ORIGINAL

Legal Department

J. Phillip Carver
General Attorney

BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(404) 335-0772

RECEIVED-FPSC 02 AUG 12 PM 4:27 COMMISSION CLERK

August 12, 2002

Mrs. Blanca S. Bayo
Director, Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

**RE: Docket No. 020738-TP (AT&T Switched Access Contract Tariff)**

Dear Ms. Bayo:

Enclosed is an original and fifteen copies of Answer of BellSouth Telecommunications, Inc. to Petition of AT&T Communications of the Southern States, LLC Requesting Suspension of and Cancellation of Switched Access Contract Tariff No. FL2002-02 Filed by BellSouth Telecommunications, Inc. which we ask that you file in the captioned docket.

A copy of this letter is enclosed. Please mark it to indicate that the original was filed and return a copy to me. Copies have been served to the parties shown on the attached certificate of service.

Sincerely,

J. Phillip Carver

J. Phillip Carver (LA)

Enclosures

cc: All Parties of Record
Marshall M. Criser III
R. Douglas Lackey
Nancy B. White

AUS ___
CAF ___
CMP ___
COM ___
CTR ___
ECR ___
GCL ___
OPC ___
MMS ___
SEC 1
OTH ___

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
08480 AUG 12 02
FPSC-COMMISSION CLERK

**CERTIFICATE OF SERVICE**
**DOCKET NO. 020738-TP**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Electronic Mail and U.S. Mail this 12th day of August, 2002 to the following:

Lee Fordham
Staff Counsel
Florida Public Service
Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
Tel. No. (850) 413-6226
Fax. No. (850) 413-6250
cfordham@psc.state.fl.us

Tracy Hatch, Esq.
Floyd R. Self, Esq.
Messer, Caparello and Self, P.A.
P.O. Box 1876
Tallahassee, FL 32302
Tel. No. (850) 222-0720
Fax. No. (850) 224-4359
fself@lawfla.com
thatch@lawfla.com
Attys. for AT&T

Virginia Tate, Esq.
AT&T Communications
Suite 8100
1200 Peachtree Street, N.E.
Atlanta, GA 30309
Tel. No. (404) 810-4196
Fax No. (404) 877-7648
vctate@att.com

J. Phillip Carver
J. Phillip Carver (LA)

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

| | | |
|---|---|---|
| In re: Petition of AT&T Communications Of the Southern States, LLC for Suspension and Cancellation of Switched Access Contract Tariff No. FL2002-02 filed by BellSouth Telecommunications, Inc. | ) ) ) ) ) ) | Docket No.: 020738-TP<br><br>Filed: August 12, 2002 |

## ANSWER OF BELLSOUTH TELECOMMUNICATIONS, INC. TO PETITION OF AT&T COMMUNICATIONS OF THE SOUTHERN STATES, LLC REQUESTING SUSPENSION OF AND CANCELLATION OF SWITCHED ACCESS CONTRACT TARIFF NO. FL2002-02 FILED BY BELLSOUTH TELECOMMUNICATIONS, INC.

BellSouth Telecommunications, Inc. ("BellSouth"), hereby files pursuant its Answer in response to the Petition of AT&T Communications of the Southern States, LLC Requesting Suspension of and Cancellation of Switched Access Contract Tariff No. FL2002-02 filed by BellSouth Telecommunications, Inc., and states the following:

### SPECIFIC RESPONSES

1. BellSouth is without knowledge of the allegations of Paragraphs 1, 2 and 4 of the Petition. Accordingly, they are deemed to be denied.

2. As to the allegations of Paragraph 3, BellSouth admits that the Petition purports to be filed pursuant to legal authority listed therein, but denies that the Petition raises any meritorious claims under the authority listed.

3. BellSouth denies the allegations of Paragraph 5.

4. BellSouth admits the allegations of Paragraph 6.

5. BellSouth denies the allegations of Paragraph 7, 8, 9, 10, 11, 12, and 13.

6. As to the allegations of Paragraph 14, BellSouth admits that AT&T has made filings to oppose BellSouth's tariff in other states, but denies that these filings by AT&T have identified any regard in which the subject tariff is anticompetitive.

