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MAY 15 1997

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

In the Matter of)	
)	
800 Data Base Access Tariffs and the)	CC Docket No. 93-129
)	
800 Service Management System Tariff)	
)	
and)	
)	
Provision of 800 Services)	CC Docket No. 86-10

**SOUTHWESTERN BELL TELEPHONE COMPANY'S
SCHEDULE OF PROPOSED REFUNDS**

I. INTRODUCTION

The Commission's April 14, 1997 Order, addressing refunds associated with disallowed 800 Data Base (800DB) exogenous costs, requires that Southwestern Bell Telephone Company (SWBT) file a schedule of proposed refunds and refund plan within 30 days of its release.¹ The Order mandates that the refund schedule should be "accompanied by a detailed description of how the proposed refunds were calculated, and a description of the carrier's plan to implement the refund."² The Order also delegates to the Common Carrier Bureau (Bureau) the authority to

¹ In the Matter of 800 Data Base Access Tariffs and the 800 Service Management System Tariff, CC Docket No. 93-129, and Provision of 800 Services, CC Docket No. 86-10, FCC 97-135, Order on Reconsideration, released April 14, 1997.

² id. paragraph 21.

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resolve any of the questions regarding refund amounts that were not explicitly addressed in the Order. Among the questions not explicitly addressed in the Order are the questions of whether offsets to refunds may be included for previous period sharing and below cap headroom in baskets that included 800 DB exogenous cost adjustments.³

II. REFUND CALCULATION DESCRIPTION

The calculation of the required 800 DB refund is shown on Attachment 1. For SWBT, the annualized disallowed exogenous cost is \$786,844.⁴ This disallowed cost was removed from SWBT's price cap indexes (PCIs) on a going-forward basis on November 14, 1996.⁵ Therefore, any refunds for the recovery of this disallowed cost amount would only apply to the period beginning May 1, 1993 (the beginning of 800 DB service) and ending November 14, 1996. As shown on Attachment 1, the charges associated with the disallowed costs were calculated for each calendar year (1993, 1994, 1995 and 1996) beginning May 1, 1993 and ending November 14, 1996. The annual amounts were \$524,563 for 1993 (8 months/12 months x \$786,844), \$786,844 for both 1994 and 1995 and \$685,801 for 1996 [(319 days/366 days) x \$786,844] for a total refund before offsets amount of \$2,784,052. These amounts were allocated

³ Although the Commission, in paragraph 17, found unpersuasive the argument that rates in other baskets could have been raised to offset any refunds, it did not address the issue of headroom offsets in the baskets that actually contain the 800 DB exogenous costs.

⁴ See 800 DB Report and Order, released October 28, 1996, Appendix D (Line 9).

⁵ See November 13, 1996 letter to Mr. William Caton regarding PCI Adjustments for 800 Data Base Disallowance.

to the Traffic Sensitive (TS) and Trunking baskets in proportion to the allocation of the November 14, 1996 removal of the disallowed exogenous costs (46.4% to TS and 53.6% to Trunking) which in turn reflects the allocation of the original 800 DB exogenous costs.⁶ However, since the Trunking basket was not established until March, 1994, no amounts were allocated to the Trunking basket prior to that time. The total refund before offsets amount of \$2,784,052 was allocated \$1,643,258 to the TS basket and \$1,140,794 to the Trunking basket. The 1993 amount (\$524,563) was allocated entirely to the TS basket. The 1994 amount (\$786,844) was allocated entirely to the TS basket for the first 2 months and 46.4% thereafter $[(\$786,844/12 \times 10 \times .464) + (\$786,844/12 \times 2)]$. The remaining amount was allocated to the Trunking basket $(\$786,844/12 \times 10 \times .536)$. The 1995 amount (\$786,844) was allocated 46.4% (\$365,096) to TS and 53.6% (\$421,748) to Trunking. The 1996 amount (\$685,801) was allocated in the same manner (TS \$318,212 and Trunking \$367,589).

Once these annual refund before offset amounts were calculated, the next step was to reduce these amounts by the below cap headroom that existed during the relevant time periods.⁷ No Trunking basket headroom was used as an offset prior to March 2, 1994, the date the Trunking basket was established. The 1993 TS amount (\$524,563) was partially offset by \$128,300 of TS below cap pricing resulting in a net refund after below cap adjustment of \$396,263. The 1994 TS amount was partially offset and the Trunking amount was totally offset by below cap pricing resulting in a net amount of \$203,987. The 1995 amounts for both TS and

⁶ *ibid.*

⁷ See Attachment 2 for below cap amounts.

Trunking were totally offset by below cap pricing. The 1996 TS amount was partially offset and the Trunking amount was totally offset resulting in a net amount of \$20,312. The total net refund after the below cap pricing offset is \$620,562.

After the net amount after below cap pricing offset was calculated, the next step was the reduction of these amounts by any earnings sharing done in the relevant time periods. The 1993 and 1994 amounts were both offset by one-half for 1993 and 1994 sharing, resulting in net amounts after below cap pricing and sharing offsets of \$198,132 and \$101,994 respectively. Although a sharing offset is available for the first half of 1995, it was not required since the net amount after the below cap pricing offset is zero. No 1996 sharing is available to offset the 1996 net amount after below cap pricing of \$20,312. The total net refund after below cap pricing and sharing offsets is \$320,437.

The last step in the process was the computation of daily compounded interest at the IRS refund rate in effect each quarter. Consistent with prior IRS refund interest rate calculations, interest was calculated beginning on the first day following the end of each calendar year. As shown on Attachment 1, the accrued interest was calculated for each calendar year amount by applying a factor representing a daily compounding of the relevant IRS refund rates for each period ending June 30, 1997 (ie: .3061019 = daily compounding factor from 1/1/94 to 6/30/97). The total accrued interest is \$83,977. Adding the accrued interest to the total net refund after below cap pricing and sharing offsets amount of \$320,437 results in a total refund amount of \$404,414.

