup>1</sup> may be treated as exogenous. SWBT is estimating the total TRS contribution amount for the ensuing tariff period based on the proposed factor of \$.02244. The development of the TRS exogenous cost for this filing is provided in *Exhibit 2.5*.

## 2.D 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) and the Common Carrier Bureau's October 7, 1994 *Order*. SWBT is estimating the Regulatory Fees for fiscal year 2017 based on the proposed factor of \$.00302. The regulatory fee payments and the corresponding exogenous adjustment are estimated based up on the proposed factor and revenue. The exogenous adjustment is detailed in *Exhibit 2.5*.

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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.

## 2.E SUMMARY OF EXOGENOUS COSTS & DISTRIBUTIONS

Part 61.45(d) (4) 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 representing non-price cap service revenue. Totals of all exogenous costs applied in this filing are summarized on *Exhibit 2.6*.

## 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>2</sup> contained in the PCI formulas. The 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 if the proposed service category rates are in-band for the Special Access basket.

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<sup>2</sup> The required factors are  $PCI_{t-1}$ , GDP-PI, X, R, g, w, and  $\Delta Z$ .

The change in the PCI also affects the allowable Sub-Index upper limits for 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(c) as "the immediately preceding PCI value." For purposes of the 2017 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 11*.

## **SPECIAL ACCESS AND INTEREXCHANGE REDUCTIONS**

No reductions are required in the Special Access Service pursuant to Part 61.45(b)(iv).

## **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 2017 Annual Filing is 1.5385 percent.

## **X FACTOR**

The x-factor for the Special Access basket is set equal to the GDP-PI 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 2016.

The calculation of the 'R' variable for the Common Line and Special Access baskets are detailed in *Exhibits 5 and 6*, respectively.

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

The Minutes of Use (MOU) Carrier Common Line (CCL) charges are zero, which eliminates the need to calculate a (g) factor.

#### **4. DEVELOPMENT OF 2016 BASE PERIOD DEMAND**

Historical base period demand is required for the Common Line and Special Access baskets.

Demand information for these baskets is detailed on exhibits provided with this filing. Historical base period demand for the Special Access Basket reflects the removal of demand in MSAs that have been granted Phase II regulatory relief.<sup>3</sup>

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

The Common Line Basket rates were developed in accordance with Part 69.152. *Exhibit 5* lists the rates and demand used to calculate the Common Line 'R' value.

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<sup>3</sup> MO&O, CCB/CPD No. 00-26, DA 01-670, released March 14, 2001; MO&O, CCB/CPD No. 01-32, DA 02-823, released April 11, 2002; and MO&O, WCB/Pricing No. 03-8, DA 03-1721, released May 15, 2003 MO&O, CCB/CPD No. 00-25, DA 01-670, released March 14, 2001; MO&O, CCB/CPD No. 01-35, DA 02-823, released April 11, 2002.

## 6. 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 2017 Annual Filing are developed using 2016 base period demand.

The 2017 Annual Filing PCI calculation is detailed on the IND-1, PCI-1, and RTE-1 forms of the TRP.

In addition, exhibits detailing compliance with the CFR are as follows:

***Exhibit 6*** – Calculation of ‘R’ Value

***Exhibit 6.1*** – Calculation of API and SBI

***Exhibit 6.2*** - Calculation of DS1 & DS3 Sub-Indices

## 7. INTEREXCHANGE BASKET PCI, API AND RATE DEVELOPMENT

In accordance with Part 61.45, the existing and proposed PCI for the Interexchange Basket is detailed on the PCI-1 form of the TRP. The associated APIs are included on the IND-1 and RTE-1 forms of the TRP.

## 8. PART 69 WAIVERS

The following is a list of Part 69 waivers involving SWBT, Pacific Bell Telephone Company (PBTC), Nevada Bell Telephone Company (NBTC), Ameritech Operating Companies (Ameritech), and BellSouth Telecommunications, LLC (BellSouth), 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:

- Ameritech, PBTC, NBTC, SWBT, BellSouth – Order (DA 17-443), released May 10, 2017, granting permission to waive of the requirement that price cap incumbent local exchange carriers (LECs) file short form Tariff Review Plans (TRPs).

- Ameritech, PBTC, NBTC, SWBT – 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.
- Ameritech, BellSouth, PBTC, SWBT – Order (DA 96-2004) 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 Service Category of the Trunking Basket. NBTC does not offer SONET-based switched transport.
- Ameritech – Order (DA 96-446) released March 27, 1996, to establish unbundled rate elements for SS7 service. These rate elements are included in the Traffic Sensitive and Trunking baskets. BST, NBTC, PBTC, and SWBT do not offer TCAP and ISUP usage rates.
- Ameritech, BellSouth, NBTC, PBTC, SWBT – Order (DA 94-1350) released November 30, 1994, granting establishment of a new rate element for 500 Access Service. The service is included in the Local Switching Service Category of the Traffic Sensitive Basket.
- AT&T ILECs - 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 is scheduled to be replaced. These rate elements are included in the HiCap Service Category of the Trunking 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.
- AT&T ILECs - *Ameritech DNAL Waiver Order* (DA 91-1629), released December 27, 1991; *BOC DNAL Order* (DA 92-199), released January 30, 1992, PBTC & NBTC *Memorandum Opinion and Order* (DA 92-271), released March 6, 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.
- AT&T ILECs - Commission Order, released October 9, 1991, granting establishment of an Information Surcharge rate element within the Information Category. This rate element is included in the Traffic Sensitive Basket.
- AT&T ILECs – *Operator Services Waiver Order* (DA 91-274), released March 5, 1991. 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.

- AT&T ILECs - 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.
- AT&T ILECs - 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.
- AT&T ILECs - Commission MO&O (FCC 83–356), 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.

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

No new services were added in 2016.

## 10. SERVICES EXCLUDED FROM PRICE CAPS

The Commission's Order, *In the Matter of Material to be Filed in Support of 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 10**, SWBT has included a list of all services excluded from price cap regulation, which has been revised to reflect activity subsequent to the 2016 Annual Filing in accordance with the *2017 TRP Order*.

## 11. IND-1 REFERENCE

The reference document, which is required to identify the transmittal associated with each of the existing PCIs, is provided as **Exhibit 11**.

## 12. RATE COMPARISON

*Exhibit 12* identifies current and proposed rates for elements with changing rates. In addition to this exhibit, a Rate Detail file which lists all price cap services demand and revenues by service basket is provided.

## 13. EXHIBITS

This section provides the exhibits and other support documents referenced in prior sections of the D&J.

- Exhibit 2.1 – Excess Deferred Tax (EDT)
- Exhibit 2.3 – Combined Effect
- Exhibit 2.4 – EDT/ITC Adjusted for Non-Price Cap Services
- Exhibit 2.5 – Telecommunications Relay Service and Regulatory Fee Exogenous
- Exhibit 2.6 – Summary of Exogenous Costs & Distribution
- Exhibit 5 – Common Line Basket Price Cap Model
- Exhibit 6 – Calculation of ‘R’ Value – (Special)
- Exhibit 6.1 – Calculation of Price Cap Indices (Special)
- Exhibit 6.2 – Calculation of DS1 & DS3 Sub-Indices (Special)
- Exhibit 10 – Excluded Services List
- Exhibit 11 – IND-1 Reference
- Exhibit 12 – Rate Comparison
- Tariff Review Plan (TRP)
- Rate Detail File



**3RD QUARTER FEDERAL UNIVERSAL SERVICE FUND (FUSF) ADJUSTMENTS****14. 3RD QUARTER UNIVERSAL SERVICE FUND ADJUSTMENTS**

This portion of the filing is to revise the USF obligation based on the 3rd quarter 2017 contribution factor, which SWBT will begin billing July 1, 2017. The 3rd quarter contribution factor, 17.1 percent, was provided in the Commission's recent Public Notice, DA 17-580, released June 13, 2017. Recovery of this contribution is allowable pursuant to Part 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*, SWBT recovers its USF obligation associated with switched access services through various flat-rate end user charges.<sup>4</sup> The charges will be assessed with respect to the interstate end user service that generates the USF obligation.

SWBT assesses three general types of USF charges (Basic, Port, and Non-recurring) for switched access customers. These charges are calculated using the following methodology as shown on *Exhibit 14.1* and *Exhibit 14.2*.

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<sup>4</sup>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 (2202) (*Interim Contribution Methodology Order*).

## 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.

## Residential / Single Line Business (SLB)

SWBT 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 rate is demonstrated in *Exhibit 14.1*.

## BRI ISDN / BRI ISDN Port

SWBT 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 14.1*.

## Multi Line Business, PRI ISDN, and Centrex

SWBT elected to utilize the provisions granted in the Commission's *Order and Second Order on Reconsideration* regarding Centrex customers.<sup>5</sup> A portion of the un-recovered obligation created

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<sup>5</sup> 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, *Order and Second Order on Reconsideration*, FCC 03-58, para. 3 (rel. March 14, 2003).

from using the PICC equivalency ratios for Centrex customers is applied to Multi-line business customers. However, due to the constraints included in the Commission's *Order*, SWBT averages the obligation associated with End User Common Line (EUCL) charges for Centrex customers. Centrex customers are assessed the full amount of the obligation associated with their SPNP end user surcharges.

SWBT determines the Basic USF recovery rate for business customers using the method detailed below.

### **Establish the Basic Multi-line Business Rate**

**Step 1** – Determine total revenue using access lines as of March 2017 for these customers generated from EUCL assessments by multiplying the EUCL rate by the number of lines.

**Step 2** – Multiply the result from Step 1 by the contribution factor to obtain the obligation associated with the customer base.

**Step 3** – Divide the obligation developed in Step 2 by the number of billable lines (using lines as of March 2017). The line base is adjusted using PICC equivalency ratios as defined in Part 69.153. The result is the Basic MLB rate per line.

**Step 4** – Add to the Basic MLB rate, all other USF recovery associated with the customer type.

Step 4 is calculated by customer type for Multi-line business, PRI ISDN, and Centrex customers as shown in *Exhibit 14.2*.

The final rates per customer type are detailed on both *Exhibit 14.1* and *Exhibit 14.2*. These final rates preclude any USF recovery necessary from non-recurring interstate end user charges.

**Other Non-recurring USF Surcharges**

Non-recurring USF surcharges are assessed to interstate end user non-recurring charges, which generate a USF obligation. SWBT calculates Other Non-recurring USF charges by multiplying the non-recurring charge by the contribution factor. These USF recovery charges will only be assessed per occurrence of the interstate end user non-recurring charge. For billing purposes, the USF recovery charge may be added to the existing interstate end user charge, which generates the obligation.

SWBT assesses Lifeline customers the Non-recurring USF charges when they are assessed the non-recurring charge that generates the obligation. SWBT also assesses Interexchange Carriers (ICs) the Presubscribed Interexchange Change (PIC) USF Charge when the IC is assessed the PIC change charge.

**Other Recurring Federal Universal Fund Surcharges**

SWBT will continue to recover its other recurring (i.e. Special Access and True Internet Protocol to Public Switched Telephone Network (TIPToP Service)) USF obligations through a percentage-based USF recovery charge applied to interstate end user billed revenues. This percentage-based USF recovery charge is set equal to the Commission's contribution factor released via Public Notice.

## 15. EXHIBITS

This section provides the exhibits and other support documents referenced in prior sections of the D&J.

- Exhibit 14.1A – Arkansas Universal Service Fee Rate Development 1
- Exhibit 14.1B – Kansas Universal Service Fee Rate Development 1
- Exhibit 14.1C – Missouri Universal Service Fee Rate Development 1
- Exhibit 14.1D – Oklahoma Universal Service Fee Rate Development 1
- Exhibit 14.1E – Texas Universal Service Fee Rate Development 1
- Exhibit 14.2A – Arkansas Universal Service Fee Rate Development 2
- Exhibit 14.2B – Kansas Universal Service Fee Rate Development 2
- Exhibit 14.2C – Missouri Universal Service Fee Rate Development 2
- Exhibit 14.2D – Oklahoma Universal Service Fee Rate Development 2
- Exhibit 14.2E – Texas Universal Service Fee Rate Development 2

**TRANSITION OF PRICE CAP CARRIER ACCESS CHARGES - STEP 6****16. DEVELOPING THE INTERSTATE AND INTRASTATE SWITCHED ACCESS REVENUE REDUCTION**

The purpose of this section of the filing is to implement the Step 6 Transition of Price Cap

Carrier Access Service<sup>6</sup> per Part 51.907(g) of the CFR. This includes:

- (a) Each Price Cap Carrier shall, in accordance with a bill-and-keep methodology, refile its interstate access tariffs and any state tariffs, in accordance with §51.905(b)(2), removing any intercarrier charges for terminating End Office Access Service.
- (b) Each Price Cap Carrier shall establish, for interstate and intrastate terminating traffic traversing a tandem switch that the terminating carrier or its affiliates owns (i.e. Tandem to End Office), Tandem-Switched Transport Access Service rates no greater than \$0.0007 per minute. All other terminating tandem-Switched Transport Access Service rates (i.e. Tandem to 3rd Party) rates will not be subject to transition.
- (c) Nothing in this section obligates or allows a Price Cap Carrier that has intrastate rates lower than its functionally equivalent interstate rates to make any intrastate tariff filing or intrastate tariff revisions raising such rates.
- (d) Each Price Cap Carrier shall calculate its eligible recovery, for July 2017 through June 2018, as per the *ICC Transformation Order*.<sup>7</sup>

The company and state-specific forms are filed with the transmittals for each of the AT&T

Companies. The access revenue reduction exhibits by company and state are:

**Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Ameritech – *Exhibit AIT*

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<sup>6</sup> Part 51.903(d) defines *End Office Access Service* as:

- (1) The switching of access traffic at the carrier's end office switch and the delivery to or from of such traffic to the called party's premises;
- (2) The routing of interexchange telecommunications traffic to or from the called party's premises, either directly or via contractual or other arrangements with an affiliated or unaffiliated entity, regardless of the specific functions provided or facilities used; or
- (3) Any functional equivalent of the incumbent local exchange carrier access service provided by a non-incumbent local exchange carrier. End Office Access Service rate elements for an incumbent local exchange carrier include the local switching rate elements specified in §69.106 of this chapter, the carrier common line rate elements specified in §69.154 of this chapter, and the intrastate rate elements for functionally equivalent access services. End Office Access Service rate elements for an incumbent local exchange carrier also include any rate elements assessed on local switching access minutes, including the information surcharge and residual rate elements.

<sup>7</sup> Part 51.915(d)(1)(vi).

**BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- BellSouth – *Exhibit BST*

**Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Nevada – *Exhibit NV*

**Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- California – *Exhibit CA*

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- SWBT – *Exhibit SWBT*

**17. ESTABLISHMENT OF ORIGINATING AND TERMINATING RATES**

Part 51.907(d)(1) states “[a] Price Cap Carrier shall establish separate originating and terminating rate elements for all per-minute components within interstate and intrastate End Office Access Service. For fixed charges, the Price Cap Carrier shall divide the rate between originating and terminating rate elements based on relative originating and terminating end office switching minutes. If sufficient originating and terminating end office switching minute data is not available, the carrier shall divide such charges equally between originating and terminating elements.”