7. As to the allegations of Paragraph 15, BellSouth admits that there are disputed issues of material fact.

8. Paragraph 16 does not contain factual allegations to which a response is required, but, instead, is a plea for relief. Therefore, no response is necessary. Nevertheless, BellSouth denies that the Petitioners are entitled to any of the relief requested therein.

## GENERAL RESPONSE

9. The subject of AT&T's Petition is a switched access Contract Tariff that is the product of an agreement between BellSouth and Sprint. In essence, BellSouth offered a discount arrangement to Sprint (which will be explained in detail below), the discount plan was applied to Sprint's usage, and the result was used to set specific usage bands with corresponding discounts. In effect, the Contract Tariff functions much like a Contract Service Arrangement. Further, it has always been BellSouth's intention to make the same discount plan available to all Interexchange Carriers ("IXCs"), and to file appropriate Contract Tariffs to memorialize these agreements as well.

10. Moreover, BellSouth is filing today a Tariff to make this same discount plan formally available to every IXC. This Tariff (a copy of which is

attached as Exhibit A)[1] outlines the discount plan in detail. As AT&T partially relates in its petition, AT&T has opposed BellSouth's offering in other jurisdictions. Based on both this opposition and the content of AT&T's petition, it is clear that AT&T objects not just to the version of BellSouth's discount plan that Sprint has accepted, but to the plan generally. Given this, AT&T will presumably broaden its petition in some fashion to include the new tariff as well. Although BellSouth obviously reserves the right to respond to any Amended Petition, it will also take this opportunity to describe the discount plan and respond to the general issues raised by AT&T.

11. BellSouth's plan allows for a discount of the otherwise available prices for switched access services on the basis of both the volume of services used and increases in the volume of services used. This discount is available to every IXC. More specifically, the plan, as detailed in the General Tariff, functions as follows: for any carrier wishing to accept the plan, a minimum usage is established. Setting the minimum usage entails reviewing both the volume of usage and the usage patterns of the IXC over the previous 18 months, then projecting this usage forward for an additional 12 months. In order to be eligible for the discount plan, a carrier's minimum usage must be at least .5 billion minutes of use ("MOU") per year. Based on the volume of its minimum usage, (assuming it meets the above-described threshold), an IXC is eligible for one of three discount bands. In each band, there are specified percentage discounts

[1] This Tariff is referred to hereinafter as the "General Tariff" in order to distinguish it from the Contract Tariff.

that apply for usage that exceeds the minimum usage. Thus, the greater the carrier's volume of usage, the greater the potential discount (see page 3 of the Tariff attached as Exhibit A for a more detailed description of the usage bands and the accompanying discount levels).

12. Again, the discount plan is based principally on volume, in two regards: 1) a minimum volume is necessary to qualify; (2) the discount is available on a per unit basis, which means that the greater the purchased volume, the greater the discount, as applied. The plan is also based in part on <u>increases</u> in volume. In other words, the greater the volume increase in usage above the minimum usage, the greater the discount.

13. BellSouth has structured this discount plan as a reasonable response to the current competitive market for switched access service. IXCs have available to them an unprecedented array of alternatives to purchasing switched access services. Of course, special access arrangements have long been available, and continue to be so. Beyond this, an increasing number of IXCs are providing long distance service by obtaining access either through the use of their own facilities or the facilities of carriers other than BellSouth. It is for this reason that in February of 2001, the FCC granted BellSouth pricing flexibility in the offering of certain switched access services.[2]

Given the declining price of switched access service, and the increasing availability of competitive alternatives, BellSouth is attempting to provide a

---

[2] Memorandum Opinion and Order, released February 27, 2001, FCC 01-76, Docket (CB/CP) No. 00-21 ("Pricing Flexibility Order").

financial incentive to IXCs to not only purchase switched access service from BellSouth, but to increase the amount of these purchases.

14. Again, the discount plan is available to all IXCs. Moreover, it is structured so that the benefits to carriers (i.e., the inducement to increase their purchase of switched access from BellSouth) will be available to all. Specifically, BellSouth has set the discount so that the greater the percentage of the increase over the baseline usage, the greater the discount. Setting the discount based, in part, upon the percentage of increase allows both large and small IXCs to benefit financially from increasing the amount of service that they purchase from BellSouth. That is, even a relatively small IXC[3] that is unable to purchase switched access in very large volumes can obtain a discount by increasing proportionately the amount of its purchases.

