

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 7, 2006

IN RE:

**ALLEGED VIOLATIONS OF §1.4.4 OF THE
SERVICE QUALITY MEASUREMENTS &
SELF EFFECTUATING ENFORCEMENT MECHANISMS
ADMINISTRATIVE PLAN VERSION 2.0
BY BELL SOUTH TELECOMMUNICATIONS INC.**

)
)
) **DOCKET NO.**
) **06-00059**
)
)
)

ORDER APPROVING SETTLEMENT AGREEMENT

This matter came before Chairman Ron Jones, Director Pat Miller and Director Sara Kyle, of the Tennessee Regulatory Authority (the “Authority” or “TRA”), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on March 20, 2006 for consideration of a proposed Settlement Agreement between the Consumer Services Division of the TRA (“CSD”) and BellSouth Telecommunications Inc. (“BellSouth”) for alleged violations of the Service Quality Measurements (“SQMs”) and Self Effectuating Enforcement Mechanisms (“SEEMs”).

Background

The above Performance Measurements, Benchmarks and Enforcement Mechanisms were adopted by the Authority in an Order issued in Docket No. 01-00193 on October 4, 2002. As directed on May 14, 2002 in Docket No. 01-00193, Bellsouth is to self-report to the Authority on a monthly basis, violations of these benchmarks and make, if required, Tier I payments to the affected Competitive Local Exchange Carriers (“CLECs”) and Tier II payments to the TRA,

without any action, being taken by the Authority. On its own volition, Bellsouth engaged PriceWaterhouseCoopers LLP to review its performance for 2003. The report by PriceWaterhouseCoopers found that BellSouth had missed eight (8) Tier II SEEMs payments over a three month period of time during 2003 that amounted to \$11,950.

Settlement Terms

BellSouth self-reported these findings to the CSD and expressed an interest in settling this matter, while expressly contesting the findings. This Amended Settlement Agreement requires BellSouth to file an amended tariff which expands the criteria for qualifying for its Lifeline/Link-Up program to increase the income based criterion from 125% to 135% of the Federal Income Poverty Level, streamline the qualification process to allow consumers to enroll through a self-certification process instead of submitting proof of eligibility by supplying State-provided documentation, and add three (3) additional qualification criteria to the Lifeline/Link-Up program: National Free Lunch's free lunch program (Free Lunch), Federal Public Housing Assistance/Section 8 (Section 8 Housing) and Low Income Home Energy Assistance Program (LIHEAP). An estimated twenty thousand, one hundred and fifty (20,150) Tennesseans will become eligible from this expansion. This Amended Settlement also requires BellSouth to provide forty-five thousand dollars (\$45,000) over a three year period, for the purpose of funding a consumer education campaign to publicize the Lifeline and Link-Up programs.

March 20, 2006 Authority Conference.

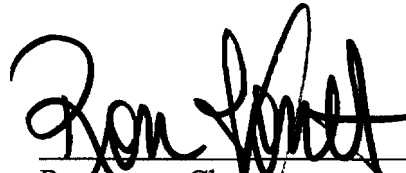
At the regularly scheduled Authority Conference held on March 20, 2006, the CSD acknowledged that BellSouth has been cooperative and forthcoming by sharing the results of their performance review. The panel considered the proposed amended settlement, found that it contains terms that are beneficial to many Tennesseans, and unanimously voted to approve this Amended Settlement Agreement.

IT IS THEREFORE ORDERED THAT:


1. The Amended Settlement Agreement, attached hereto as Exhibit 1, is accepted and approved, and is incorporated into this Order as if fully rewritten herein.

2. BellSouth shall file an amended tariff within 30 days from approval of the Amended Settlement Agreement which increases the income based criterion from 125% to 135% of the Federal Income Poverty Level; streamlines the qualification process by allowing qualifying consumers to certify in writing that they participate in a qualifying Tennessee Lifeline/Link-Up eligible program; and adds three (3) additional qualification criteria to the Lifeline/Linkup program: National Free Lunch's free lunch program (Free Lunch), Federal Public Housing Assistance/Section 8 (Section 8 Housing) and Low Income Home Energy Assistance Program (LIHEAP).

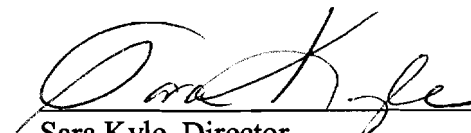
3. BellSouth shall provide a total sum of forty-five thousand dollars (\$45,000) to be disbursed in installments over a three (3) year period for the purpose of funding a consumer education campaign publicizing the Lifeline and Link-Up programs.