All of the AT&T ILEC End Office Access Services are comprised of one or more local switching per minute of use (MOU) charges, a shared end office (EO) trunk port per MOU charge, one or two dedicated EO trunk port monthly recurring charges (MRCs) and various optional EO feature MRCs and nonrecurring charges (NRCs). To meet the requirement of Part 51.907(d)(1), AT&T separated the intrastate and interstate local switching per MOU, shared EO trunk port per MOU and dedicated EO trunk port charges into originating and terminating rates

in 2013. The filings separating<sup>8</sup> the per MOU charges and dedicated port charges into originating and terminating were effective as follows:

- Ameritech Tariff FCC No. 2, Transmittal No. 1792, effective May 15, 2013.
- Illinois ILL. C.C. No. 21, Switched Access Service usage effective March 11, 2013 and ports effective May 25, 2013.
- Indiana, Michigan, Ohio and Wisconsin Access Service Tariffs have long cross referenced to Tariff FCC No. 2 for Switched Access Service rates and regulations.
- BellSouth Tariff FCC No. 1, Transmittal No. 60, effective May 15, 2013.
- Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee Access Service Tariffs cross reference to Tariff FCC No. 1 for Switched Access Service rates and regulations effective July 2, 2013.
- NBTC Tariff FCC No 1, Transmittal No. 246, effective May 15, 2013.
- Nevada Tariff P.U.C.N. No. C cross references to Tariff FCC No. 1 for Switched Access Service rates and regulations effective July 2, 2013.
- PBTC Tariff FCC No. 1, Transmittal No. 488, effective May 15, 2013.
- California Schedule CAL.P.U.C. NO. 175-T cross references to Tariff FCC No. 1 for Switched Access Service rates and regulations effective June 10, 2013.
- SWBT Tariff FCC No. 73, Transmittal No. 3373, effective May 15, 2013.
- Arkansas, Kansas and Missouri Access Service Tariffs cross reference to Tariff FCC No. 73 for Switched Access Service rates and structure.
- Oklahoma Access Service Tariff cross references to Tariff FCC No. 73 for Switched Access Service rates only as of July 2, 2013 effective July 2, 2013.
- Texas Access Service Tariff began cross referencing to Tariff FCC No. 73 for Carrier Common Line Access Service and Switched Access Services rates and regulations effective August 20, 2012.

The MRCs and NRCs for the EO features will not be tariffed as originating and terminating.

Instead, AT&T changed the rate to zero for these rate elements in the 2015 Annual Filing, thereby eliminating the need to tariff and bill these features based on directionality. It should be noted, however, that only terminating demand was utilized in determining the eligible recovery as discussed in the following section Fiscal Year 2011 Demand Development.

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<sup>8</sup> While the intrastate rate elements were separated into originating and terminating prior to July 2, 2013, intrastate terminating rates were revised effective July 2, 2013 as needed to comply with Part 51.907(c).



**18. FISCAL YEAR 2011 DEMAND DEVELOPMENT**

For all twenty-one ILEC states, AT&T obtained the interstate and intrastate billed quantities for Fiscal Year 2011<sup>9</sup> for rate elements existing in each state access tariff. The interstate and intrastate rates in effect for Fiscal Year 2011 did not have separate rates for originating and terminating. Therefore, unless a rate element is specifically assessed on a particular direction of traffic, such as Message Unit Credit, which is assessed on the originating end of a call, AT&T allocated the demand to terminating by applying a terminating percentage developed from originating and terminating Local Switching MOUs and Tandem Switching MOUs. Although originating and terminating rates for Local Switching and Tandem Switching were not separately identified in the tariffs when the rates were frozen on December 29, 2011, customers' Switched Access bills provide minutes by originating and terminating, thus enabling AT&T to easily develop factors designating the amount of total traffic that is terminating.

Except for the dedicated end office trunk port and the dedicated tandem trunk port rate elements, the Local Switching and Tandem Switching terminating percentages were then applied to those MRC and NRC rate elements within the Local Switching and Tandem Switching categories, respectively, that have been included in the Switched Access Revenue Reduction.

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<sup>9</sup> Part 51.903(e) Fiscal Year 2011 means October 1, 2010 through September 30, 2011.

The demand for the dedicated end office trunk port and dedicated tandem trunk port rate elements have been split between originating and terminating using a Percent Originating Usage (POU) factor of 50 percent in accordance with the currently effective tariffs.<sup>10</sup>

To help determine the billed demand quantities for which payment was collected by March 31, 2012,<sup>11</sup> calculations were completed to determine an “uncollected” experience and produce a factor that could be used to determine billed but not collected quantities. This experience was determined by reviewing twelve months of billed Switched Access revenue data in the aggregate for all five AT&T ILECs. These Switched Access revenues were compared to the negative revenue adjustments created by service center adjustments or settlements that reduce revenue (contra revenue). This produced a factor of 3.84 percent. This represents in a revenue format what was billed but not collected. The uncollected factor, again roughly 4 percent, was employed in adjusting billed quantities to estimate the billed quantities which were collected.

The intrastate demand quantities adjusted for these uncollected quantities are used to calculate the intrastate revenue based on intrastate rates and the intrastate revenue based on interstate rates.

### **Arkansas Additional Demand Development**

Arkansas did not establish the rate elements allowed in the *First Report and Order (Access Reform)*, released May 16, 1997, DA 97-158. The current Arkansas *Access Service Tariff* does not contain the Dedicated End Office Trunk Port, Shared End Office Trunk Port, Dedicated

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<sup>10</sup> POU language became effective May 15, 2013 in AIT Tariff FCC No. 2, BST Tariff FCC No. 1, NBTC Tariff FCC No.1, PBTC Tariff FCC No. 1 and SWBT Tariff FCC No. 73 effective May 15, 2013 and will apply to the intrastate jurisdiction effective July 2, 2013. The POU language also became effective May 17, 2013 in Illinois ILL. C.C. NO. 21.

<sup>11</sup> *USF/ICC Transformation Order*, para. 880 and para. 898.

Tandem Trunk Port, Tandem Shared End Office Multiplexer, Host Remote Transmission per minute nor Host Remote Transmission per minute per mile rate elements. Host remote traffic is currently assessed Tandem Switched Transmission charges, which is the structure that existed prior to *Access Reform*. Therefore, the Tandem Switched Transmission demand is reduced by the amounts shown in the respective Host Remote Transmission rows.

To enable a proper comparison of the Arkansas intrastate rate structure to the current interstate rate structure for the Local Switching category, AT&T developed restructured intrastate rates for Local Switching per minute of use (MOU), Dedicated End Office Trunk Port, and Shared End Office Trunk Port that produce the same revenue as the current rate structure, i.e., Local Switching per MOU. The restructured rates are located in column A2, and the associated demand is located in column D1 of ***Exhibit AR***. *Access Reform* did not impact how the Local Switching per MOU rate is assessed; therefore, the demand for that element is the same pre-access reform and post-access reform. For rate elements assigned a Universal Service Order Code (USOC), e.g., Dedicated End Office Trunk Port, the interstate and intrastate demand is available in the billing system via application of the Percent Interstate Usage (PIU) factor. As a result, the intrastate quantity is available within the billing system. The intrastate demand for the Shared End Office Trunk Port was estimated based on the interstate Shared End Office Trunk Port and the Local Switching PIU.

To enable a proper comparison of the current interstate and intrastate rate structures for the Tandem Switching category, AT&T developed restructured intrastate rates for Tandem Switching per MOU, Host Remote Transmission per MOU and per minute per mile, Dedicated Tandem Trunk Port and Tandem Shared End Office Multiplexing that produce the same revenue

as the current Arkansas intrastate Tandem Switching rate element. The Dedicated Tandem Trunk Port is assigned a USOC; therefore, that demand is readily available in the billing system. The intrastate demand for Host Remote was removed from the intrastate Tandem Switched Transmission demand to ensure no double counting. The Tandem Shared End Office Multiplexer demand was estimated based on interstate Tandem Switching experience.

### **Missouri Additional Demand Development**

Missouri did not establish the rate elements created by the *Local Transport Restructure Order*<sup>12</sup> (*LTR*) nor the *Access Reform Order*. Instead, Missouri PSC MO No. 36 Access Service Tariff is structured as distance sensitive Local Transport per MOU. To determine the Switched Access Revenue Reduction, AT&T developed intrastate demand quantities for all interstate rate elements that would be in Missouri PSC MO NO. 36 Access Service Tariff had Missouri implemented the two major reforms of Switched Access service.

After obtaining intrastate quantities for rate elements that are assigned USOCs, the following steps were taken to create intrastate demand quantities for the remaining restructured rate elements that could not be obtained from the billing system via USOCs.

AT&T developed a Local Switching PIU from Missouri interstate and intrastate Local Switching usage. Because there is no data upon which to create a Missouri Tandem Switching PIU, AT&T used an average terminating Tandem Switching PIU based upon the sum of Arkansas, Kansas, and Oklahoma. The Texas PIU factor is significantly different than the other SWBT states and was excluded.

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<sup>12</sup> First Memorandum Opinion and Order on Reconsideration, released July 21, 1993 and the Second Memorandum Opinion and Order on Reconsideration, released August 18, 1993 (*Local Transport Restructure Order*).

As stated previously, AT&T also developed a factor to represent the percent terminating for Local Switching from Missouri specific data. For Tandem Switching, AT&T once again used the average of Arkansas, Kansas, and Oklahoma to develop the percent terminating factor.

To enable a proper comparison to the current interstate rate structure for the Local Switching category, AT&T developed restructured intrastate rates for Local Switching per MOU, Dedicated End Office Trunk Port and Shared End Office Trunk Port that produce the same revenue as the current intrastate rate structure. The restructured rates are located in column A2, and the associated demand is located in column D2 of ***Exhibit MO***. Neither *LTR* nor *Access Reform* impacted the local switching traffic to which the Local Switching per MOU rate is assessed. Therefore, the demand for this rate element is the same pre- *LTR* / *Access Reform* and post- *LTR* / *Access Reform*. As explained above rate elements assigned a USOC, e.g., Dedicated End Office Trunk Port, are available within the billing system. The intrastate demand for the Shared End Office Trunk Port was estimated based on interstate Shared End Office Trunk Port and Local Switching PIU.

To enable a proper comparison to the current interstate rate structure for the Local Transport category, AT&T developed restructured intrastate rates for Tandem Switching, Tandem Switched Transmission (TST) and Direct Trunked Transport (DTT). Intrastate demand quantities were obtained from the billing system for the USOC-based rate elements. The terminating intrastate demand for Tandem Switching, TST per MOU, TST per minute per mile, and Tandem Shared End Office Multiplexer were estimated based on Tandem Switching experience.

## 19. DEVELOPMENT OF THE STEP 6 SWITCHED ACCESS SERVICE REVENUE REDUCTION AMOUNT

The Step 6 Access Reduction is an accumulation of the 2012 through 2016 reduction amounts and the additional amounts identified in response to the rate changes proposed in the 2017 Annual Filing.

### **2012 and 2013 Intrastate Reduction**

As discussed in the 2013 Annual Filing, in accordance with Part 51.907(b)(2)(ii) and 51.907(4), AT&T calculated the total intrastate revenue at intrastate access rates by multiplying the Fiscal Year 2011 intrastate demand by the intrastate rates in effect December 29, 2011. Because the interstate rates were frozen at December 29, 2011 levels, no interstate reduction amount was identified prior to 2014. The results of the intrastate calculations were carried into column M of each state's 2015 Switched Access Revenue Reduction Exhibit, which is labeled as ***Exhibit xx***, where xx equals the state abbreviation. In the case of Ameritech, BellSouth and SWBT, which are multi-state regions, the states were summed into a regional 2015 Switched Access Revenue Reduction Exhibit, which is labeled as ***Exhibit xx***, where xx equals Ameritech, BellSouth or SWBT.

### **2014 Intrastate and Interstate Reduction**

The 2014 reduction amounts are developed by:

- A) reducing both intrastate and interstate end office rates as required by Part 51.907 (d)
- B) developing eligible recovery per 51.915 (d) (iii).

### **2015 Intrastate and Interstate Reduction**

The 2015 reduction amounts are developed by:

- C) reducing both intrastate and interstate end office rates as required by Part 51.907 (e)
- D) developing eligible recovery per 51.915 (d) (iv).

### **2016 Intrastate and Interstate Reduction**

Multiple calculations are required to obtain the 2016 reduction amounts.

**First**, the interstate 2011 Baseline Terminating End Office Access Rate is determined in accordance with Part 51.907(d)(2)(i) by:

- A) Multiplying the Fiscal Year 2011 terminating interstate end office demand by the interstate rates in effect December 29, 2011 (aka current rates) in column F of each state's 2016 Switched Access Revenue Reduction Exhibit.
- B) The terminating interstate end office revenue is summed into the cell labeled Terminating End Office Revenue at Current Rate.
- C) The terminating interstate local switching (aka End Office) minutes of use are summed into the cell labeled FY2011 Terminating Local Switching MOUs
- D) The interstate 2011 Baseline Composite Terminating End Office Rate is calculated by dividing B by C in the cell labeled Initial Composite Terminating End Office Access Rate.

**Second**, the 2016 Interstate Target Composite Terminating EO Access Rate is calculated in accordance with Part 51.907(f), which is **\$0.0007 per minute**. In the case of Ameritech, BellSouth and SWBT, this calculation is completed on the regional form only.

**Third**, in 2016 AT&T continued to implement a single per minute rate element for terminating End Office Access Service that is no greater than the 2016 Target Composite Terminating End Office Access Rate” as allowed by Part 51.907(f).<sup>13</sup> AT&T is proposing to use terminating interstate local switching rate element as the stand-in for the 2016 Target Composite Terminating End Office Rate. The proposed interstate rates and reduced revenue are shown in columns H and I, respectively, of the state 2016 Switched Access Revenue Reduction Exhibits. In the case of Ameritech, BellSouth and SWBT, the regional exhibit sums the results from the state exhibits.

**Fourth**, as the FCC clarified in paragraph 5 of the *ICC Clarification Order*, released March 31, 2014, AT&T must maintain “parity between interstate and intrastate rates, not interstate and intrastate composite rates.” In column J of each state’s exhibit, the intrastate terminating local switching rates are set equal to the proposed interstate rates, and column K calculates the revenue based on the proposed rates. On the exhibits, the 2016 intrastate reduction amount is the difference between column K and column G, which is the FY 2011 intrastate demand multiplied by the July 2, 2013 intrastate rates.

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<sup>13</sup> *ICC Clarification Order*, paragraph 17, “We thus clarify that both price cap and rate-of-return carriers may tariff the single composite rate as a terminating local switching access rate, consistent with the ICC transition, as long as all other rate elements associated with terminating end office access service are reduced to zero.<sup>43</sup> If its Target Composite Terminating End Office Access Rate is higher than the terminating local switching rate such carrier tariffed the previous year that will not constitute an impermissible rate increase.”