15. At the same time, the discount plan does not include a penalty of any sort for a carrier that contracts to purchase services under the tariffed terms, but does not achieve the designated increases in volume. In this instance, the otherwise available rates would apply. In other words, while the discount plan provides a lower rate for increases in levels of volume, it contains absolutely no penalty for a carrier that signs up for the plan, but whose subsequent usage is too small to qualify for the discount.

16. In granting BellSouth's request for pricing flexibility, the FCC set forth the requirement that flexible pricing plans entered into on a contract basis

---

[3] The term "relatively small IXC" refers to a carrier that achieves the threshold of usage to qualify for the plan, but is small when compared to a dominant carrier such as AT&T.

must be available in addition to the special access prices that would otherwise be available. (Pricing Flexibility Order, ¶ 6). This requirement is to ensure that no customer of the LEC "that has been granted [pricing] flexibility [will] be required to pay more than it would if the flexibility had not been granted." (Id.). BellSouth has complied with this requirement in its federal filings, and it has done the same in this case.

17. In its petition, AT&T asserts that the Contract Tariff would be unlikely to benefit any carrier other than BellSouth, and that it is discriminatory for this reason. AT&T is wrong for several reasons. First, the contention that this discount would be of no interest to any IXC other than BellSouth Long Distance ("BSLD") is clearly rebutted by the fact that at least one carrier, i.e., Sprint, has entered into a Letter of Agreement to purchase services under this discount plan. Beyond this, AT&T's opposition to the plan is ostensibly based on the notion that "an IXC, like AT&T, whose intrastate volume historically has been declining is discriminated against by the methodology of the revised tariff" (Petition, p. 4).

18. Apparently, this contention is based on the fact that the volume of switched access services that AT&T has purchased from BellSouth in recent years has declined. However, this fact does not disqualify AT&T, if it elects to increase its purchases in the future. As described in the General Tariff, discounts are given in a contract (of 36, 48 or 60 months) based on the percentage of incremental increase in use beyond the minimum usage (Tariff, p. 1). Again, the minimum usage is determined by looking at the purchasing trend

of the IXC over the past eighteen months and projecting this trend forward for the next twelve months. The discount is then based upon the percentage by which the IXC exceeds this baseline usage.

19. Thus, an IXC that has purchased switched access service from BellSouth in increasing amounts over the past eighteen months would have a baseline usage that would reflect a projected increase over the next year, i.e., its baseline usage for discount purposes would be higher than its current usage. If, however, a given IXC's purchase of switched access from BellSouth has declined over the past eighteen months (i.e. the AT&T situation), then this would be projected forward for the next twelve months in order to arrive at a baseline usage figure that would be lower than the current usage. To obtain a discount in the first year, that IXC would simply need to maintain its current usage. Thus, the formula, if anything, would benefit the IXC whose purchase volume during this eighteen month has declined, but that purchases more switched access from BellSouth in the future, i.e., the IXC that exhibits the future purchasing decisions that the Tariff is intended to encourage.

20. Beyond this, AT&T's argument that the discounted Tariff offering is discriminatory appears to be based on its belief that the discount will be permanently unavailable to AT&T because AT&T's purchase of switched access service from BellSouth will decline perpetually. AT&T also seems to imply not only that this result is a given, but that this result is entirely outside of AT&T's control. The contention, however, could only be true if two factors existed: (1) if AT&T is currently purchasing the absolute maximum amount of switched access

from BellSouth that it can purchase (i.e., if it is eschewing all other alternatives), and (2) if AT&T is so doomed to fail in the future competition for long distance customers that AT&T's need for access to serve these customers will unavoidably decrease. AT&T has certainly not represented that either of these limiting factors exists.