Ron Jones, Chairman



Pat Miller, Director



Sara Kyle, Director

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

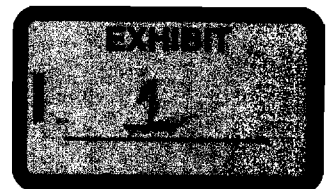
IN RE:)	
ALLEGED VIOLATIONS OF)	
§ 1.4.4 of the SERVICE QUALITY)	
MEASUREMENTS & SELF EFFECTUATING)	
ENFORCEMENT MECHANISMS)	TRA DOCKET NO. 06-00059
ADMINISTRATIVE PLAN VERSION 2.0)	
BY: BELL SOUTH)	
TELECOMMUNICATIONS INC.)	

AMENDED SETTLEMENT AGREEMENT

This Settlement Agreement has been entered into between the Staff of the Tennessee Regulatory Authority ("TRA") and BellSouth Telecommunications Inc. ("BellSouth"). The Parties Agree as follows:

RECITALS

1. Service Quality Measurements and Self- Effectuating Enforcement Mechanisms ("SQM/ SEEMs") were initially adopted in Docket 01-00193 on October 4, 2002, as part of a settlement agreement between the parties, in BellSouth's request for Section 271 approval. The SQM/SEEMs establishes minimum service quality levels that BellSouth is required to meet in providing service to its competitors. Failure to meet the standards triggers payment by BellSouth of fees to its competitors (Tier I payments) and to the TRA (Tier II payments).
2. From November 21, 2003 to May 13, 2005, BellSouth paid the TRA \$2,745,261 in Tier II payments.



3. BellSouth voluntarily self-reported to the TRA Staff, findings of a BellSouth-initiated, third-party study (the "Study") of payments made pursuant to its SQM/ SEEMs. While BellSouth strongly contests the accuracy of the findings of the Study, BellSouth chose to notify the TRA of the results, in an abundance of caution.
4. During September, November and December 2003, BellSouth paid \$227,000 in Tier II payments to the TRA. The Study for this same period identified eight (8) late Tier II payments to the TRA, amounting to \$11,950. Based upon Section 4.4.3 of the SEEM Administrative Plan (p.8) Version 3.0, outlining a \$1000 per day penalty, the Study contends, and BellSouth expressly disputes, that penalty payments in the amount of \$822,000 are due based upon the number of days each of the payments was late. The largest of the late payments is a payment shortage of \$10,400 in September 2003, resulting in a calculated late payment of \$546,000. There is no dispute that each and every one of the identified late payments was discovered and paid in the ordinary course of business without regard for the Study.
5. The Study found no omissions in Tier I payments for the test period.
6. BellSouth contacted the Staff expressing an interest in resolving this matter.
7. In negotiating this Settlement Agreement, Staff relied upon the factors stated in Tenn. Code Ann. 65-4-116(b), including the good faith of the company and the fact that all late payments were made when discovered in the ordinary course.
8. BellSouth enters into this Agreement in order to resolve this dispute and expressly denies the accuracy of the findings of the Study.
9. This Settlement Agreement is subject to the approval of the Directors of the TRA.

TERMS OF SETTLEMENT

10. The parties hereby agree that BellSouth will provide a total sum of \$45,000, to be paid in installments over a three year period, for the purpose of providing consumer education publicizing the Lifeline and LinkUp programs, in full and complete settlement of the alleged errors identified by the Study.
11. BellSouth shall coordinate with the Chief of the Consumer Services Division, or other TRA staff member as directed by the TRA, for the purpose of establishing the multi-year publicity plan referenced in the preceding paragraph, which will be implemented by BellSouth. Such plan shall be submitted to the TRA Chair for final approval no later than 60 days after approval of the Settlement Agreement by the TRA.
12. BellSouth agrees to file with the TRA within 30 days from approval of this Settlement Agreement the attached revised Lifeline/LinkUp tariff, reflecting at a minimum the Federal Communications Commission's default state Lifeline/LinkUp requirements (WC Docket 03-109, Order released on April 29, 2004, paragraphs 10 – 18). This revised tariff will extend the program benefits to additional Tennessee low-income consumers served in the BellSouth territory by expanding Lifeline/LinkUp criteria to allow consumers currently participating in either National School Lunch's free lunch program (NSL), Federal Public Housing Assistance (Section 8), Low Income Heating and Electric Assistance Program (LIHEAP) or with gross annual income that does not exceed one hundred and thirty five percent (135%) of the federal poverty income guidelines to qualify for the BellSouth Lifeline/LinkUp program. Qualifying consumers will be allowed to enroll in the Lifeline/LinkUp program through self-certification; certifying under penalty of perjury that the customer participates in a qualifying Tennessee Lifeline

eligible program, greatly simplifying the LifeLine/LinkUp enrollment process for qualifying customers.