**Lastly**, the total interstate plus intrastate 2016 reduction amount (aka 2016 Total Difference) is identified in column L of each state's and region's 2016 Switched Access Revenue Reduction Exhibit.

### **2017 Intrastate and Interstate Reduction**

**First**, AT&T, in accordance with a bill-and-keep methodology, has refiled its interstate access tariffs and any state tariffs, in accordance with §51.905(b)(2), by removing any intercarrier charges for terminating End Office Access Service. Therefore, AT&T's terminating Local Switching Rates are set to be zero.

### **Second**,

Pursuant the Federal Communications Commission's (FCC's) Report and Order and Further Order of Proposed Rulemaking (*USF/ICC Order*), FCC No. 11-161 released November 18, 2011, carriers are required to bifurcate their tandem end office rates elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings. Subsequent to discussion between the Price Cap Industry and the FCC the following clarifications and common approach were agreed upon:

- Traffic Terminating from a Price Cap ILEC owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered "Tandem-to-End Office" that will transition to \$0.0007 (July 2017).
- All other Tandem Traffic that traverses an ILEC owned tandem and does not terminate to an end user served by the ILEC End Office will be considered "Tandem-to- 3<sup>rd</sup> Parties" and will continued to be billed at the current Interstate rates this includes traffic that terminates from a Price Cap ILEC owned tandem to an affiliated CLEC or wireless end office
- Terminating traffic switched through a Tandem to an End Office to a Host and then to a Remote that are all owned by the same Price Cap LEC, should be billed at the transitional rates – (Tandem to End office).

- For terminating traffic delivered to a Host Office through a direct trunk transport then to a Remote where the Price Cap LEC owns the Host/Remote facilities, the rate depends on whether or not the Tandem within the study area (Homing Tandem) is owned by the Price Cap LEC.

### **2017 Accumulated Access Reductions and Eligible Recovery**

Beginning July 1, 2017, AT&T's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi) through (d)(1)(vi)(F) of this section, and then adding the amount in paragraph (d)(1)(vi)(G) of this section to that amount:

- (A) The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to §51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
- (B) The reduction in interstate switched access revenues equal to the 2011 Baseline Composite Terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (C) The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (D) The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate, for traffic that terminates to telephone companies own end offices, to \$0.0007 pursuant to §51.907(g)(2) using pro-rated share of Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;<sup>14</sup>
- (E) CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
- (F) The cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenue less other than those associated with CMRS traffic as described in §51.701(b)(2) resulting from rate reductions required by §51.705; and
- (G) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2015.

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<sup>14</sup> AT&T determined the amount of traffic terminating directly to an AT&T End Office, AT&T Tandem to End Office and AT&T Tandem to 3<sup>rd</sup> Party based on the following methods. First, "peg counts" (a count of calls over telephone trunks performed by the AT&T Network organization) were used to develop an AT&T Direct to End Office percentage. Peg counts provide the amount of calls on the network to determine traffic load. Next, to determine the AT&T Tandem to AT&T End Office percent, data from network traffic studies were analyzed. This study ran traffic data up against a Local Exchange Routing Guide (LERG) and Local Number Portability (LNP) databases. Finally, percentages were developed based upon tandem to end office and tandem 3<sup>rd</sup> party usage.

***NOTE: For the purpose of establishing its recovery for net reciprocal compensation, AT&T has elected to forgo that step (as described in F, above). As a result, AT&T will not receive any recovery for reductions in net reciprocal compensation.***

The sum of the interstate and intrastate 2017 cumulative reductions are utilized in determining the 2017 Access Recovery Charge (ARC) and are presented in column N of each state's Switched Access Revenue Reduction Exhibit, as well as the regional forms for Ameritech, BellSouth and SWBT.

## **20. INTRASTATE AND INTERSTATE RATES**

In accordance with Part 51.907(b)(2)(i), the rates utilized in determining the 2012 and 2013 Total Reductions presented in column M and to develop the interstate revenue amounts in columns F and I are the rates that were in effect in the intrastate and interstate access tariffs on December 29, 2011.<sup>15</sup> The intrastate rates utilized to calculate this year's additional reductions, which are the difference between columns G and K, are the rates that became effective July 2, 2013.

## **21. SERVICES EXCLUDED FROM THE SWITCHED ACCESS REVENUE REDUCTION CALCULATION**

The Switched Access Revenue Reduction calculations are based on terminating traffic only for CCL, Local Switching and Tandem rate elements and the total demand for Entrance Facilities and Direct Trunk Transport. Therefore, services that are assessed on the originating end of a call only have been excluded from the Switched Access Revenue Reduction calculation.

This includes, but is not limited to, Message Unit Credit and 500 access service and Carrier Identification Parameter (CIP).

All end user services, such as International Blocking, are excluded from the Switched Access Revenue Reduction calculation.

Dedicated Network Access Lines (DNALs) are not a circuit switched service. Therefore, despite being located in the Switched Access section of most of the tariffs, DNALs and any associated services are excluded from the Switched Access Revenue Reduction calculation.

As the Commission recognized in paragraph 63 of the *USF/ICC Transformation Order*, packet services are not circuit switched services. Therefore, they are excluded from the Switched Access Revenue Reduction calculations. This includes X.25 and X.75 protocol services and frame relay services.

Telecommunications Relay Services (TRS) / Telecommunications Relay Interconnection Services (TRIS) / Telecommunications Relay Service-Provider Transport (TRS-PT) are specialized services created for a very specific purpose. They are not part of basic Switched Access service and are excluded from the Switched Access Revenue Reduction calculations.

In footnote 114 of the *USF/ICC Transformation Order*, the Commission states “while we encourage carriers to continue to offer operator services and directory assistance, we do not mandate that ETCs provide operator services or directory assistance.” Therefore, all directory

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<sup>15</sup> South Carolina utilizes a price list for Switched Local Channel, Switched Interoﬃce Channel and Channelization.

assistance and operator services are excluded from the Switched Access Revenue Reduction calculations.

## **22. EXHIBITS**

- Exhibit SWBT- SWBT Target Composite Terminating EO Access Rate

**HOLDING COMPANY ACCESS RECOVERY CHARGE (ARC)****23. ARC DEVELOPMENT AND APPLICATION**

AT&T has chosen to calculate the ARC once at the holding company level while each AT&T incumbent local exchange carrier (ILEC) must file all supporting documents separately to comply with the requirements of the *Tariff Review Plan* order. As a result, the required exhibits for this Holding Company ARC section are the same in all five transmittals filed separately by the AT&T ILECs.

Price cap carriers like the ILECs are permitted to recover a limited portion of their Eligible Recovery from their end users through a monthly fixed charge called Access Recovery Charge (ARC). Section 51.915(e)(1) of the FCC's proposed rules defines ARC as:

A charge that is expressed in dollars and cents per line per month may be assessed upon end users that may also be assessed an end user common line charge pursuant to § 69.152 of the chapter, to the extent necessary to allow the Price Cap Carrier to recover some or all of its eligible recovery determined pursuant to paragraph 51.915(d), subject to the caps described in paragraph 51.915(e)(5). A Price Cap Carrier may elect to forgo charging some or all of the Access Recovery Charge.

AT&T, a Price Cap Carrier Holding Company, is allowed to recover eligible recovery attributable to any of the 21 price cap study areas operated by its wholly-owned operating companies through assessment of the ARC on end users in any of those price cap study areas, all of which are operating as price cap ILECs. However, distribution of ARC among different types of lines should follow rules outlined in Section 51.915(e)(4) of the *USF/ICC Transformation Order*. Per that rule, AT&T Holding Company may not recover a higher fraction of its total eligible revenue recovery from ARC assessed on Residential and Single Line Business lines than their share of Total Weighted Lines where Multi-Line Business lines gets twice the weight (i.e.

Total Weighted Lines = Residential Lines + Single-Line Business Lines+ (2 X Multi-Line Business Lines)).

- For purposes of distribution of ARC among different types of lines, the AT&T ILECs' Residential and Single Line Business lines are lines (other than lines of Lifeline Customers) assessed the residential and single line business end user common line charge and lines assessed the non-primary residential EUCL charge.
- AT&T ILECs' Multi-Line Business Lines are lines assessed the multi-line business end user common line charge.

As shown on *Exhibit ATTER17* and summarized on *Exhibit ICC SUM-1*, the total eligible recovery based on the Switched Access Revenue Reductions in Steps 1 through 6 and the CMRS Recip Comp Eligible Recovery is equal to the CALLS Study Area Base Factor multiplied by the sum of the amounts calculated per paragraphs (A) through (E) below:

Beginning July 1, 2017, AT&T's eligible recovery will be equal to ninety (90) percent of the sum of the amounts in paragraphs (d)(1)(vi) through (d)(1)(vi)(F) of this section, and then adding the amount in paragraph (d)(1)(vi)(G) of this section to that amount:

- (A) The amount of the reduction in Transitional Intrastate Access Service revenues determined pursuant to §51.907(b)(2) and (c) multiplied by the Price Cap Carrier Traffic Demand Factor; and
- (B) The reduction in interstate switched access revenues equal to the 2011 Baseline Composite Terminating End Office Access Rate using Fiscal Year 2011 terminating interstate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (C) The reduction in revenues equal to the intrastate 2014 Composite terminating End Office Access Rate using Fiscal Year 2011 terminating intrastate end office switching minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;
- (D) The reduction in revenues resulting from reducing the terminating Tandem-Switched Transport Access Service rate, for traffic that terminates to telephone companies own end offices, to \$0.0007 pursuant to §51.907(g)(2) using pro-rated share of Fiscal Year 2011 terminating tandem-switched minutes, and then multiply by the Price Cap Carrier Traffic Demand Factor;



- (E) CMRS Net Reciprocal Compensation Revenues multiplied by the Price Cap Carrier Traffic Demand Factor;
- (F) The cumulative reductions in Fiscal Year 2011 net reciprocal compensation revenue other than those associated with CMRS traffic as described in 51.701(b)(2) resulting from rate reductions required by 51.705;<sup>10</sup> and
- (G) An amount equal to True-up Revenues for Access Recovery Charges for the year beginning July 1, 2015

The eligible recovery amounts from each of the 21 states are aggregated up to the AT&T Holding Company level and as shown on each state's *Exhibit ARC-NO CAF-1*<sup>16</sup> and *Exhibit ARC-NO CAF-2*, distributed among lines of different types using the criteria outlined in Section 51.915(e)(4).<sup>17</sup>

Billing constraints and the availability of granular E-911 charges restricts AT&T's ability to implement exchange level Residential and Single-Line Business ARC. As a result, AT&T will spread the recovery of Eligible Recovery among a subset of end-users.<sup>18</sup> For the July 2017 through June 2018 tariff period, AT&T has decided not to charge ARC to residential and single-line business customers in 18<sup>19</sup> of its 21 ILEC study areas. AT&T will recover revenues from

<sup>16</sup> Each state's form is labeled as Exhibit ARC-NO CAF-1 xx, where xx equals the state abbreviation.

<sup>17</sup> A Price Cap carrier holding company that does not receive ICC-replacement CAF support may not recover a higher fraction of its total revenue recovery from Access Recovery Charges assessed on Residential and Single Line Business lines than:

- A. The number of Residential and Single-Line Business lines divided by
- B. The sum of the number of Residential and Single-Line Business lines and two times the number of Multi-Line Business lines.

<sup>18</sup> We permit carriers to determine at the holding company level how Eligible Recovery will be allocated among their incumbent LECs' ARCs. By providing this flexibility, carriers will be able to spread the recovery of Eligible Recovery among a broader set of customers, minimizing the increase experienced by any one customer. This also will enable carriers to more fully recover Eligible Recovery from end-users with rates below the \$30 Residential Rate Ceiling, limiting the potential impact on the CAF (Paragraph 910).

<sup>19</sup> Alabama, Arkansas, California, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Nevada, North Carolina, Oklahoma, Tennessee, Texas and Wisconsin.



residential and single-line business customers in the remaining 3<sup>20</sup> ILEC study areas. AT&T will charge ARC to multi-line business customers in all 21 ILEC study areas.

The total AT&T ILEC reduction determined pursuant to § 51.907(b)(2) is projected to be \$306.8M. The Net CMRS Reciprocal Compensation Revenue reduction is projected to be \$19.2M. The amount equal to True-up Revenues for Access Recovery Charge is - \$0.8M, which is calculated by exchange on *Exhibit ARC-TUP-1* and summarized by state on *Exhibit ARC-TUP-2*. AT&T has elected to forgo the recovery for net non-CMRS reciprocal compensation per the option outlined in Section 51.915(d)(3) of the Rules. As a result, the total Eligible Recovery Revenue pursuant to 51.915(d)(1)(i) of the Rules (after adjusting for CALLS Study Area Base Factor and Price Cap Carriers Traffic Demand Factor) is \$155.1M.

Per Paragraph 911 of the *USF/ICC Transformation Order*, AT&T could have allocated 31.2 percent of the Eligible Recovery (i.e. \$48.4 M) to Residential Lines (that includes Single-Line Business and BRI-ISDN) and 68.8 percent to Multi-Line Business Lines. However, due to residential rate ceiling constraints, the Eligible Recovery allocated to Residential (including Single-Line Business and BRI-ISDN) is only 13.3 percent, or \$20.7 M, and the Eligible Recovery for Multi-Line Business is 86.7 percent, or \$134.4 M.

Given the ARC rates filed with this tariff and projected line count for this tariff period, AT&T's Expected ARC Revenue from Residential Lines and Single Line Business will be \$20.7 M and from Multi-Line Business Lines \$134.4 M.

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<sup>20</sup> Illinois, Ohio, and South Carolina.

Currently, AT&T ILECs are not receiving any ICC-CAF funding. However, AT&T is still required to file one additional form called Rate Ceiling Calcs spreadsheet, which is attached to the *Tariff Review Plan*. As a result, **Exhibit ARC-NO-CAF-3** is included in the filing package.

**Exhibits ARCRCTRP-NO CAF-1<sup>21</sup>** and **ARCRCTRP-NO CAF-2** provide the required Tariff Rate Comparisons.

## 24. EXHIBITS

- Exhibit ATTTER15 - Total Eligible Recovery Step 4
- Exhibit ICC SUM-1 - Eligible ARC/ARC Recovery

### **Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Exhibit ARC-NO CAF-1 IL - Illinois ARC Form
- Exhibit ARC-NO CAF-1 IN - Indiana ARC Form
- Exhibit ARC-NO CAF-1 MI - Michigan ARC Form
- Exhibit ARC-NO CAF-1 OH - Ohio ARC Form
- Exhibit ARC-NO CAF-1 WI - Wisconsin ARC Form

### **BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 AL - Alabama ARC Form
- Exhibit ARC-NO CAF-1 FL - Florida ARC Form
- Exhibit ARC-NO CAF-1 GA - Georgia ARC Form
- Exhibit ARC-NO CAF-1 KY - Kentucky ARC Form
- Exhibit ARC-NO CAF-1 LA - Louisiana ARC Form
- Exhibit ARC-NO CAF-1 MS - Mississippi ARC Form
- Exhibit ARC-NO CAF-1 NC - North Carolina ARC Form
- Exhibit ARC-NO CAF-1 SC - South Carolina ARC Form
- Exhibit ARC-NO CAF-1 TN - Tennessee ARC Form

### **Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 NV - Nevada ARC Form

### **Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- Exhibit ARC-NO CAF-1 CA - California ARC Form

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<sup>21</sup> Each state's form is labeled as Exhibit ARCRCTRP – NO CAF-1 xx, where xx equals the state abbreviation.