21. In reality, the situation is simply that if AT&T anticipates that the amount of switched access that it purchases from BellSouth will decline in the future, then this is because AT&T has made a business decision to pursue other alternatives for access (and/or foresees only future market failures). Thus, AT&T's allegation that the Tariff is discriminatory is really nothing more than a complaint that BellSouth has not proposed a discount that suits AT&T's desire to both use BellSouth's switched access service less in the future and receive a discount on the declining amount of switched access that it does purchase.

22. Again, the purpose of this Tariff is to provide an incentive for IXC customers to remain on BellSouth's network and to increase their usage of BellSouth's switched network to serve their long distance customers. It is perfectly legitimate for BellSouth to create this incentive for IXCs through the subject Tariff. If AT&T does not care to take advantage of the offered discount, this in no way renders the Tariff discriminatory. AT&T's decision should also not provide a basis for it to prevent Sprint (or any other similarly situated IXC) from accepting the offer.

23. Finally, AT&T's contention that this tariff will somehow potentially benefit BellSouth Long Distance, and that it is being filed for this purpose, is

simply fiction. First, the Contract Tariff states that it can be subscribed to by other customers within 30 days. This 30 day period ended July 17, 2002, and neither BellSouth Long Distance, nor anyone else, subscribed to the tariff. Moreover, BellSouth Long Distance is, of course, currently not authorized to carry InterLATA long distance traffic in Florida. As a consequence, BSLD's purchase of switched access is far below the minimum level required to qualify for either the Contract Tariff (if it were still available) <u>or</u> the General Tariff. Moreover, it is clear that BSLD will <u>not</u> have sufficient volume to qualify until it receives 271 authority. Thus, AT&T is essentially arguing to the Commission that BellSouth has concocted some nefarious plan to provide a discount to its long distance affiliate by creating a discount plan with minimum usage requirements that make it unavailable to that affiliate.

24. Moreover, even at the future point that BSLD might become eligible for this discount program under the terms that would apply to all carriers, the discount plan is structured so that, as a practical matter, it will likely be permanently unavailable to BSLD. Again, the discount is granted for the volume of minutes of use above the minimum usage, and minimum usage is set based on an 18 month trend. AT&T's ostensible basis for claiming that this tariff would benefit BellSouth is the fact that once BSLD enters the long distance market, it should achieve rapid growth. However, one would anticipate that the growth would occur dramatically at first, then level off over time. In contrast, for the discount to be available to BSLD at some future point, it would not only have to sustain the growth rate that it achieves in the first 18 months that it is in the long

distance market (projected forward for an additional 12 months) it would have to increase this rate of growth over the subsequent life of the contract. Thus, although the plan would be theoretically available to BSLD in the future (if BSLD achieves the threshold usage level), the plan will, for all practical purposes, almost certainly remain unavailable to BSLD.

25. In filings that AT&T has made in other states, AT&T has made it clear that it is not opposed to discounts of switched access service. To the contrary, it supports discounts, but only discounts that will benefit AT&T more than any other carrier. AT&T has advocated discounts based purely on volume, which would necessarily have the effect of giving the greatest discounts to AT&T, as the largest carrier. In fact, in a recent filing in North Carolina, AT&T readily admitted that "BellSouth is correct that AT&T seeks greater discounts than those granted by BellSouth to 'other competitive carriers having less volume of usage'" (AT&T's Reply Comments, p. 12, filed in North Carolina Docket No. P-55, Sub 1366). What BellSouth has proposed in the General Tariff filing is a volume discount that would allow a meaningful benefit to a fairly large group of carriers because the amount of usage necessary to qualify for a discount is comparatively low. Given this, BellSouth's approach is clearly not discriminatory, and it is considerably more equitable than the approach typically advocated by AT&T, i.e., that AT&T as the largest customer must always have the largest discount.

**WHEREFORE**, BellSouth respectfully requests that, for the reasons set forth above, the Commission enter an Order dismissing AT&T's Petition and/or denying all relief requested therein.

Respectfully submitted this 12th day of August, 2002.

BELLSOUTH TELECOMMUNICATIONS, INC.

Nancy B White

NANCY B. WHITE (LKA)
c/o Nancy H. Sims
150 So. Monroe Street, Suite 400
Tallahassee, FL 32301
(305) 347-5558

R. Douglas Lackey

R. DOUGLAS LACKEY (LKA)
J. PHILLIP CARVER
Suite 4300
675 W. Peachtree St., NE
Atlanta, GA 30375
(404) 335-0710

458252

# SUBJECT INDEX

B.