13. BellSouth agrees to have a representative available at the TRA Conference when this matter is deliberated.
14. If any clause, provision or section of this agreement shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause, provision or section of this Settlement Agreement and this Settlement Agreement shall be construed as if such illegal, invalid or unenforceable clause, section or provision had not been contained herein.
15. This Settlement Agreement represents the entire agreement between the parties, and there are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Settlement Agreement which are not fully expressed herein, or attached hereto.
16. In the event that BellSouth fails to comply with the terms and conditions of this Settlement Agreement, the TRA reserves the right to open a docket. In that event, BellSouth shall pay any and all costs incurred in enforcing this Settlement agreement.

SO AGREED:



Eddie Roberson

TRA Chief, Consumer Services and External Affairs Division

3/8/06
Date



BellSouth Telecommunications, Inc.

3/8/06
Date

A3. BASIC LOCAL EXCHANGE SERVICE

A3.31 Lifeline

A3.31.1 Description of Service

- A. The Lifeline program is designed to increase the availability of telecommunications services to low income subscribers by providing a credit to monthly recurring local service to qualifying residential subscribers. Basic terms and conditions are in compliance with the FCC's Order on Universal Service in FCC 97-157, which adopts the Federal-State Joint Board's recommendation in CC Docket 96-45, which complies with the Telecommunications Act of 1996. Specific terms and conditions are as prescribed by the Tennessee Regulatory Authority and are as set forth in this tariff.
- B. Lifeline is supported by the federal universal service support mechanism.
- C. Federal baseline support of \$8.25 is available for each Lifeline service and is passed through to the subscriber. An additional \$3.50 credit is provided by the Company. Supplemental federal support of \$1.75, matching one half of the Company contribution, will also be passed along to the Lifeline subscriber. The total Lifeline credit available to an eligible customer in Tennessee is \$13.50. The amount of credit will not exceed the charge for local service, which includes the access line, Touch-Tone, the Subscriber Line Charge and local usage.

A3.31.2 Regulations

A. General

1. Customers eligible under the Lifeline program are also eligible for connection assistance under the Link-Up program.
2. One low income credit is available per household and is applicable to the primary residential connection only. The named subscriber must be a current recipient of any of the low income assistance programs identified in B following.
3. A Lifeline customer may subscribe to the current capped message rate Lifeline plan (USOC LM8) or any local service offering available to other residence customers. Since the Lifeline credit is applicable to the primary residential connection only, it may not be applied to a multiple line package local service offering.
4. Toll blocking, if elected, will be provided at no charge to the Lifeline subscriber.
5. The deposit requirement is not applicable to a Lifeline customer who subscribes to toll blocking. If a Lifeline customer removes toll blocking prior to establishing an acceptable credit history, a deposit may be required. When applicable, advance payments will not exceed the connection and local service charges for one month.
6. A Lifeline customer is exempt from the Late Payment Charge in Section A2.
7. The Federal Universal Service Charge will not be billed to Lifeline customers.
8. A Lifeline subscriber's local service will not be disconnected for non-payment of regulated toll charges. Local service may be denied for non-payment of local service in accordance with Section A2. Access to toll service may be denied for non-payment of regulated tolls. A Lifeline subscriber's request for reconnection of local service will not be denied if the service was previously denied for non-payment of toll charges.
9. The non-discounted federal Lifeline credit amount will be passed along to resellers ordering local service at the prescribed resale discount from this Tariff, for their eligible end users. The additional credit to the end user will be the responsibility of the reseller. Eligible Telecommunications Carriers, as defined by the FCC, are required to establish their own Lifeline programs.

B. Eligibility

1. To be eligible for a Lifeline credit, a customer must be a current recipient of any one of the following low income assistance programs:
 - a. Temporary Assistance to Needy Families (TANF), previously known as AFDC
 - b. Supplemental Security Income (SSI)
 - c. Food Stamps
 - d. *TennCare* Medicaid (T)
 - e. National School Lunch's free lunch program (NSL) (N)
 - f. Federal Public Housing Assistance/Section 8¹ (N)
 - g. Low Income Home Energy Assistance Program (LIHEAP)¹ (N)
2. Additionally, a customer with total gross annual income that does not exceed *one hundred and thirty-five percent (135%)* of the federal poverty income guidelines may apply directly to the Tennessee Regulatory Authority (TRA) for Lifeline eligibility certification. (C)
3. All applications for service are subject to verification with the TRA or state agency responsible for administration of the qualifying program.