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- Exhibit ARC-NO CAF-1 AR - Arkansas ARC Form
- Exhibit ARC-NO CAF-1 KS - Kansas ARC Form
- Exhibit ARC-NO CAF-1 MO - Missouri ARC Form
- Exhibit ARC-NO CAF-1 OK - Oklahoma ARC Form
- Exhibit ARC-NO CAF-1 TX - Texas ARC Form
- Exhibit ARC-NO CAF-2 - Maximum ARC Revenue Calculation
- Exhibit ARC-NO CAF-3 - Rate Ceiling No CAF
- Exhibit ARC-NO CAF-4 - Footnotes

**Ameritech Operating Companies (Ameritech) Tariff FCC No. 2**

- Exhibit ARCRCTR-NO CAF-1 IL - Illinois Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 IN - Indiana Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 MI - Michigan Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 OH - Ohio Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 WI - Wisconsin Tariff Rate Comparison No CAF

**BellSouth Telecommunications, LLC (BellSouth) Tariff FCC No. 1**

- Exhibit ARCRCTR-NO CAF-1 AL - Alabama Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 FL - Florida Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 GA - Georgia Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 KY - Kentucky Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 LA - Louisiana Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 MS - Mississippi Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 NC - North Carolina Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 SC - South Carolina Tariff Rate Comparison No CAF
- Exhibit ARCRCTR-NO CAF-1 TN - Tennessee Tariff Rate Comparison No CAF

**Nevada Bell Telephone Company (NBTC) Tariff FCC No. 1**

- Exhibit ARCRCTR-NO CAF-1 NV - Nevada Tariff Rate Comparison No CAF

**Pacific Bell Telephone Company (PBTC) Tariff FCC No. 1**

- Exhibit ARCRCTR-NO CAF-1 CA - California Tariff Rate Comparison No CAF

**Southwestern Bell Telephone Company (SWBT) Tariff FCC No. 73**

- Exhibit ARCRCTRP-NO CAF-1 AR - Arkansas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 KS - Kansas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 MO - Missouri Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 OK - Oklahoma Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-1 TX - Texas Tariff Rate Comparison No CAF
- Exhibit ARCRCTRP-NO CAF-2 - Tariff Rate Comparison No CAF

Exhibit ARCRCTRP-NO CAF-3 - Footnotes

Exhibit ARC-TUP-1 - True Up Calculation by Exchange

Exhibit ARC-TUP-2 - True Up Summary by State

Exhibit ARC-TUP-3 - Footnotes

## CHECK SHEET

Title page 1 and pages 1 to 41-5 inclusive of this tariff are effective as of the date shown. Original and revised pages as named below and Supplement No. 67 contain all changes from the original tariff that are in effect on the date hereof.

<u>Page</u>	Number of Revision Except as Indicated	<u>Page</u>	Number of Revision Except as Indicated	<u>Page</u>	Number of Revision Except as Indicated
Title 1	14th	1.37	28th	31-13	2nd
1	1221st*	1.38	22nd	32	10th
1.1	150th	1.39	24th	33	4th
1.2	323rd*	1.40	21st	34	11th
1.3	75th	1.41	5th	35	9th
1.4	97th	1.42	Original	36	8th
1.5	171st*	2	Original	37	8th
1.6	125th	3	4th	38	7th
1.7	118th	4	3rd	39	4th
1.7.1	Original	5	1st	39.1	19th
1.8	73rd	6	1st	40	13th
1.8.1	2nd	7	3rd	41	14th
1.9	61st	8	5th	42	1st
1.9.1	8th	9	3rd	43	1st
1.10	104th	10	7th	44	2nd
1.10.1	52nd	11	10th	1-1	4th
1.11	157th	12	8th	2-1	7th
1.11.1	30th	13	3rd	2-2	14th
1.12	63rd	14	1st	2-3	24th
1.13	88th	15	6th	2-4	11th
1.13.1	37th	16	5th	2-5	12th
1.14	93rd	17	Original	2-6	33rd
1.15	45th	18	19th	2-7	13th
1.16	50th	19	16th	2-8	10th
1.16.1	21st	20	6th	2-9	1st
1.17	69th	20.1	13th	2-10	Original
1.18	46th	20.2	2nd	2-11	Original
1.19	45th	20.3	4th	2-12	Original
1.20	24th	21	1st	2-13	1st
1.20.1	6th	22	3rd	2-14	3rd
1.20.2	5th	23	3rd	2-15	Original
1.20.3	6th	24	7th	2-16	Original
1.20.4	20th	25	2nd	2-17	7th
1.21	46th	26	4th	2-17.1	1st
1.22	55th	27	2nd	2-17.2	1st
1.23	63rd	28	2nd	2-18	2nd
1.23.1	13th	29	1st	2-19	2nd
1.24	62nd	30	3rd	2-20	11th
1.24.1	6th	31	2nd	2-21	10th
1.25	29th	31.1	9th	2-22	5th
1.26	72nd	31.2	5th	2-23	Original
1.27	10th	31.3	11th	2-24	4th
1.28	12th	31.4	7th	2-25	Original
1.29	25th	31.5	4th	2-26	1st
1.30	21st	31.6	21st	2-27	Original
1.31	25th	31.7	10th	2-28	Original
1.32	19th	31.8	23rd	2-29	Original
1.33	21st	31.9	43rd	2-30	Original
1.34	25th	31.10	37th	2-31	Original
1.35	34th	31.11	36th	2-32	Original
1.36	33rd	31.12	49th	2-33	Original
		31.13	2nd	2-34	Original

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2-96	13th	3-10.3	1st	5-10	3rd
2-97	10th	3-11	2nd	5-11	2nd
2-98	6th	3-12	2nd	5-12	3rd
2-98.1	Original	3-13	1st	5-12.1	2nd
2-99	1st	3-14	3rd	5-13	2nd
2-100	8th	3-15	1st	5-14	2nd
2-101	14th	3-16	3rd	5-15	9th
2-102	1st	3-17	2nd	5-16	11th
2-103	4th	3-18	1st	5-17	2nd
2-103.1	2nd	3-19	6th	5-17.1	6th
2-104	10th	3-20	42nd	5-17.2	8th
2-105	3rd	4-1	5th	5-17.3	3rd
2-106	2nd	4-2	6th	5-17.4	3rd
2-107	4th	4-3	13th	5-17.5	6th
2-107.1	1st	4-3.1	2nd	5-17.6	6th
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2-108.1	Original	4-5	2nd	5-17.8	8th
2-109	5th	4-5.1	5th	5-17.9	5th
2-109.1	10th	4-5.2	3rd	5-17.10	6th
2-110	8th	4-5.3	54th*	5-17.11	3rd
2-111	1st	4-6	65th*	5-17.12	13th
2-111.1	19th	4-7	2nd	5-17.13	1st
2-112	13th	4-8	29th*	5-17.14	Original
2-113	11th	4-8.1	30th*	5-17.15	Original
2-113.1	Original	4-9	30th*	5-18	13th
2-114	9th	4-10	55th*	5-18.1	8th
2-114.1	10th	4-11	55th*	5-19	5th
2-115	12th	4-12	53rd*	5-20	9th
2-116	2nd	4-12.1	6th*	5-21	1st
2-117	1st	4-12.2	6th*	5-22	Original
2-118	8th	4-13	79th*	5-23	13th
2-118.1	Original	4-14	74th*	5-24	3rd
2-119	3rd	4-15	55th*	5-25	13th
2-119.1	1st	5-1	40th	5-26	2nd
2-120	4th	5-2	9th	5-27	9th
2-121	11th	5-3	1st	5-27.1	Original
2-122	5th	5-4	5th	5-28	5th
2-123	3rd	5-4.1	2nd	5-29	20th
3-1	5th	5-4.2	2nd	5-30	20th
3-2	2nd	5-5	3rd	5-30.1	12th
3-3	Original	5-5.1	5th	5-30.1.1	8th
3-4	4th	5-6	6th	5-30.2	12th
3-5	5th	5-7	3rd	5-31	10th
3-6	7th	5-7.1	2nd	5-31.1	1st
3-7	4th	5-8	4th	5-31.2	2nd
3-8	4th	5-8.1	2nd	5-32	7th
3-9	4th	5-8.2	3rd	5-33	12th
3-10	4th	5-8.3	5th	5-34	6th
3-10.1	2nd	5-8.4	1st	5-34.1	110th

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6-173.1	2nd	6-182	5th	7-14	2nd
6-173.2	2nd	6-183	5th	7-15	Original
6-173.3	1st	6-184	5th	7-16	1st
6-173.4	3rd	6-184.1	9th	7-17	1st
6-174	3rd	6-184.2	7th	7-18	Original
6-175	1st	6-185	47th*	7-19	4th
6-176	6th	6-186	12th	7-20	3rd
6-176.1	3rd	6-187	12th	7-21	1st
6-176.2	8th	6-188	15th	7-22	Original
6-177	1st	6-189	8th	7-23	2nd
6-178	2nd	6-190	9th	7-24	5th
6-178.1	3rd	6-191	9th	7-25	Original
6-178.2	1st	6-192	9th	7-26	2nd
6-178.3	1st	6-193	8th	7-27	Original
6-178.4	1st	6-194	10th	7-28	Original
6-178.5	1st	6-194.1	4th	7-29	2nd
6-178.6	1st	6-195	6th	7-30	6th
6-178.7	1st	6-196	7th	7-31	1st
6-178.8	1st	6-197	7th	7-32	1st
6-178.9	3rd	6-198	7th	7-33	2nd
6-178.10	1st	6-199	6th	7-34	2nd
6-179	47th	6-200	6th	7-35	3rd
6-179.1	20th	6-201	8th	7-36	Original
6-179.2	10th	6-202	6th	7-37	Original
6-179.3	16th	6-203	6th	7-38	Original
6-179.4	9th	6-204	6th	7-39	1st
6-179.5	17th	6-205	8th	7-40	4th
6-179.6	13th	6-206	6th	7-41	2nd
6-179.7	19th	6-207	6th	7-41.1	Original
6-179.8	2nd	6-208	12th	7-41.2	Original
6-179.9	15th	6-209	22nd	7-41.3	Original
6-179.10	1st	6-210	3rd	7-41.4	Original
6-179.11	29th*	6-211	3rd	7-41.5	Original
6-179.12	2nd	7-1	5th	7-42	2nd
6-179.13	2nd	7-2	13th	7-43	8th
6-179.14	3rd	7-3	3rd	7-44	2nd
6-179.15	2nd	7-4	1st	7-45	Original
6-179.16	Original	7-5	7th	7-46	4th
6-180	9th	7-6	1st	7-47	5th
6-180.1	5th	7-7	5th	7-47.1	6th
6-180.2	3rd	7-8	1st	7-48	Original
6-180.3	3rd	7-9	1st	7-49	Original
6-180.4	1st	7-10	5th	7-50	Original
6-180.5	1st	7-11	1st	7-51	Original

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## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.9 Rates and Charges (Cont'd)6.9.2 Switched Transport (Cont'd)(C) Tandem Switched Transport

(1)	Tandem Switched Transmission/Common Transport	<u>Originating</u>	<u>Terminating to non-Telephone Company 3rd party location</u>	<u>Terminating to Telephone Company's own end office</u>	
	Rate per Access Minute	\$0.000053	\$0.000053	\$0.00	(R)
	Rate per Access Minute per Mile	\$0.000003	\$0.000003	\$0.00	(R)
(2)	Tandem Switching Rate per Access Minute	\$0.000288	\$0.000288	\$0.0007	(I)
(3)	Tandem End Office Multiplexing Rate per Access Minute	\$0.000047	\$0.000047	\$0.00	(R)
(4)	Host/Remote Transmission Rate per Access Minute	\$0.000173	N/A	\$0.00	(R)
	Rate per Access Minute per Mile	\$0.000014	N/A	\$0.00	(R)

		<u>Originating USOC</u>	<u>Originating Monthly Rate</u>	<u>Terminating USOC</u>	<u>Terminating Monthly Rate</u>
(5)	Dedicated Tandem Trunk Port	3PO3X	\$1.34	3PT3X	\$1.34
(6)			<u>Nonrecurring Charge</u>		
	per Voice Grade	NRBLW			
	First Voice Grade Channel		\$181.00		
	Add'l Voice Grade Channel, each		\$157.00		
	per DS1	NRBLX			
	First DS1		\$408.00		
	Additional DS1, each		\$314.00		
	per DS3	NRBLY			
	First DS3		\$473.00		
	Additional DS3, each		\$341.00		

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Southwestern Bell Telephone Company to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

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## ACCESS SERVICE

6. Switched Access Service (Cont'd)6.9 Rates and Charges (Cont'd)6.9.3 Local Switching

(A) <u>Bundled Local Switching Usage</u>	<u>Rate per Access Minute</u>		
	<u>Originating</u>	<u>Terminating</u>	
Premium			
LS1	\$0.002563	\$0.00	(R)
LS2	\$0.002563	\$0.00	(R)
Non-premium	\$0.001153	\$0.00	(R)
(B) <u>Unbundled Local Switching Usage</u>			
Premium			
LS1	\$0.002563	\$0.00	(R)
LS2	\$0.002563	\$0.00	(R)
Non-premium	\$0.001153	\$0.00	(R)

(C) Dedicated End Office Port

	<u>Originating</u> <u>USOC</u>	<u>Originating</u> <u>Monthly</u> <u>Rate</u>	<u>Terminating</u> <u>USOC</u>	<u>Terminating</u> <u>Monthly</u> <u>Rate</u>
Per Port	3P01X	\$ 18.96	3PT1X	\$0.00
(D) <u>Shared End Office Trunk Port</u>				
Rate per Access Minute		<u>Originating</u> \$0.000900	<u>Terminating</u> \$0.00	
(E) <u>900 Access Service NXX</u>				
<u>Activation Charge</u>		<u>Nonrecurring Charge</u>		
First NXX .....		\$ 78.65		
Additional NXX .....		\$ 15.78		

Rates contained in this transmittal are subject to subsequent adjustment, effective retrospectively, in the event the Commission or a court subsequently authorizes Southwestern Bell Telephone Company to correct its rates pursuant to pending motions, or petitions for reconsideration or waiver, or in the event of any other adjustment to an order of the Commission or a court.