SUBJECT — SECTION



® BellSouth is a registered trademark of BellSouth Intellectual Property Corporation

EXHIBIT
A

# TABLE OF CONTENTS



® Bellsouth is a registered trademark of BellSouth Corporation

# E27. BELLSOUTH SWA PRICING FLEXIBILITY (T)

CONTENTS

# E27. BELLSOUTH SWA PRICING FLEXIBILITY (N)

## E27.1 BellSouth SWA Pricing Flexibility Service (N)

### E27.1.1 General Regulations (N)

A. The start date of BellSouth SWA Pricing Flexibility Service is the first bill period following execution of the Letter of Agreement with the customer. (N)

B. Customers may choose either a three, four or five year agreement that terminates upon completion. (N)

C. The regulations, terms, conditions and volume discounts provided herein shall apply to the customer's applicable BellSouth SWA usage and revenues achieved in the state of Florida. (N)

### E27.1.2 Subscription Conditions (N)

A. To subscribe to BellSouth SWA Pricing Flexibility Service, the customer and the Company must execute a Letter of Agreement. The Company shall provide a Letter of Agreement for the customer to execute. The Letter of Agreement shall contain: (N)

1. Customer Minimum Usage (N)
2. Start and termination date (N)
3. Customer's Name and Billing Address (N)
4. Billing Account Number the credit will be applied (N)
5. Access Customer Name Abbreviations (ACNAs) and Customer Identifications Codes (CICs) (N)
6. BellSouth SWA Pricing Flexibility Service term (i.e., 36, 48 or 60 months) (N)
7. Minimum Usage Discount Table (N)

B. To subscribe to BellSouth SWA Pricing Flexibility Service, the customer must have been a BellSouth SWA customer for the previous 18 months. (N)

C. When the customer subscribes to BellSouth SWA Pricing Flexibility Service, the customer must identify to the Company, all Access Customer Name Abbreviations (ACNAs) and Carrier Identification Codes (CICs) to be included in BellSouth SWA Pricing Flexibility Service. (N)

D. The customer must be the billing responsible party for all BellSouth SWA billing elements associated with the ACNAs and CICs included in the Letter of Agreement (N)

E. Any additions after the Letter of Agreement is executed will be handled as a merger or acquisition or transfer of service regulations as set forth in E27.1.3 following. (N)

F. The customer's annual minimum usage is a 12 month linear regression projection of local switching usage based upon the customer's most recent 18 month local switching usage history. The annual minimum usage remains constant throughout the term of service. (N)

G. The following BellSouth SWA services will be used in determining the BellSouth SWA revenues that are eligible to receive the volume discount based on the established minimum local switching usage. (N)

1. BellSouth SWA Common Transport Service (N)
   - Facility Termination, per minute of use (N)
   - Per Mile, per minute of use (N)
   - DS3 to DS1 Multiplexer, per minute of use (N)
   - DS1 to VG Multiplexer, per minute of use (N)
2. Access Tandem Switching (N)
   - Dedicated Tandem Trunk Port Service (N)
     - Per DSO/VG trunk port required (N)
     - Per DS1 trunk port required (N)
   - DS1 to VG Channelization (N)

# E27. BELLSOUTH SWA PRICING FLEXIBILITY (N)

## E27.1 BellSouth SWA Pricing Flexibility Service (Cont'd) (N)

### E27.1.2 Subscription Conditions (Cont'd) (N)

G. (Cont'd) (N)

3. Local Switching (N)
   - Local Switching 1 (N)
   - Local Switching 2 (N)
   - Local Switching 3 (N)
   - Local Switching 4 (N)
   - Common Trunk Port Service (N)
     - Per each Common Transport trunk termination, per minute of use (N)
   - Dedicated End Office Trunk Port Service (N)
     - Per DSO/VG trunk port required (N)
     - Per DS1 trunk port required (N)