Note 1: Effective on or before July 31, 2006

(N)

A3. BASIC LOCAL EXCHANGE SERVICE

A3.31 Lifeline (Cont'd)

A3.31.2 Regulations (Cont'd)

C. Certification

1. Proof of eligibility in any of the qualifying low income assistance programs should be provided to the Company at the time of application for service, *or eligible Lifeline subscribers may enroll in the Lifeline program by signing a document certifying under penalty of perjury that the customer participates in one of the Tennessee Lifeline eligible programs and identifying the qualifying program*. The Lifeline credit will not be established until *the Company has received such signed document*. If the customer requests installation prior to the Company's receipt of *such signed document*, the requested service will be provided without the Lifeline credit. When eligibility documentation is provided subsequent to installation, the Lifeline credit will be provided on a going forward basis. (C)
2. The Company reserves the right to periodically audit its records, working in conjunction with the appropriate state agencies, for the purpose of determining continuing eligibility. Information obtained during such audit will be treated as confidential information to the extent required under State and Federal laws. The use or disclosure of information concerning enrollees will be limited to purposes directly connected with the administration of the Lifeline plan.
3. When a customer is determined to be ineligible as a result of an audit, the Company will contact the customer. If the customer cannot provide eligibility documentation, the Lifeline credit will be discontinued *after a sixty (60) day notice to the customer*. (C)
4. Resellers providing Lifeline service from this tariff are responsible for determining proof of eligibility prior to requesting the service. As set forth in 47 C.F.R. § 417(a) and (b), a reseller must provide a certification, upon request, to BellSouth that it is complying with all FCC and applicable State requirements governing Lifeline/Link-Up programs, including certification and verification procedures. Resellers are required to retain the required documentation for three (3) years and be able to produce the documentation to the Commission or its Administrator to demonstrate that they are providing discounted services only to qualified low-income customers as outlined in B 1 and B 2 preceding. Disclosure requirements described in 2. preceding are applicable to resellers of Lifeline service. (T)

A3.31.3 Rates and Charges

A. General

1. Lifeline is provided as a monthly credit on the eligible residential subscriber's access line bill for local service.
2. Service Charges in Section A4 are applicable for installing or changing Lifeline service.
3. Link-Up connection assistance in Section A4 may be available for installing or relocating Lifeline service.
4. The Secondary Service Charge in Section A4 is not applicable when existing service is converted intact to Lifeline.

B. The total Lifeline credit consists of one federal credit plus one state credit

(1) Federal credit

	Monthly Credit	USOC	
(a) Temporary Assistance to Needy Families (TANF)	\$10.00	ASGFA	
(b) Supplemental Security Income (SSI)	10.00	ASGFS	
(c) Food Stamps	10.00	ASGFC	
(d) <i>TennCare</i> Medicaid	10.00	ASGSI	(T)
(e) TRA Certified	10.00	ASGTC	
(f) National School Lunch's free lunch program (NSL)	10.00	ASGFN	(N)
(g) Federal Public Housing Assistance/Section 8 ¹	10.00	ASGFP	(N)
(h) Low Income Home Energy Assistance Program (LIHEAP) ¹	10.00	ASGFL	(N)

(2) State credit

(a) One per Lifeline	3.50	CRA
----------------------	------	-----

Note 1: Effective on or before July 31, 2006

(N)

A4. SERVICE CHARGES

A4.7 Link-Up

A4.7.1 General

- A. Link-Up is a program designed to increase the availability of telecommunications services to low income subscribers by providing a credit to the non-recurring installation and service charges to qualifying residential subscribers. Basic terms and conditions are in compliance with the FCC's Order on Universal Service in FCC 97-157, which adopts the Federal-State Joint Board's recommendation in CC Docket 96-45, which complies with the Telecommunications Act of 1996. Specific terms and conditions are as prescribed by the Tennessee Regulatory Authority, as set forth in this tariff.
- B. Link-Up is supported by the federal universal service support mechanism.
- C. A federal credit amount of fifty percent (50%) of the non-recurring charges for connection of service, up to a maximum of thirty dollars (\$30.00), is available to be passed through to the subscriber.
- D. In compliance with the FCC's Order, FCC 05-178, dated October 14, 2005, support under the federal Link-Up program will be provided to victims of Hurricane Katrina moving to temporary housing arrangements and to those who return to permanent residences in the affected areas. A federal credit in the amount of thirty dollars (\$30.00) per qualifying household will be available to subscribers upon request and certification of FEMA eligibility. Eligibility for this credit is based on the eligibility criteria used by FEMA to provide individual disaster housing assistance. A maximum of two federal credits (one for the temporary location and one for a return to the permanent location) will be available to qualified subscribers. These credits will be available for customer orders from October 14, 2005 to March 1, 2007. These subscribers will not necessarily be eligible for the Lifeline program as specified in this tariff.