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# **EXHIBIT 12**

**AT&T Inc. Form 10-K, Exhibit 21:  
Principal Subsidiaries  
(filed Feb. 17, 2017)**

**PRINCIPAL SUBSIDIARIES OF**  
**AT&T INC., AS OF DECEMBER 31, 2016**  
**2016 AT&T INC. REPORT TO STOCKHOLDERS**  
**SECURITIES AND EXCHANGE COMMISSION ("SEC")**  
**FORM 10-K filed February 17, 2017**

<b><u>Legal Name</u></b>	<b><u>State of Incorporation/Formation</u></b>	<b><u>Conducts Business Under</u></b>
Illinois Bell Telephone Company	Illinois	AT&T Illinois; AT&T Wholesale
Indiana Bell Telephone Company, Incorporated	Indiana	AT&T Indiana; AT&T Wholesale
Michigan Bell Telephone Company	Michigan	AT&T Michigan; AT&T Wholesale
Nevada Bell Telephone Company	Nevada	AT&T Nevada; AT&T Wholesale
Pacific Bell Telephone Company	California	AT&T California; AT&T Wholesale; AT&T DataComm
SBC Long Distance, LLC	Delaware	AT&T Long Distance
AT&T Teleholdings, Inc.	Delaware	AT&T Midwest; AT&T West; AT&T East
Southwestern Bell Telephone Company	Delaware	AT&T Arkansas; AT&T Kansas; AT&T Missouri; AT&T Oklahoma; AT&T Texas; AT&T Southwest; AT&T DataComm; AT&T Wholesale
The Ohio Bell Telephone Company	Ohio	AT&T Ohio; AT&T Wholesale
Wisconsin Bell, Inc.	Wisconsin	AT&T Wisconsin; AT&T Wholesale
AT&T Corp.	New York	AT&T Corp.; ACC Business; AT&T Wholesale; AT&T Business Solutions; AT&T Advanced Solutions; AT&T Diversified Group; AT&T Mobile and Business Solutions
Teleport Communications America, LLC	Delaware	same

BellSouth, LLC	Georgia	AT&T South
BellSouth Telecommunications, LLC	Georgia	AT&T Alabama AT&T Florida AT&T Georgia AT&T Kentucky AT&T Louisiana AT&T Mississippi AT&T North Carolina AT&T South Carolina AT&T Tennessee AT&T Southeast
AT&T Mobility LLC	Delaware	same
AT&T Mobility II LLC	Delaware	same
New Cingular Wireless PCS, LLC	Delaware	AT&T Mobility
Cricket Wireless LLC	Delaware	same
AT&T Comunicaciones Digitales, S. de R.L. de C.V.	Mexico City	same
DIRECTV, LLC	California	same
DIRECTV Enterprises, LLC	Delaware	same
DIRECTV Latin America, LLC	Delaware	same
SKY Brasil Serviços Ltda.	Brazil	same
DIRECTV Colombia Ltda.	Colombia	same
DIRECTV Argentina S.A.	Argentina	same

# **EXHIBIT 13**

**Petition of Level 3 to Reject or  
Suspend and Investigate,  
WC Docket No. 17-65  
(filed June 23, 2017)**

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
July 1, 2017	)	WC Docket No. 17-65
Annual Access Charge Tariff Filings	)	
	)	
Ameritech Operating Companies	)	
Tariff F.C.C. No. 2	)	Transmittal No. 1860
	)	
BellSouth Telephone Company	)	
Tariff F.C.C. No. 1	)	Transmittal No. 130
	)	
Nevada Bell Telephone Company	)	
Tariff F.C.C. No. 1	)	Transmittal No. 301
	)	
Pacific Bell Telephone Company	)	
Tariff F.C.C. No. 1	)	Transmittal No. 553
	)	
Southwestern Bell Telephone Company	)	
Tariff F.C.C. No. 73	)	Transmittal No. 3444
	)	

**PETITION OF LEVEL 3 TO REJECT OR SUSPEND AND INVESTIGATE**

WILLKIE FARR & GALLAGHER LLP  
1875 K Street, NW  
Washington, DC 20006  
(202) 303-1000

*Counsel for Level 3 Communications, LLC*

June 23, 2017

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**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
July 1, 2017	)	WC Docket No. 17-65
Annual Access Charge Tariff Filings	)	
	)	
Ameritech Operating Companies	)	
Tariff F.C.C. No. 2	)	Transmittal No. 1860
	)	
BellSouth Telephone Company	)	
Tariff F.C.C. No. 1	)	Transmittal No. 130
	)	
Nevada Bell Telephone Company	)	
Tariff F.C.C. No. 1	)	Transmittal No. 301
	)	
Pacific Bell Telephone Company	)	
Tariff F.C.C. No. 1	)	Transmittal No. 553
	)	
Southwestern Bell Telephone Company	)	
Tariff F.C.C. No. 73	)	Transmittal No. 3444
	)	

**PETITION OF LEVEL 3 TO REJECT OR SUSPEND AND INVESTIGATE**

Pursuant to Section 1.773(a) of the Commission’s rules and the *July 1, 2017 Tariff Filing Order*,<sup>1</sup> Level 3 Communications, LLC (“Level 3”) hereby petitions the Wireline Competition Bureau (“Bureau”) to reject, or, in the alternative, suspend and investigate the above-referenced transmittals filed by AT&T, Inc. (“AT&T”) on June 16, 2017 as they apply to AT&T’s

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<sup>1</sup> 47 C.F.R. § 1.773(a); *July 1, 2017 Annual Access Charge Tariff Filings*, Order, 32 FCC Rcd. 1918 (WCB 2017) (“*July 1, 2017 Tariff Filing Order*”).



implementation of revisions to Tandem Switched Transport Access Service rates required by Section 51.907(g)(2) of the Commission's rules.<sup>2</sup>

## I. INTRODUCTION

The tariff changes proposed by AT&T are inconsistent with the Commission's access charge transition rules, the Commission's order adopting those rules, Section 3(2) of the Communications Act of 1934, as amended, the dictionary definition of "affiliate," and sound public policy.<sup>3</sup> The Bureau should therefore reject the transmittals or, at the very least, suspend them and initiate a thorough investigation of their lawfulness.

The Bureau should reject the proposed transmittals because they are patently unlawful. Section 51.907(g)(2) of the Commission's rules states that, beginning July 1, 2017, each price cap carrier must "establish, for interstate and intrastate terminating traffic traversing a tandem switch that the terminating carrier *or its affiliates* owns, Tandem-Switched Transport Access Service rates no greater than \$0.0007 per minute."<sup>4</sup> The definition of "affiliate" in Section 3(2)

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<sup>2</sup> 47 C.F.R. § 51.907(g)(2). The AT&T June 16, 2017 tariff filings at issue include the following: Ameritech Operating Companies, Transmittal No. 1860, Tariff F.C.C. No. 2 § 6.9.1(A), 13th Revised Page 207.1.1.1 (June 16, 2017); BellSouth Telecommunications, Transmittal No. 130, Tariff F.C.C. No. 1 § 6.8.1(C), 4th Revised Page 6-273 (June 16, 2017); Nevada Bell Telephone Company, Transmittal No. 301, Tariff F.C.C. No. 1 § 6.8.1(C), 11th Revised Page 6-146 (June 16, 2017); Pacific Bell Telephone Company, Transmittal No. 553, Tariff F.C.C. No. 1 § 6.8.2(C), 15th Revised Page 6-214 (June 16, 2017); Southwestern Bell Telephone Company, Transmittal No. 3444, Tariff F.C.C. No. 73 § 6.9.2(C), 29th Revised Page 6-179.11 (June 16, 2017).

<sup>3</sup> 47 U.S.C. § 153.

<sup>4</sup> 47 C.F.R. § 51.907(g)(2) (emphasis added); *see also Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Inter-carrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd. 17663, 18173 (2011) ("USF/ICC Transformation Order or USF/ICC Transformation FNPRM"), *aff'd sub nom. In re: FCC 11-161*, 753 F.3d 1015 (10th Cir. 2014) (emphasis added).

of the Communications Act encompasses *all* entities owned or under common ownership, regardless of the services provide by such entities. This definition makes sense here because it promotes the Commission’s policy objective of transitioning the industry to bill and keep. Neither the rule nor the *USF/ICC Transformation Order* limits the term “affiliates” in any way. Yet AT&T’s tariff transmittals limit the term “affiliates” to mean only AT&T ILECs. AT&T therefore excludes other affiliates from the definition, including affiliates that provide CLEC service, VoIP service, or wireless service. Since this interpretation of “affiliates” has no basis in law or policy, it should be rejected.

Even if the Bureau does not reject the transmittals, it should suspend and investigate them because there are significant questions as to whether AT&T has sought to unlawfully evade application of the Tandem-Switched Transport Access Service rate reduction to its affiliates that are not ILECs. If the Bureau does not suspend the instant tariffs, interconnecting carriers will be forced to pay rates that exceed the maximum rates permitted under Section 51.907(g)(2) and the transition to bill and keep will be needlessly undermined.

## II. ARGUMENT

As explained below, the Bureau should reject AT&T’s proposed tariff revisions, or, in the alternative, suspend and investigate the proposed tariff revisions.

### **A. The Extent to Which AT&T Has Complied with Section 51.907(g)(2) Can Only Be Determined By Reviewing AT&T’s June 16 Tariff Transmittals.**

In its June 7, 2017 tariff transmittals, AT&T purported to restructure its tandem transport and host remote rate elements by splitting tandem rate elements for terminating tandem traffic into two categories.<sup>5</sup> For example, the June 7 BellSouth transmittal explains that:

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<sup>5</sup> See Ameritech Operating Companies, Transmittal No. 1859, Tariff F.C.C. No. 2 § 6.8.2(D)(4), 9th Revised Page 180 (June 7, 2017); BellSouth Telecommunications, Transmittal No. 129,

Access Tandem Switching provides for the function of switching traffic through the Access Tandem from or to the end office switch(es). The Access Tandem Switching charge is assessed on all originating and terminating minutes of use switched at the Access Tandem. Access Tandem Switching charges are billed as Originating, Terminating to Telephone Company's own end office and Terminating to non-Telephone Company 3rd party locations based on call recordings. Non-Telephone Company 3rd party locations are all offices or other locations not owned by the Telephone Company. *Examples of 3rd party locations include terminations to other local exchange and wireless carriers.*<sup>6</sup>

The Description and Justification narratives accompanying both the June 7 transmittals and the instant transmittals explain further that AT&T considers "3<sup>rd</sup> party locations" to "include[] traffic that terminates from a Price Cap ILEC-owned tandem to an affiliated CLEC or wireless end office," while "Traffic Terminating from a Price Cap ILEC-owned Tandem to its own or any other Price Cap ILEC End Office owned by the same Holding Company, will be considered 'Tandem-to-End Office' that will transition to \$0.0007."<sup>7</sup> The June 7 transmittals did not,

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Tariff F.C.C. No. 1 § 6.1.3(A)(2)(b)(3), 1st Revised Page 6-17 (June 7, 2017); Nevada Bell Telephone Company, Transmittal No. 300, Tariff F.C.C. No. 1 § 6.7.1(D)(3), 1st Revised Page 6-112, 2nd Revised Page 6-113 (June 7, 2017); Pacific Bell Telephone Company, Transmittal No. 552, Tariff F.C.C. No. 1 § 6.7.1(D)(3), 2nd Revised Page 6-167 (June 7, 2017); Southwestern Bell Telephone Company, Transmittal No. 3443, Tariff F.C.C. No. 73 § 6.8.3(E)(3), 5th Revised Page 6-149.4, 6th Revised Page 6-149.5 (June 7, 2017).

<sup>6</sup> BellSouth Telecommunications, Transmittal No. 129, Tariff F.C.C. No. 1 § 6.1.3(A)(2)(b)(3), 1st Revised Page 6-17 (June 7, 2017); (emphasis added). The other AT&T June 7 transmittals, *supra* note 5, include substantially similar provisions.

<sup>7</sup> Ameritech Operating Companies, Transmittal No. 1859, Description and Justification, 1 (June 7, 2017); BellSouth Telecommunications, Transmittal No. 129, Description and Justification, 1 (June 7, 2017); Nevada Bell Telephone Company, Transmittal No. 300, Description and Justification, 1 (June 7, 2017); Pacific Bell Telephone Company, Transmittal No. 552, Description and Justification, 1 (June 7, 2017); Southwestern Bell Telephone Company, Transmittal No. 3443, Description and Justification, 1 (June 7, 2017); Ameritech Operating Companies, Transmittal No. 1860, Description and Justification, 34 (June 16, 2017); BellSouth Telecommunications, Transmittal No. 130, Description and Justification, 32 (June 16, 2017); Nevada Bell Telephone Company, Transmittal No. 301, Description and Justification, 31 (June 16, 2017); Pacific Bell Telephone Company, Transmittal No. 553, Description and Justification, 31 (June 16, 2017); Southwestern Bell Telephone Company, Transmittal No. 3444, Description and Justification, 32 (June 16, 2017).

however, establish specific rates for the classes of traffic described in those transmittals. The June 16 transmittals did that.

As a result, it is only possible to determine whether AT&T's rate restructuring complies with Section 51.907(g)(2) by reviewing the June 16 transmittals. AT&T could have set all of the rates proposed in the June 16 transmittals at or below the level required by Section 51.907(g)(2), in which case bifurcation would not have resulted in a violation of the rule. It was not until the June 16 transmittals that AT&T actually set forth the rates for traffic to be terminated by non-ILEC affiliates that exceed the level permitted under Section 51.907(g)(2). This petition therefore is timely pursuant to the deadlines set forth in the *July 1, 2017 Tariff Filing Order*.<sup>8</sup>

### **B. The Transmittals Are Unlawful and Should Be Rejected.**

The Bureau should reject the instant tariff transmittals. The transmittals propose rates for calls "Terminating to non-Telephone Company 3<sup>rd</sup> party locations" that exceed the \$0.0007 cap established in Section 51.907(g)(2) of the Commission's rules. Exempting this traffic from the transition to bill and keep is flatly inconsistent with the terms of Section 51.907(g)(2), the *ICC/USF Transformation Order*, the definition of "affiliate" in Section 3(2) of the Communications Act, the dictionary definition of "affiliate," and the Commission's policy objectives.

The terms of Section 51.907(g)(2) do not explicitly or implicitly limit the scope of the word "affiliates." The only permissible inference is that "affiliates" as used in Section 51.907(g)(2) means *all* affiliates of the terminating tandem owner, as that term is defined in Section 3(2) of the Communications Act.<sup>9</sup>

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<sup>8</sup> *July 1, 2017 Tariff Filing Order* ¶ 9.

<sup>9</sup> 47 U.S.C. § 153(2).