H. A customer may not combine its local switching minutes of use with another customer, whether an individual, partnership, association or corporation, for the purpose of meeting the established minimum local switching usage, as set forth in E27.1.5.B. following. (N)

I. Cancellation of BellSouth SWA Pricing Flexibility Service (N)

1. During the term period of BellSouth SWA Pricing Flexibility Service, a customer may cancel BellSouth Pricing Flexibility Service and subsequently subscribe to another BellSouth SWA Pricing Flexibility Service only one time. (N)
2. Cancellation of BellSouth SWA Pricing Flexibility Service and subscription to another BellSouth SWA Pricing Flexibility Service is allowed only on the anniversary date of BellSouth SWA Pricing Flexibility Service and upon meeting one of the following conditions: (N)
   a. During the first year of BellSouth SWA Pricing Flexibility Service, the local switching usage achieved is 10 percent below the minimum usage; (N)
   b. During the remaining years of BellSouth SWA Pricing Flexibility Service, the local switching usage is below the minimum usage. (N)
   c. Local switching usage exceeds the discount usage cap. (N)
   d. Customer adds CIC codes that are desired to become part of the volume discount contract tariff. (N)

J. Rates and charges for the BellSouth SWA services included in BellSouth SWA Pricing Flexibility Service are as set forth in Section E6. of this Tariff. General regulations and ordering options for the BellSouth SWA services are as set forth in Sections E2. and E5. of this Tariff. (N)

### E27.1.3 Mergers and Acquisitions and Transfer of Service (N)

A. In the event the customer merges with another company or is acquired by another company; the following regulations will apply: (N)

1. The customer may elect to terminate subscription to BellSouth SWA Pricing Flexibility Service. (N)
2. The customer may not combine revenues with the merged or acquired company's revenues for the purpose of obtaining volume discounts provided under BellSouth SWA Pricing Flexibility Service. (N)
3. The customer may continue subscribing to BellSouth SWA Pricing Flexibility Service for the duration of the term provided that the customer continues the subscription as if it were the same entity that existed prior to the merger or acquisition. (N)

B. If customer requests a transfer of service, pursuant to Transfer of Service regulations in Sections E2. and E6. of this Tariff, the customer's subscription to BellSouth SWA Pricing Flexibility Service shall be terminated. (N)

# E27. BELLSOUTH SWA PRICING FLEXIBILITY (N)

## E27.1 BellSouth SWA Pricing Flexibility Service (Cont'd) (N)

### E27.1.4 BellSouth SWA Pricing Flexibility Revenue Volume Discounts (N)

A. Each year of BellSouth SWA Pricing Flexibility Service is defined as twelve (12) consecutive bill periods. For purposes of calculating the BellSouth SWA volume discounts, month 1 is the bill period after the beginning date of BellSouth SWA Pricing Flexibility Service. For example, if the beginning date of BellSouth SWA Pricing Flexibility Service is June 6, 2002 bill period, then month 1 for purposes of calculating the BellSouth SWA volume discounts will be the July 6, 2002 bill period. (N)

B. The BellSouth SWA Pricing Flexibility volume discounts provided herein will be determined during the first month after the end of each year of the BellSouth SWA Pricing Flexibility Service. During the second month following the end of each year of the BellSouth SWA Pricing Flexibility Service, the BellSouth Pricing Flexibility SWA volume discounts will be applied via a credit to the customer's bill. (N)

C. True-up provisions will be made during the first quarter after the termination date of BellSouth SWA Pricing Flexibility Service. (N)

D. The BellSouth SWA Pricing Flexibility volume discounts are applicable to the usage sensitive and recurring revenues of the BellSouth SWA services as set forth in E27.1.2.G. preceding. (N)

E. The BellSouth SWA Pricing Flexibility volume discounts specified in BellSouth SWA Pricing Flexibility Service will not be applied to taxes and nonrecurring BellSouth SWA revenues. (N)

F. The BellSouth SWA services to which the volume discounts provided under BellSouth SWA Pricing Flexibility Service apply shall only be subject to service assurance warranty regulations specified in E2.4.4 of this Tariff. (N)