A4.7.2 Regulations

A. General

- 1. Customers eligible under Link-Up are also eligible for monthly recurring assistance under the Lifeline program.
- 2. Link-Up connection assistance is available per household and is applicable to the primary residential connection only.
- 3. The Link-Up credit is available each time the customer installs or relocates the primary residential service.
- 4. To receive the credit, proof of eligibility must be provided prior to installation of service.
- 5. The total tariffed charges for connecting service, including service and other installation charges, are considered in the credit calculation.
- 6. The non-discounted federal credit amount will be passed along to resellers ordering local service at the prescribed resale discount from this Tariff, for their eligible end users. Eligible Telecommunications Carriers, as defined by the FCC, are required to establish their own Link-Up programs.

B. Eligibility

- 1. To be eligible for a Link-Up credit, the named subscriber must be a current recipient of any of the following low income assistance programs:
 - a. Temporary Assistance to Needy Families (TANF), previously known as AFDC
 - b. Supplemental Security Income (SSI)
 - c. Food Stamps
 - d. *TennCare* Medicaid (T)
 - e. National School Lunch's free lunch program (NSL) (N)
 - f. Federal Public Housing Assistance/Section 8¹ (N)
 - g. Low Income Home Energy Assistance Program (LIHEAP)¹ (N)
- 2. Additionally, a customer with total gross annual income that does not exceed *one hundred and thirty-five percent (135%)* of the federal poverty income guidelines may apply directly to the Tennessee Regulatory Authority (TRA) for Lifeline eligibility certification. (C)
- 3. All applications for service are subject to verification with the TRA or state agency responsible for administration of the qualifying program. (M)

Note 1: Effective on or before July 31, 2006 (N)

Material previously appearing on this page now appears on page(s) 71 of this section.

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.

A4. SERVICE CHARGES

A4.7 Link-Up (Cont'd)

A4.7.2 Regulations (Cont'd)

C. Certification

- 1 Proof of eligibility in any of the qualifying low income assistance programs should be provided to the Company at the time of application for service. *Link-Up eligible subscribers may receive the Link-Up credit by signing a document certifying under penalty of perjury, that the customer participates in one of the Link-Up eligible programs and identifying the qualifying program.* The Link-Up credit will not be established until *the Company has received such signed document*. If the customer requests installation *prior to the Company's receipt of such signed document*, the requested service will be provided without the Link-Up credit. (M) (M) (C)
2. The use or disclosure of information concerning enrollees will be limited to purposes directly connected with the administration of the Link-Up plan. (M)
- 3 Resellers providing Link-Up service from this Tariff are responsible for determining proof of eligibility prior to requesting the service. As set forth in 47 C.F.R. 54 § 417(a) and (b), a reseller must provide a certification, upon request, to BellSouth that it is complying with all FCC and applicable State requirements governing Lifeline/Link-Up programs, including certification and verification procedures. Resellers are required to retain the required documentation for three (3) years and be able to produce the documentation to the Commission or its Administrator to demonstrate that they are providing discounted services only to qualified low-income customers as outlined in B 1. and B.2. preceding. Disclosure requirements described in 2 preceding are applicable to resellers of Link-Up service. (T)

A4.7.3 Rates and Charges

- A. The federal credit available for a Link-Up connection is thirty dollars (\$30.00) maximum or fifty percent (50%) of the installation and service charges from this Tariff, whichever is less.

A4.8 Trouble Determination Charge

A4.8.1 General

- A. Residence and Business basic exchange services which terminate in a communications system, such as PBX or Key, are defined as Other Residence or Business Services. These customer shall be responsible for the payment of Company charges for visits by the Company to the customer's premises which are required in connection with a customer's service difficulty or trouble report when it is determined that the source of the difficulty or trouble is on the customer's side of the demarcation point. This charge does not include any isolation work beyond the demarcation point.
- B. Effective 1-1-87, the Company no longer provides maintenance and further isolation of wire and set troubles as a regulated service in compliance with the FCC order in CC Docket 79-105.

A4.8.2 Rates and Charges

- A. Trouble determination for both Other Residence or Business Service customers will be provided based on Premises Work Charges as described in A4.2.5, at the rates applicable to Business customers.

A4.9 Reserved for Future Use

A4.10 Reserved for Future Use

A4.11 Reserved for Future Use

A4.12 Reserved for Future Use