The *USF/ICC Transformation Order* supports this conclusion. The *USF/ICC Transformation Order* does not indicate that the term “affiliates” – for purposes of Section 51.907(g)(2) or otherwise – is limited to the ILEC affiliates of terminating carriers or in any other way. While the *USF/ICC Transformation Order* does not define “affiliates” in the context of the Section 51.907(g)(2) Tandem-Switched Transport Access Service rate reduction, there are several instances in the *USF/ICC Transformation Order* where “affiliate” is used, and the context gives no indication that the Commission construes that definition to exclude non-ILEC affiliates.<sup>10</sup> Moreover, in at least one other context, the *USF/ICC Transformation Order* expressly relies on the statutory definition of the term.<sup>11</sup>

Indeed, the definition of “affiliate” in the Communications Act eliminates any possible doubt that the term “affiliates” is not limited in the manner proposed by AT&T. In fact, because “affiliates” is not defined in Section 51.907(g)(2), the terms of the Act and Commission precedent dictate that the statutory definition applies.<sup>12</sup> Section 3(2) of the Communications Act states as follows:

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<sup>10</sup> See, e.g., *USF/ICC Transformation Order* n. 240 (“Parties seeking relief against an interconnected VoIP provider for alleged violations of our signaling rules could seek relief against that interconnected VoIP provider’s partnering or affiliated LEC.”).

<sup>11</sup> In adopting an annual reporting requirement for eligible telecommunications carriers (“ETCs”), the *USF/ICC Transformation Order* explains that, when reporting their affiliated interests, ETCs should rely on the definition of “affiliate” in Section 3 of the Communications Act. See *USF/ICC Transformation Order* n.981.

<sup>12</sup> See 47 U.S.C. § 153 (stating that, “[f]or the purposes of this chapter [Chapter 5: Wire or Radio Communication], unless the context otherwise requires....” the definitions set forth in the Act apply); *Implementation of Section 210 of the Satellite Home Viewer Extension & Reauthorization Act of 2004 to Amend Section 338 of the Communications Act*, 20 FCC Rcd. 14242, ¶ 9 (2005) (“In determining the proper interpretation, we bear in mind that Section 3 of the Communications Act provides definitions of terms that apply for the purposes of this Act, ‘unless the context otherwise requires.’”).

The term “affiliate” means a person that (directly or indirectly) owns or controls, is owned or controlled by, or is under common ownership or control with, another person. For purposes of this paragraph, the term “own” means to own an equity interest (or the equivalent thereof) of more than 10 percent.<sup>13</sup>

The rule includes no carve out for affiliates that are not ILECs. Thus, in applying the Section 51.907(g)(2) rate reduction only to ILEC affiliates of tandem owners, and not to “affiliates” as the term is defined in the statute, the instant tariff transmittals are unlawful.

Furthermore, the dictionary definition of “affiliate” is consistent with an interpretation of the term that is not limited in the manner proposed by AT&T. For example, Merriam-Webster defines affiliate as “an affiliated person or organization; *specifically*: a business entity effectively controlling or controlled by another or associated with others under common ownership or control.”<sup>14</sup> Courts can and do rely on dictionary definitions to interpret language on which the Commission has relied to impose regulatory obligations.<sup>15</sup> Accordingly, the Bureau should find that AT&T’s limited interpretation of “affiliates” defies both the statutory definition and common usage of the term.

Not only is interpreting “affiliates” in a manner consistent with the statute required, it also is in the public interest because it furthers important policy objectives articulated in the *USF/ICC Transformation Order*. In that order, the Commission determined that intercarrier compensation charges should be eliminated and that the industry should transition as soon as

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<sup>13</sup> 47 U.S.C. § 153(2).

<sup>14</sup> Affiliate, *Merriam-Webster*, <https://www.merriam-webster.com/dictionary/affiliate> (emphasis in original).

<sup>15</sup> See, e.g., *AT&T Corp. v. Iowa Utils. Bd.*, 525 U.S. 366, 394 (1999) (citing the Webster’s dictionary definition of “unbundled” to show that it “matches the FCC’s interpretation of the word,” as it appears in 47 U.S.C. § 251(c)(3)); *SBC Commc’ns Inc. v. FCC*, 373 F.3d 140, 149 (D.C. Cir. 2004) (using Merriam Webster’s Collegiate Dictionary to define “subject to” where the implications of its use in an FCC order were at issue).

possible to bill and keep.<sup>16</sup> As the Commission explained, the transition to bill and keep would cause (1) carrier operations to become more efficient, including over time by “eliminat[ing] wasteful arbitrage schemes and other behaviors designed to take advantage of or avoid above-cost interconnection rates”;<sup>17</sup> (2) carrier decisions to invest in communications services to increasingly be based on efficient price signals;<sup>18</sup> and (3) carriers to have increased incentives to innovate to attract and maintain customers.<sup>19</sup>

The sooner the industry transitions to bill and keep, the sooner these benefits will be realized. But AT&T’s proposal to exempt tandem-switched traffic to non-ILEC affiliate terminating carriers would delay the transition to bill and keep for a large volume of traffic, i.e., all AT&T ILEC tandem-switched traffic terminated by AT&T’s wireless, CLEC, and VoIP affiliates. Doing so would perpetuate the inefficiencies caused by intercarrier compensation and harm consumer welfare. There is simply no reason to allow this to happen.

### **C. The Proposed Tariff Revisions Raise Significant Questions of Lawfulness.**

Even if the Bureau does not find that the instant transmittals should be rejected, AT&T’s proposed revisions raise significant issues or questions concerning the lawfulness of the tariffs and therefore warrant suspension and investigation.

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<sup>16</sup> See, e.g., *USF/ICC Transformation Order* ¶ 741 (“We find that a bill-and-keep framework for intercarrier compensation best advances the Commission’s policy goals and the public interest, driving greater efficiency in the operation of telecommunications networks and promoting the deployment of IP-based networks.”).

<sup>17</sup> *Id.* ¶ 749

<sup>18</sup> See *id.*

<sup>19</sup> See *id.* ¶ 750.



In reviewing the instant tariff transmittals, the Bureau should apply the rule that a tariff filing should be suspended and investigated if there are significant issues or questions concerning the tariff's lawfulness.<sup>20</sup> Under the Commission's rules, that standard applies to tariffs that propose a rate restructuring. Since the instant tariff transmittals, along with the June 7 transmittals, propose a rate restructuring under the Commission's rules,<sup>21</sup> the "significant issues or questions" standard applies.<sup>22</sup> But even if the Bureau were to apply the more rigorous standard of review for suspension and investigation set forth in Section 1.773(a)(1)(iv), there is ample basis for concluding that the tariffs should be suspended and investigated.<sup>23</sup>

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<sup>20</sup> See *Bell Atlantic Telephone Cos. Transmittal Nos. 741, 786; Revisions to Tariff F.C.C. 10; Rates, Terms, and Regulations Order*, 10 FCC Rcd. 10831, ¶ 3 (1995). The Bureau suspends and investigates tariff filings when it finds, after initial review, that a more complete record is needed to resolve whether all or certain parts of the tariff filings are lawful. *Id.*

<sup>21</sup> Section 61.3 of the Commission's rules defines a restructured service as "[a]n offering which represents the modification of a [price cap] service; or the introduction of a new method of charging or provisioning that does not result in a net increase in options available to customers." 47 C.F.R. § 61.3(mm). Here, AT&T is proposing rates that implement a new method of charging for Tandem Switched Transport Access Services. There can therefore be no doubt that AT&T is proposing restructured services.

<sup>22</sup> The more rigorous standards for suspension and investigation set forth in Section 1.773(a) apply only to tariffs submitted by (1) non-dominant carriers; (2) small ILECs (those serving 50,000 or fewer access lines in a given study area) pursuant to Section 61.39; (3) price cap carriers filing pursuant to Section 61.49(b); and (4) price cap carriers filing pursuant to Section 61.42(d)(4)(ii). Only the category that applies to price cap carriers filing tariffs pursuant to Section 61.49(b) – that is, tariffs proposing new, "within-cap" and "within band rates" that do not qualify as restructured services – could potentially encompass the AT&T services that are the subject of this petition. However, this category is inapplicable because tariffs proposing restructured services are not filed pursuant to Section 61.49(b).

<sup>23</sup> Under Section 1.773(a)(1)(iv), the Bureau may suspend and investigate a within-cap, within-band tariff filing if it finds that (1) "there is a high probability the tariff would be found unlawful after investigation"; (2) "the suspension would not substantially harm other interested parties"; (3) "irreparable injury will result if the tariff filing is not suspended"; and (4) "the suspension would not otherwise be contrary to the public interest." 47 C.F.R. § 1.773(a)(1)(iv). All four parts of this test are satisfied here.



The Bureau should find that there is a substantial question as to whether AT&T has sought to evade application of the access charge transition rules by applying unlawful Tandem-Switched Transport Access Service rate to affiliates that are not ILECs. As explained, the rates that AT&T has proposed rely on a definition of “affiliates” that is inconsistent with the Commission’s rules, the *USF/ICC Transformation Order*, the Communications Act, the dictionary definition of “affiliate,” and the Commission’s policy objectives. The Bureau should therefore suspend the instant tariff transmittals and investigate AT&T’s proposed exclusion of non-ILEC affiliates’ traffic from the category of traffic to which the July 1, 2017 rate reduction applies, and the inclusion of non-ILEC affiliates’ traffic in the category of traffic to which higher rates apply. If the Bureau does not suspend and investigate the instant transmittals, AT&T’s tariffs will be deemed lawful, and interconnecting carriers such as Level 3 will be unable to recover Tandem-Switched Transport Access Service charges assessed at rates above the maximum lawful rates for such services, needlessly undermining the transition to bill and keep envisioned in the *USF/ICC Transformation Order*.

**D. The *USF/ICC Transformation FNPRM* Does Not Support AT&T’s Interpretation of Section 51.907(g)(2).**

In its opposition to CenturyLink’s petition to reject or suspend and investigate AT&T’s June 7 transmittals, AT&T argues that the Commission’s *USF/ICC Transformation FNPRM* supports the interpretation of Section 51.907(g)(2) that it has applied in the instant transmittals.<sup>24</sup> Specifically, AT&T asserts that, since the Commission sought comment on what rates should apply to ILEC tandem switched calls terminated by non-ILEC affiliates in the *FNPRM*, it makes

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<sup>24</sup> See AT&T’s Opposition to CenturyLink’s Petition to Reject and to Suspend and Investigate AT&T Tariff Filings (filed June 20, 2017) .

no sense to interpret Section 51.907(g)(2) to encompass that traffic. There is no merit to this argument.

*First*, it would be beyond strange to define the scope of a rule adopted in an order based on the questions posed in an accompanying further notice of proposed rulemaking. The meaning of a rule must be derived first and foremost from the terms of the rule itself, the order in which the rule is adopted, and relevant statutory provisions. As explained, all of those sources support the conclusion that AT&T's proposed rates are unlawful. Creative (and incorrect) inferences from the non-binding questions posed in the *USF/ICC Transformation FNPRM* cannot somehow undo that conclusion.

*Second*, and in all events, the questions posed in the *USF/ICC Transformation FNPRM* do not seek comment on the rates that should apply to ILEC tandem switched traffic terminated by non-ILEC affiliates. In the *USF/ICC Transformation FNPRM* the Commission observes that charges for price cap carriers, "where the terminating carrier owns the tandem in the serving area," are subject to the rules adopted in the *USF/ICC Transformation Order*, but that the rules do not address "the transition for tandem . . . charges if the price cap carrier does not own the tandem in the serving area."<sup>25</sup> The appropriate reading of the phrase "where the carrier owns the tandem" is to include situations where the tandems are owned by any ILEC affiliate, as stated in the rule. This clarification defines the parameters of the discussion of tandem-switched traffic in the *FNPRM*. The recognition that the rates have been set in Section 51.907(g)(2) and the *USF/ICC Transformation Order* for tandem-switched calls terminated by affiliates, without

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<sup>25</sup> *USF/ICC Transformation FNPRM* ¶ 1306.

qualification or limitation, forecloses any argument that the *FNPRM* should be read to limit “affiliates” in Section 51.907(g)(2) to ILEC affiliates.

Other passages in the *USF/ICC Transformation FNPRM* confirm this conclusion. For example, in the *FNPRM*, the Commission notes commenters’ concern regarding “the end state for tandem switching and transport for price cap carriers when the tandem owner does not own the end office.”<sup>26</sup> The Commission also solicits comments on both the transition and appropriate end state of tandem switching services as they relate to separate ownership of a tandem and terminating carrier.<sup>27</sup> Nowhere does the Commission seek comment on the rates applicable to tandem-switched traffic terminated by a non-ILEC affiliate. Thus, there is simply no basis for the argument that the *FNPRM* can be read to support AT&T’s interpretation of Section 51.907(g)(2).

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<sup>26</sup> *Id.* ¶ 1312.

<sup>27</sup> *See id.* ¶¶ 1306, 1312.

### III. CONCLUSION

For these reasons, the Bureau should reject the instant transmittals. In the alternative, the Bureau should suspend and investigate the instant transmittals, as doing so would give the Bureau time to develop a record sufficient to determine whether the proposed tariff revisions are lawful and to design appropriate remedies.

Respectfully submitted,

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June 23, 2017

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**CERTIFICATE OF SERVICE**

I, Samuel Eckland, hereby certify that on this 23rd day of June 2017, I caused to be served a true and correct copy of the foregoing Petition of Level 3 to Reject or Suspend and Investigate on the following parties in the following manner:

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# **EXHIBIT 14**

**AT&T's Opposition to Petitions of  
Level 3 and Sprint Corporation to  
Reject or to Suspend and Investigate  
AT&T Tariff Filings,  
WC Docket No. 17-65  
(filed June 27, 2017)**

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
July 1, 2017	)	WC Docket No. 17-65
Annual Access Charge Tariff Filings	)	
	)	
Ameritech Operating Companies	)	Transmittal No. 1859
Tariff F.C.C. No. 2	)	
	)	
BellSouth Telecommunications, LLC	)	Transmittal No. 129
Tariff F.C.C. No. 1	)	
	)	
Nevada Bell Telephone Company	)	Transmittal No. 300
Tariff F.C.C. No. 1	)	
	)	
Pacific Bell Telephone Company	)	Transmittal No. 552
Tariff F.C.C. No. 1	)	
	)	
Southwestern Bell Telephone Company	)	Transmittal No. 3443
Tariff F.C.C. No. 73	)	

**AT&T’S OPPOSITION TO PETITIONS OF LEVEL 3 AND SPRINT CORPORATION  
TO REJECT OR TO SUSPEND AND INVESTIGATE AT&T TARIFF FILINGS**

Pursuant to Section 1.773(b) of the Commission’s Rules,<sup>1</sup> Ameritech Operating Companies, BellSouth Telecommunications, LLC, Nevada Bell Telephone Company, Pacific Bell Telephone Company, and Southwestern Bell Telephone Company (collectively, “AT&T”) file this reply in opposition to the petitions of Level 3 Communications, LLC (“Level 3”) and Sprint Corporation (“Sprint”) to reject and to suspend and investigate<sup>2</sup> AT&T’s June 16 tariff filings

<sup>1</sup> 47 C.F.R. § 1.773(b).