### E27.1.5 BellSouth SWA Pricing Flexibility Service Volume Discount Plan (N)

A. BellSouth SWA Pricing Flexibility Service provides for annual volume discounts based upon annual local switching minutes of use (MOU) above a stated minimum usage. Annual volume discounts will be determined by the local switching usage volume and the year of the contract in which the local switching usage volume is achieved. (N)

B. The minimum usage and the achievable volume discounts associated with the BellSouth SWA services are shown in the table below. Volume discounts are not applicable to any usage levels outside of the MOU usage ranges stated in table below: (N)

| Customer Minimum Usage (MOU) | Usage Ranges (MOU) | Volume Discount Percentages | | | | | |
|---|---|---|---|---|---|---|---|
| | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | |
| .5B – 1B | Minimum Usage – Minimum Usage * 1.02 | 5% | - | - | - | - | (N) (N) |
| | >Minimum Usage *1.02 – Minimum Usage * 1.10 | 7% | 10% | 15% | - | - | (N) (N) |
| | >Minimum Usage * 1.10 – Minimum Usage * 1.30 | 10% | 15% | 20% | 25% | 30% | (N) (N) |
| >1B – 3B | Minimum Usage – Minimum Usage * 1.02 | 7% | - | - | - | - | (N) (N) |
| | >Minimum Usage *1.02 – Minimum Usage * 1.10 | 10% | 15% | 20% | - | - | (N) (N) |
| | >Minimum Usage * 1.10 – Minimum Usage * 1.30 | 15% | 20% | 25% | 30% | 35% | (N) (N) |
| >3B | Minimum Usage – Minimum Usage * 1.02 | 10% | - | - | - | - | (N) (N) |
| | >Minimum Usage *1.02 – Minimum Usage * 1.10 | 15% | 20% | 25% | - | - | (N) (N) |
| | >Minimum Usage * 1.10 – Minimum Usage * 1.30 | 20% | 25% | 30% | 35% | 40% | (N) (N) |

# E27. BELLSOUTH SWA PRICING FLEXIBILITY (N)

## E27.1 BellSouth SWA Pricing Flexibility Service (Cont'd) (N)

### E27.1.5 BellSouth SWA Pricing Flexibility ServiceVolume Discount Plan (Cont'd) (N)

C. The annual local switching usage included in BellSouth SWA Pricing Flexibility Service eligible for volume discount is determined by subtracting the minimum usage from the achieved local switching usage for each year. (N)

D. Dividing the annual local switching usage eligible for volume discount for a given year of BellSouth SWA Pricing Flexibility Service by the minimum local switching usage will develop the usage factor. (N)

E. A usage factor (greater than zero) will be applied to the eligible BellSouth SWA revenue generated by the BellSouth SWA services identified in E27.1.2.G. preceding. This calculation produces the annual revenue eligible for discount. (N)

F. The discount percent achieved, as set forth in B. preceding, is based upon the minimum usage required, the usage factor achieved and the term year. (N)

G. The volume discount received for a given year under BellSouth SWA Pricing Flexibility Service is determined by multiplying the eligible BellSouth SWA revenue times the discount factor achieved. (N)

H Following is an example of how the annual BellSouth SWA Pricing Flexibility volume discount will be determined: (N)

Customer Information - Customer subscribed to a five year BellSouth SWA Pricing Flexibility and is in the 4th year of the contract term. The customer's local switching minimum usage is 1.5B minutes of use. The year 4 local switching usage is 1.8B minutes of use and the eligible BellSouth SWA revenues for year 4 is $10,000,000. (N)

Year 4 Usage Eligible for Discount = Year 4 Usage - Minimum Usage (N)

= 1.8B MOU - 1.5B MOU (N)

= 300M MOU (N)

Year 4 Usage Factor = Year 4 Annual Usage / Minimum Usage (N)

= 300M MOU / 1.5B MOU (N)

= .20 (N)

Year 4 Revenue Eligible for Discount = Year 4 Usage Factor X Year 4 eligible BellSouth SWA Revenue (N)

= .20 X $10,000,000 (N)

= $2,000,000 (N)

Year 4 Volume Discount = Year 4 Revenue Eligible for Discount X Discount Factor (N)

= $2,000,000 X .30 (N)

= $600,000 (N)