III. REFUND IMPLEMENTATION PLAN DESCRIPTION

SWBT has reviewed its record of interstate 800 DB usage and revenue for the entire 1993 to 1996 period by customer ACNA (Access Customer Name Abbreviation). Usage and revenue for each ACNA was accumulated for the period and divided by the total usage and revenue for the period to determine each ACNA's relative use of 800 DB service. There is no significant difference between the usage distribution and the revenue distribution.

SWBT's proposed refund plan is to provide a one-month credit to each current customer's next 800 DB bill following approval of the refund plan. Each customer's credit would be equal to the percent of the total refund amount equivalent to the customer's percent of total interstate 800 DB revenue for the 1993 to 1996 period.

This methodology is reasonable since it refunds to customers in proportion to their purchase of service for the entire refund period. Refunding to current customers is also reasonable since SWBT's records show that 99.99% of the total usage and revenue for the 1993 to 1996 period is associated with ACNAs that are currently being billed. Use of this method will refund all but \$43 of the total refund amount of \$404,414. However, based on its most recent information, SWBT will attempt to identify, locate and issue a direct payment to these few customers not currently being billed.

IV. CONCLUSION

SWBT respectfully requests the Commission accept its proposed refund schedule.

Respectfully submitted,

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May 14, 1997

**800 DATABASE DISALLOWED EXOGENOUS COST
OF \$786,844 FROM 5/1/93 TO 11/14/96**

**REFUND OFFSET BY 93,94,95 SHARING AFTER
BELOW CAP PRICING OFFSET**

	PERIOD	DISALLOWED COSTS	TRAFFIC SENSITIVE	** TRUNKING	T.S. < CAP	TRK. < CAP	NET OF < CAP
* IRS FACTORS	5/1/93 - 12/31/93	\$524,563	\$524,563	\$0	\$128,300		\$396,263
	1994	\$786,844	\$435,387	\$351,457	\$231,400	\$4,665,300	\$203,987
0.30610190	1995	\$786,844	\$365,096	\$421,748	\$582,100	\$5,485,900	\$0
0.22071525	1/1/96 - 11/14/96 #	\$685,801	\$318,212	\$367,589	\$297,900	\$4,736,900	\$20,312
0.12406744							
0.04023812							
	TOTAL	\$2,784,052	\$1,643,258	\$1,140,794			\$620,582

@ Sharing applies to one-half of 1995

** Trunking Basket Began on 3/2/94
1994 = 53.6% (\$421,748/\$786,844) of 10 Months

# (319/366days) x \$786,844	SHARING @	NET OF SHARING	ACCRUED IRS RATE *
	\$198,132	\$198,132	\$60,648
	\$101,994	\$101,994	\$22,512
	\$0	\$0	\$0
	\$0	\$20,312	\$817
	TOTAL	\$300,125	\$83,977
	REFUND		\$404,414

**SWB BELOW CAP PRICING
5/1/93 To 12/31/96**

<u>Effective Dates</u>	<u>Annualized</u>		<u>Revenue Foregone</u>	
	<u>Traffic Sensitive</u>	<u>Trunking</u>	<u>Traffic Sensitive</u>	<u>Trunking</u>
5/1/93 - 7/1/93	322K	1,262K	53.7K	210.3K
7/2/93 - 8/29/93	0	0	0	0
8/30/93 - 10/15/93	44K	431K	5.5K	53.9K
10/16/93 - 2/27/94	323K	556K	121.1K	208.5K
2/28/94 - 6/30/94	13K	1,873K	4.7K	680.4K
7/1/94 - 10/15/94	21K	7,561K	6.1K	2,205.3K
10/16/94 - 1/14/95	797K	8,465K	199.3K	2,116.3K
1/15/95 - 1/31/95	926K	8,919K	35.4K	341.1K
2/1/95 - 6/21/95	926K	9,388K	363.0K	3,679.8K
6/22/95 - 7/31/95	927K	9,702K	97.5K	1,020.3K
8/1/95 - 9/20/95	26K	62K	4.0K	9.5K
9/21/95 - 1/29/96	187K	398K	66.1K	140.8K
1/30/96 - 6/30/96	187K	2,384K	77.9K	993.3K
7/1/96 - 9/12/96	546K	10,075K	109.6K	2,022.7K
9/13/96 - 11/13/96	575K	10,138K	95.8K	1,689.7K
11/14/96 - 12/30/96	471K	9,710K	58.9K	1,213.8K
12/31/96 -	231K	9,304K	.6K	25.5K
Total Price Cap Revenue Foregone *			\$ 1,299.2K	\$16,611.2K
* 1993 Revenue Foregone			\$ 128.3K	\$ 383.1K
1994 Revenue Foregone			\$ 231.4K	\$ 4,766.0K
1995 Revenue Foregone			\$ 582.1K	\$ 5,485.9K
1996 Revenue Foregone			\$ 357.4K	\$ 5,976.2K

CERTIFICATE OF SERVICE

I, Katie M. Turner, hereby certify that the foregoing, "SOUTHWESTERN BELL TELEPHONE COMPANY'S SCHEDULE OF PROPOSED REFUNDS" in Docket No. 93-129 and 86-10 has been filed this 14th day of May, 1997 to the Parties of Record.

A handwritten signature in cursive script that reads "Katie M. Turner". The signature is written in black ink and is positioned above a horizontal line.

Katie M. Turner

May 14, 1997

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