<sup>2</sup> Petition of Level 3 to Reject or Suspend and Investigate (filed June 23, 2017) (“Level 3 Petition”); Petition to Reject, or in the Alternative Suspend and Investigate, Of Sprint Corporation (filed June 23, 2017) (“Sprint Petition”).

implementing aspects of the Commission’s transition of tandem switching charges to bill-and-keep.<sup>3</sup>

Level 3 and Sprint’s only contention is that AT&T’s tariffs do not properly implement Rule 51.907(g)(2), which requires a certain subset of tandem switching and transport rates to transition to \$0.0007 by July 1, 2017. AT&T’s tariff changes in fact fully comply with that rule by adopting that rate for traffic where the Price Cap local exchange carrier owns both the tandem and the end office (referred to in the tariff as “Terminating to Telephone Company’s own end office”). Level 3 and Sprint argue that the rule also requires AT&T to apply that rate to tandem services where a price cap LEC hands the traffic off to an affiliated wireless carrier or CLEC.

As explained below, both Petitions are untimely, because they challenge aspects of AT&T’s tariffs that were established in its June 7, 2017 filing and which have already gone into effect. In all events, Level 3 and Sprint’s substantive challenges are unfounded. Their argument has been vetted in the industry and before the Commission staff, and AT&T’s tariff filings have followed the Commission’s informal guidance. The Commission’s guidance represents the most reasonable interpretation of the rules, and the Commission should therefore deny the Petitions.

#### **I. Level 3 and Sprint’s Petitions Are Untimely.**

Level 3 and Sprint’s petitions purport to challenge AT&T’s tariff changes as inconsistent with the Rule 51.907(g) access charge transition rules.<sup>4</sup> These substantive challenges are incorrect, as will be explained further below. But even under their theory of the access charge rules, their

<sup>3</sup> Report and Order and Further Notice of Proposed Rulemaking, *Connect America Fund*, 26 FCC Rcd. 17663, ¶¶ 800-01 (2011) (“*USF/ICC Transformation Order*”).

<sup>4</sup> See Level 3 Petition at 2; Sprint Petition at 6.



petitions are untimely as they are challenging a tariff change made in AT&T's June 7 tariff filing. Such a challenge was due on June 14, 2017. The petitions should therefore be dismissed.<sup>5</sup>

AT&T filed revisions to its tariffs on June 7, 2017 in which it explained that it was bifurcating "terminating tandem rate elements to reflect traffic terminating to the Telephone Companies own end office and traffic terminating to non-Telephone Company 3rd party locations based on call recordings."<sup>6</sup> The June 7 tariff was filed on 15 days' notice, giving parties seven (7) days to file a petition to suspend or investigate the tariff under Section 1.773(a)(2)(iii) of the Commission's rules.<sup>7</sup> One party (CenturyLink) did file a timely petition challenging AT&T's June 7 tariff. The Commission allowed the June 7 tariff to go into effect.

On June 16, 2017, AT&T transmitted its 2017 Annual Filing. AT&T revised its tariffs to reduce the tandem charges for traffic terminating to the Telephone Companies' own end office to \$0.0007 as appropriate under Rule 51.907(g). AT&T did not change the rates for tandem services terminating to non-Telephone Company Third Party locations.<sup>8</sup>

Level 3 filed a petition to reject or suspend and investigate the tariff on June 23 and has attempted to argue that it could only challenge the June 7 tariff revisions in light of the June 16 tariff filing. That position is untenable for two reasons.

*First*, Level 3's main justification for the late filing is that the June 16 transmittal is the first time AT&T established specific rates for the classes of traffic described in the June 7

<sup>5</sup> See, e.g. *United & Central Telephone Cos. Revisions to Tariff F.C.C. No. 1*, 10 FCC Rcd. 1700, ¶ 3, n.3 (1994) (late-filed request for Commission action on a transmittal dismissed as untimely); *AT&T; Revisions to Tariff F.C.C. No. 4*, 5 FCC Rcd. 1093, ¶ 5 (1990) (late filed challenge with no "persuasive explanation for the delay" dismissed as untimely filed).

<sup>6</sup> See, e.g., Ameritech Operating Companies Description and Justification, Transmittal No. 1859, at 1 (June 7, 2017).

<sup>7</sup> 47 C.F.R. § 1.773(a)(2)(iii).

<sup>8</sup> See, e.g., Ameritech Operating Companies (Ameritech), 2017 Annual Filing, Description and Justification, at 34 (June 16, 2017).

transmittals.<sup>9</sup> That is not true. Level 3’s challenge is focused on the rates for tandem services terminating to non-Telephone Company Third Party locations. AT&T established the rates for those services in the June 7 filing; it did not *change* them in the June 16 filing. The Section 204 tariff filing process and the Commission’s rules provide only for challenges to a “new or revised tariff filing.”<sup>10</sup> The rates Level 3 is challenging were established in the June 7 filing and have already gone into effect. There are no “new” or “revised” tariff provisions with respect to tandem charges terminating to Third Party locations to “reject” or “suspend.”<sup>11</sup>

*Second*, despite Level 3’s claim that it was “only possible to determine whether AT&T’s rate restructuring complies” by reviewing the June 16 transmittal,<sup>12</sup> that is also not true, given that CenturyLink did in fact grasp the significance of AT&T’s filing and challenge it as an alleged violation of Rule 51.907(g).<sup>13</sup> Indeed, CenturyLink challenged AT&T’s June 7 transmittal on exactly the same grounds that Level 3 is challenging AT&T’s June 16 transmittal. The Commission should dismiss Level 3’s Petition as untimely.

Sprint’s Petition is not only untimely for the same reasons, it was also not properly served. Section 1.773(a)(4) requires that “[p]etitions seeking investigation, suspension, or rejection of a new or revised tariff made on 15 days or less notice shall be served either personally or via facsimile on the filing carrier.” *See* 47 C.F.R. § 1.773(a)(4). AT&T did not receive service copies by either means, and Sprint’s petition is subject to dismissal on this ground as well.

<sup>9</sup> Level 3 Petition at 4-5.

<sup>10</sup> *See* 47 U.S.C. § 204(a)(1) & (3); 47 C.F.R. 1.773(a)(1).

<sup>11</sup> Level 3 of course agrees with the tariff revisions in AT&T’s *current* filing, which reduce the tandem rates terminating to the Telephone Companies’ own End Office to \$0.0007.

<sup>12</sup> Level 3 Petition at 5.

<sup>13</sup> *See* Petition of CenturyLink Communications, LLC to Reject and to Suspend and Investigate AT&T Tariff Filings (filed June 14, 2017) (“CenturyLink Petition”). AT&T explained in its June 7 filing that tandem traffic terminating to the Telephone Company’s own end office would transition to \$0.0007 in July, as required by Section 51.907(g)(2) of the Commission’s rules, whereas traffic terminating to non-Telephone Company 3rd party locations would not.

## II. AT&T's Tariffs Comply With Rule 51.907(g).

Level 3 and Sprint contend that AT&T's tariff violates Rule 51.907(g)(2) because it assesses the \$0.0007 rate only for tandem services that are terminated via a price cap carrier's end office.<sup>14</sup> Both parties misread the rule, and AT&T's tariff is consistent with the Commission Staff's informal guidance.

As AT&T has previously explained, Rule 51.907(g) applies to "Price Cap Carriers" that are also "the terminating carrier" – *i.e.*, the carrier that is actually terminating the call to the end user and thus owns the end office switch.<sup>15</sup> In context, the phrase "the terminating carrier" in subsection (g) makes sense only if it is a reference back to the "Price Cap Carrier." In other words, the rule requires a Price Cap Carrier to phase out its tandem charges when it is "the terminating carrier" and, as such, owns the end office.<sup>16</sup>

Level 3's argument is based entirely on statutory and other definitions of "affiliate," *see* Level 3 Petition at 5-8, but this misses the point.<sup>17</sup> The issue is not the meaning of "affiliate," but who the rule deems to be the "terminating carrier." The rule requires the Price Cap Carrier to phase out its tandem charges when the "terminating carrier or *its* affiliate" – *i.e.*, the terminating carrier's affiliate – owns the tandem. As AT&T has previously explained, if the "terminating

<sup>14</sup> Level 3 Petition at 5-12; Sprint Petition at 2-3.

<sup>15</sup> *See* AT&T's Opposition to CenturyLink's Petition to Reject and to Suspend and Investigate AT&T's Tariff Filings, at 4-5 (filed June 20, 2017) (attached); *see also Connect America Fund*, WC Docket No. 10-90, *Comments of AT&T In Opposition to CenturyLink Petition for Stay*, at 11-15 (filed May 4, 2017). Rule 51.907(g)(2) (which governs this tariff filing) provides that "[e]ach Price Cap Carrier shall establish, for interstate and intrastate terminating traffic traversing a tandem switch that the terminating carrier or its affiliates owns, Tandem-Switched Transport Access Service rates no greater than \$0.0007 per minute." 47 C.F.R. § 51.907(g)(2).

<sup>16</sup> *USF/ICC Transformation Order* ¶ 1312 (Rule 51.907 "includes the transition for transport and termination within the tandem serving area where the *terminating carrier* owns the serving tandem switch," but not "where the tandem owner does not own the end office" (emphasis added)).

<sup>17</sup> Level 3 repeatedly misstates AT&T's position as "carving out" exceptions to the definition of "affiliate" that are not in the statute. *See, e.g.*, Level 3 Petition at 6, 7. AT&T's (and Commission Staff's) interpretation of the rule does not limit who can be an "affiliate," but they must be an affiliate of a price cap LEC terminating carrier.

carrier” could be a carrier *other* than the Price Cap Carrier (such as a CMRS carrier), then the rule would already address – and unreasonably pre-judge – many of the difficult issues on which the Commission separately sought comment in the *USF/ICC Transformation Order*’s *FNPRM*.<sup>18</sup> The better reading of the rule is that the term “affiliate” comes into play only when the “*terminating*” Price Cap Carrier that owns the end office has an affiliate that owns the tandem.

In its Petition challenging the June 7 tariff, CenturyLink effectively conceded that this aspect of the rule – how to interpret “terminating carrier” – is ambiguous. Indeed, CenturyLink repeatedly argued that the end office owner should be “defined broadly” to include non-Price Cap Carriers like CMRS providers. *See, e.g.*, CenturyLink Petition at 9 (“with ‘affiliated’ and end office defined broadly”), 10 (“an end office owner (defined broadly – e.g. ILEC, CLEC, CMRS provider)”). Choosing this “broader” interpretation, however, would have the effect of interfering with, and pre-judging, the *FNPRM*. The narrower interpretation of limiting the end office owner to a “Price Cap Carrier” is thus more consistent with the *USF/ICC Transformation Order*, and neither Level 3 nor Sprint attempts to answer this point.<sup>19</sup>

<sup>18</sup> Indeed, applying the plain-vanilla Rule 51.907 transition to these very different scenarios in which the Price Cap Carrier has no tariffed end user would effectively prejudice the *FNPRM* and impose *de facto* bill-and-keep and network edge rules on such traffic, which could distort competition with no real opportunity for the Commission to consider the possible consequences. For example, if Rule 51.907(g) were read to apply to a situation in which a CMRS carrier was the “terminating carrier” and its “affiliate,” a Price Cap Carrier, owned the tandem, such a reading could have substantial unintended consequences. Applying Rule 51.907 to this scenario would be destabilizing, because price cap LECs would have no means of recovering tandem costs through a CMRS affiliate’s end user customer charges, and fierce price competition from CMRS carriers that do *not* have price cap LEC affiliates, such as T-Mobile and Sprint, would preclude them from doing so in all events. *See, e.g.*, Ryan Knutson and Joshua Jamerson, *Verizon Customers Defect As Competition Ramps Up*, The Wall Street Journal (Apr. 20, 2017), <https://www.wsj.com/articles/verizon-for-first-time-loses-core-wireless-customers-1492691308> (reintroduction of unlimited data plans has set off a “bruising price war”). These are precisely the sorts of issues that the Commission must carefully consider and resolve in the *FNPRM*.

<sup>19</sup> Level 3 does claim that its reading of the rule is “clear” and, therefore, the *FNPRM* does not actually seek comment on the traffic at issue. Level 3 Petition at 11-12. Level 3 has it backwards. The rule is at best ambiguous, and the fact that the Commission clearly sought comment on how to deal with the traffic at issue in the *FNPRM* should be dispositive in resolving whatever ambiguity exists in the rule. *USF/ICC Transformation Order* ¶¶ 1306-10, 1312-13 (Rule 51.907 “includes the transition for transport and termination within the tandem serving area where the terminating carrier owns the serving tandem switch,” but it “does not address the transition in situations where the

Nor does Level 3's interpretation of the rule further the policy objectives of the *USF/ICC Transformation Order*. Cf. Level 3 Petition at 7-8. To be sure, the Commission established an overall goal of transitioning to bill-and-keep. In the *USF/ICC Transformation Order*, however, the Commission was not yet prepared to initiate that transition for all types of traffic, and it sought comment on more difficult scenarios (like the traffic at issue here) in the *FNPRM*. As AT&T has previously noted, the ultimate rules governing these more difficult cases will depend heavily on a variety of policy choices that the Commission has not yet made, including where to set the network edge.<sup>20</sup> The proper course for resolving these lingering issues, as AT&T has repeatedly urged, is to complete the *FNPRM* expeditiously – not to misconstrue and misapply Rule 51.907(g).<sup>21</sup>

tandem owner does not own the end office,” and the Commission thus sought comment on both the transition and “the appropriate end state” for such intermediate tandem switching services).

<sup>20</sup> *USF/ICC Transformation Order* ¶ 1310 (“As we move to a new intercarrier compensation system governed by a section 251(b)(5) bill-and-keep methodology, we invite parties to comment on the existing and future payment and market structures for dedicated transport, tandem switching, and tandem switched transport.”); *id.* ¶¶ 1315-21 (seeking comment on points of interconnection and the “network edge” in a full bill-and-keep system).

<sup>21</sup> *Connect America Fund*, WC Docket No. 10-90, *Comments of AT&T In Opposition to CenturyLink Petition for Stay*, at 14, n.14; AT&T's Opposition to CenturyLink's Petition to Reject and to Suspend and Investigate AT&T's Tariff Filings, at 5, n.11; *see also* Petition of AT&T Services, Inc. for Forbearance Under 47 U.S.C. § 160(c), at 3, WC Docket No. 13-363 (filed September 30, 2016).

## CONCLUSION

For the foregoing reasons, the Commission should allow the tariff changes to take effect as scheduled and reject the Petitions to reject or suspend and investigate AT&T's tariff submissions.

Respectfully submitted,

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June 27, 2017

**CERTIFICATE OF SERVICE**

I, James P. Young, do hereby certify that on this 27th day of June 2017, the foregoing  
OPPOSITION TO PETITIONS OF LEVEL 3 AND SPRINT CORPORATION TO  
REJECT OR TO SUSPEND AND INVESTIGATE AT&T TARIFF FILINGS was served  
on the following parties by e-mail:

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/s/ James P. Young\_\_\_\_\_

# ATTACHMENT



**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Ameritech Operating Companies	)	Transmittal No. 1859
Tariff F.C.C. No. 2	)	
	)	
BellSouth Telecommunications, LLC	)	Transmittal No. 129
Tariff F.C.C. No. 1	)	
	)	
Nevada Bell Telephone Company	)	Transmittal No. 300
Tariff F.C.C. No. 1	)	
	)	
Pacific Bell Telephone Company	)	Transmittal No. 552
Tariff F.C.C. No. 1	)	
	)	
Southwestern Bell Telephone Company	)	Transmittal No. 3443
Tariff F.C.C. No. 73	)	

**AT&T’S OPPOSITION TO CENTURYLINK’S PETITION TO  
REJECT AND TO SUSPEND AND INVESTIGATE AT&T TARIFF FILINGS**

Pursuant to Section 1.773(b) of the Commission’s Rules,<sup>1</sup> Ameritech Operating Companies, BellSouth Telecommunications, LLC, Nevada Bell Telephone Company, Pacific Bell Telephone Company, and Southwestern Bell Telephone Company (collectively, “AT&T”) file this reply in opposition to CenturyLink Communications LLC’s (“CenturyLink”) petitions to reject and to suspend and investigate<sup>2</sup> AT&T’s June 7 tariff filings implementing aspects of the Commission’s transition of tandem switching charges to bill-and-keep.<sup>3</sup>

CenturyLink’s principal contention is that AT&T’s tariffs do not properly implement Rule 51.907(g)(2), which requires a certain subset of tandem switching and transport rates to transition

<sup>1</sup> 47 C.F.R. § 1.773(b).

<sup>2</sup> Petition of CenturyLink Communications, LLC to Reject and to Suspend and Investigate AT&T Tariff Filings (filed June 14, 2017) (“Petition”).

<sup>3</sup> Report and Order and Further Notice of Proposed Rulemaking, *Connect America Fund*, 26 FCC Rcd. 17663, ¶¶ 800-01 (2011) (“*USF/ICC Transformation Order*”).

to \$0.0007 by July 1, 2017. AT&T's tariff changes in fact fully comply with that rule by adopting that rate for traffic where the Price Cap local exchange carrier owns both the tandem and the end office (referred to in the tariff as "Terminating to Telephone Company's own end office"). CenturyLink argues that the rule also requires AT&T to apply that rate to tandem services where price cap LEC hands the traffic off to an affiliated wireless carrier or CLEC. CenturyLink's argument, however, has been vetted in the industry and before the Commission staff, and as CenturyLink acknowledges (at 5 n.16), AT&T's tariff filing simply follows the Commission's informal guidance. As explained below, the Commission's guidance represents the most reasonable interpretation of the rules, and the Commission should therefore deny the Petition.

CenturyLink's Petition concerns Rule 51.907(g) and its companion, Rule 51.907(h), which governs next year's filing.<sup>4</sup> Those two rules apply to "Price Cap Carriers" that are also "the terminating carrier" – *i.e.*, the carrier that is actually terminating the call to the end user and thus owns the end office switch. From the Commission's perspective in 2011, Price Cap Carriers in this situation presented the simplest and most straightforward scenario for the initial transition to bill-and-keep as the default compensation system, because such carriers have end user customers that take services pursuant to tariffs and from whom they can recover the costs of both tandem and end office switching via the tariffs. Rule 51.907 thus established a gradual transition in which a Price Cap Carrier's switching charges are slowly phased out, beginning with the end office charges and ending, in Years 6 and 7, with such a carrier's tandem charges. Consistent with the notion of bill-and-keep as the default mechanism, such a carrier would be in a position to "bill" its end user

<sup>4</sup> 47 C.F.R. § 51.907(g)-(h); *USF/ICC Transformation Order* ¶ 1312. Rule 51.907(g)(2) (which governs this tariff filing) provides that "[e]ach Price Cap Carrier shall establish, for interstate and intrastate terminating traffic traversing a tandem switch that the terminating carrier or its affiliates owns, Tandem-Switched Transport Access Service rates no greater than \$0.0007 per minute." 47 C.F.R. § 51.907(g)(2). These transitions also apply to CLECs that benchmark their rates to price cap carriers. *USF/ICC Transformation Order* ¶¶ 801, 807, 866; 47 C.F.R. § 61.26.

customers via tariffs to recover the tandem costs and “keep” that recovery without charging the IXC.<sup>5</sup>

The Commission issued a further notice of proposed rulemaking, however, to establish a separate bill-and-keep transition for all *other* price cap LEC tandem charges, including, *inter alia*, situations in which the price cap LEC performs tandem functions for a CMRS carrier that terminates the call over a wireless network, and that offers services via contracts, not tariffs. In 2011, the Commission reasonably concluded that the transition for tandem charges when the price cap LEC does *not* own the end office switch, and thus has no end user customers, presented very different issues. Indeed, the *FNPRM* specifically noted that commenters had “express[ed] concern with the end state for tandem switching and transport for price cap carriers when the tandem owner does not own the end office. . . .” *USF/ICC Transformation Order* ¶ 1312. The Commission explained that Rule 51.907 “includes the transition for transport and termination within the tandem serving area where the terminating carrier owns the serving tandem switch,” but it “does *not* address the transition in situations where the tandem owner does not own the end office.” *Id.* (emphasis added). The Commission thus sought comment on both the transition and “the appropriate end state” for such intermediate tandem switching services. *Id.* ¶¶ 1306-10, 1312-13. Moreover, as the Commission noted, many of those issues are “closely related” to the issue of how to establish the “network edge” for purposes of a bill-and-keep default rule applicable to such

<sup>5</sup> *Cf.* 47 C.F.R. § 51.713. Another aspect of the Commission’s initial, partial transition was its adoption of the Access Recovery Charge (ARC), which is a “transitional recovery mechanism” from certain end users (or the CAF Fund) that helped offset the loss of revenues “reduced as part of this Order.” *USF/ICC Transformation Order* ¶ 847. The Commission allowed “incumbent LECs” – either price cap LECs or rate of return LECs – to recover the ARC from specified end users, but not CMRS carriers. *Id.* ¶ 864 n.1668. Although the ARC was never intended to be revenue neutral, the fact that the Commission provided for a partial transitional recovery mechanism for price cap LECs and rate of return LECs, but not CMRS carriers, undercuts the view that Section 51.907(g) or (h) apply when the terminating carrier is a CMRS provider.

tariffed tandem services, another issue on which it sought comment in the *FNPRM*.<sup>6</sup> In 2011, the Commission thus concluded that the rules for how bill-and-keep will work for such intermediate tandem charges, and where the network edge is established, would have a substantial and perhaps far-reaching impact on how those services are purchased and provided, and the Commission was not ready to resolve those issues based on the record it had accumulated at that time.<sup>7</sup>

In light of the discussion of these considerations in the *USF/ICC Transformation Order* and the *FNPRM*, the Commission's informal guidance represents the most reasonable interpretation of Rule 51.907.<sup>8</sup> The phrase "the terminating carrier" in subsections (g) and (h) is necessarily a reference back to the "Price Cap Carrier" – *i.e.*, a Price Cap Carrier must phase out its tandem charges when it is "the terminating carrier" and, as such, owns both the end office and tandem switches.<sup>9</sup> If the "terminating carrier" could be a carrier *other* than the Price Cap Carrier (such as a CMRS carrier), then the rule would already address many of the more difficult

<sup>6</sup> *USF/ICC Transformation Order* ¶ 1310 ("As we move to a new intercarrier compensation system governed by a section 251(b)(5) bill-and-keep methodology, we invite parties to comment on the existing and future payment and market structures for dedicated transport, tandem switching, and tandem switched transport."); *id.* ¶¶ 1315-21 (seeking comment on points of interconnection and the "network edge" in a full bill-and-keep system).

<sup>7</sup> Consistent with the discussion in the *FNPRM*, the *USF/ICC Transformation Order* makes clear that the initial transition applies to CMRS services only insofar as the CMRS carrier itself provides reciprocal compensation, and affects CLEC charges via the pre-existing CLEC benchmark rule, which requires CLECs to conform their own tandem and end office switching charges to their benchmark price cap LEC. *USF/ICC Transformation Order* ¶ 806 ("[a]lthough CMRS providers are subject to mandatory detariffing, these providers are included [in the *USF/ICC Transformation Order* transition] to the extent their reciprocal compensation rates are inconsistent with the reforms we adopt here"); *id.* ¶¶ 807-08, 866 ("[a]pplication of our access reforms will generally apply to competitive LECs via the CLEC benchmarking rule.").

<sup>8</sup> See, e.g., *Verizon Cal., Inc. v. FCC*, 555 F.3d 270, 273 (D.C. Cir. 2009) ("The context is key," and the Commission "[u]nderstandably . . . looked to the context. . ."); *Bell Atl. Tel. Cos. v. FCC*, 131 F. 3d 1044, 1047 (D.C. Cir. 1997) ("textual analysis is a language game played on a field known as 'context.'"); *Ctr. For Comm'n's Mgmt. Info., EconoBill Corp., and On Line Mktg., Inc. v. AT&T Corp.*, 23 FCC Rcd. 12249, ¶ 11 (2008) ("To ascertain how best to interpret [a Commission rule], we must examine the rule's text, history, purpose, and structure.").

<sup>9</sup> *USF/ICC Transformation Order* ¶ 1312 (Rule 51.907 "includes the transition for transport and termination within the tandem serving area where the *terminating carrier* owns the serving tandem switch," but not "where the tandem owner does not own the end office" (emphasis added)).

intermediate situations about which the Commission sought comment in the *FNPRM*.<sup>10</sup> Indeed, applying the plain-vanilla Rule 51.907 transition to these very different scenarios in which the Price Cap Carrier has no tariffed end user would effectively prejudge the *FNPRM* and impose *de facto* bill-and-keep and network edge rules on such traffic, which could distort competition with no real opportunity for the Commission to consider the possible consequences.<sup>11</sup>

The approach adopted by AT&T also eliminates any ambiguity with respect to the term “affiliate” in the two rules.<sup>12</sup> The rule requires the Price Cap Carrier to phase out its tandem charges when the “terminating carrier or *its* affiliate” – *i.e.*, the terminating carrier’s affiliate – owns the tandem. As discussed above, however, the “terminating carrier” can only be a Price Cap Carrier that owns the end office. Accordingly, the term “affiliate” comes into play only when the “*terminating*” price cap carrier that owns the end office has an affiliate that owns the tandem. The *USF/ICC Transformation Order* does not address why the phrase “or its affiliates” was added to the text of the two rules,<sup>13</sup> but it was most likely designed either (1) to prevent a LEC from trying

<sup>10</sup> Although CenturyLink claims it has the “plain language” reading of the rule, it effectively concedes the rule is ambiguous when it repeatedly claims that the end office owner must be “defined broadly” to include non-Price Cap Carriers like CMRS providers, even though CMRS providers, strictly speaking, do not have “end offices.” *See, e.g.*, Petition at 9 (“with ‘affiliated’ and end office defined broadly”), 10 (“an end office owner (defined broadly – e.g. ILEC, CLEC, CMRS provider)”). Choosing the “broad” understanding of an end office owner, however, has the effect of interfering with, and pre-judging, the *FNPRM* – which provides a powerful argument for choosing the narrower interpretation of limiting the end office owner to a “Price Cap Carrier.”

<sup>11</sup> For example, if (as CenturyLink seems to suggest) Rule 51.907(g) or (h) were read to apply to a situation in which a CMRS carrier was the “terminating carrier” and its “affiliate,” a Price Cap Carrier, owned the tandem, such a reading could have substantial unintended consequences. Applying Rule 51.907 to this scenario would be destabilizing, because price cap LECs would have no means of recovering tandem costs through a CMRS affiliate’s end user customer charges, and fierce price competition from CMRS carriers that do *not* have price cap LEC affiliates, such as T-Mobile and Sprint, would preclude them from doing so in all events. *See, e.g.*, Ryan Knutson and Joshua Jamerson, *Verizon Customers Defect As Competition Ramps Up*, The Wall Street Journal (Apr. 20, 2017), <https://www.wsj.com/articles/verizon-for-first-time-loses-core-wireless-customers-1492691308> (reintroduction of unlimited data plans has set off a “bruising price war”). These are precisely the sorts of issues that the Commission must carefully consider and resolve in the *FNPRM*.

<sup>12</sup> *Cf.* Petition at 8-9.

<sup>13</sup> *Cf. USF/ICC Transformation Order* ¶ 801 & Figure 9 (omitting the phrase “or its affiliates”). CenturyLink acknowledges (at 5-6, 10-11) there is a conflict between the *USF/ICC Transformation Order* and the text of the rule, insofar as the *Order* “only discusses the Years 6/7 bill and keep transition as applying to traffic flows handled by tandem and end office facility combinations where the terminating carrier owns the tandem switch” with no mention

to evade the tandem transition by transferring its tandem assets to an affiliate, or (2) to cover situations where a price cap LEC's end user is served by the tandem of a neighboring affiliate. As explained above, however, the Commission cannot reasonably read the rule to treat the Price Cap Carrier as the "affiliate" of a *non-price-cap* carrier that terminates the call to the end user.

Finally, CenturyLink notes (at 7) that the language in AT&T's tariffs applies the \$0.0007 rate when the same Price Cap Carrier owns the tandem and end office, whereas the Description and Justification ("D&J") is worded more broadly, suggesting that the rate will apply when the traffic is terminated "to its own or any other Price Cap ILEC End Office owned by the same Holding Company." The discrepancy is immaterial. AT&T does not have any situations in which one of its operating companies would be terminating a call to an end office owned by a different operating company owned by the same holding company. Accordingly, the tariffed language is adequate and complies with the rule. The fact that AT&T inadvertently included broader language in its D&J that encompasses scenarios that are not applicable to AT&T does not constitute grounds for rejecting or suspending the tariff.

of affiliates. AT&T's reading of the rule, however, *minimizes* that conflict, whereas CenturyLink's more expansive reading of the rule creates a concomitantly broader conflict with the order.

## CONCLUSION

For the foregoing reasons, the Commission should allow the tariff changes to take effect as scheduled and reject the Petition to reject or suspend and investigate AT&Ts tariff submissions.

Respectfully submitted,

/s/ James P. Young

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Dated: June 20, 2017

*Counsel for AT&T*

**CERTIFICATE OF SERVICE**

I, James P. Young, do hereby certify that on this 20th day of June 2017, the foregoing  
OPPOSITION TO CENTURYLINK'S PETITION TO REJECT AND TO SUSPEND AND  
INVESTIGATE AT&T TARIFF FILINGS was served on the following parties by e-mail:

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# EXHIBIT 15

**Excerpt from Atlantic – ACM, U.S.  
*Telecom Wired and Wireless Sizing and  
Share Forecast: 2015-2020* (Aug. 2015)**

**CONFIDENTIAL MATERIALS  
OMITTED**