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BELLSOUTH

W. W. (Whit) Jordan
Vice President-Federal Regulatory

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February 9, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

Ms. Magalie Roman Salas
Secretary
1919 M Street, NW, Room 222
Washington, D.C. 20554

RE: CC Docket Nos. 96-45 and 97-160

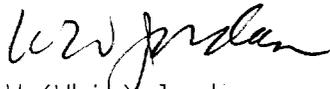
Dear Ms. Salas:

Today, Pete Sywenki of Sprint and the undersigned representing BellSouth met with Tom Power of Chairman Kennard's office. The purpose of the meeting was to discuss the Benchmark Cost Proxy Model. The attached handouts were used during this presentation.

In accordance with the Commission Rule 1.1206(a)(2), the original and four copies of the summary of the presentation is being filed with your office.

Please contact me if you have any questions.

Sincerely,



W.W. (Whit) Jordan
Vice-President
Federal Regulatory

Attachment

cc: Tom Power

No. of Copies rec'd 0+1
List ABCDE



Benchmark Cost Proxy Model BCPM3

Platforms, Issues, Differences:
BCPM3 & Hatfield Model 5.0

February 9, 1998

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WHAT IS THIS PROCEEDING ABOUT?

- Select a Proxy Cost Model Platform.
- Determine Forward-Looking Cost Methodology for an Efficient Network.
- Efficiently Target Support to Rural Customers.
- Meet the Criteria of the 1996 Telcom Act.
- Meet the FCC's Criteria for Proxy Models.
- This Proceeding Is **NOT** About
 - Cost Model Inputs,
 - or the Ultimate Fund Size (Determined by the Inputs).



THE BOTTOM LINE - HOW DO PLATFORM RESULTS COMPARE?

	Dollars - Millions			
	BCPMB		Hatfield 5.0	
	Default	Common	Common	Default
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CUSTOMER LOCATION

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- *At this point we conclude that we should not select one model over another because both models lack a compelling design algorithm that specifies where within a CBG customers are located... (5/8/97 Order at 278)*

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TECHNICAL SPECIFICATIONS

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CONCLUSIONS

- Hatfield 5.0 Fails to Meet Many of the FCC Criteria for Proxy Models, and Congressional Criteria for Network Design.
- BCPM More Accurately Locates Customers and Designs a Superior Least-Cost Forward-Looking Network.
- The FCC Should Select BCPM as the Model Platform for the Next Phase of its Inquiry Regarding Data Inputs.



CRITERIA FROM THE 1996 ACT

1996 ACT CRITERIA	BCPM3	HATFIELD 5.0
<p>Sec. 254(b)(1) Quality services should be available at just, reasonable and affordable rates.</p>	<p>YES</p>	<ul style="list-style-type: none"> • Builds only to current customers, and ignores need to serve new customers. • Sub-standard network design for voice and data services.
<p>Sec. 254(b)(2) Access to advanced telecommunications and information services should be provided in all regions of the Nation.</p>	<p>YES</p>	<ul style="list-style-type: none"> • Not capable of delivering 28.8 bps modem service and other advanced services to all customers.
<p>Sec. 254(b)(3) Consumers in all regions of the Nation should have access to services that are reasonably comparable to those provided in urban areas, at reasonably comparable rates.</p>	<p>YES</p>	<ul style="list-style-type: none"> • Remote rural customers will not have comparable service due to non-standard network design.
<p>Sec. 254(b)(5) There should be specific, predictable and sufficient mechanisms to preserve and advance universal service.</p>	<p>YES</p>	<ul style="list-style-type: none"> • Unrealistic “structure sharing” assumptions will result in insufficient funding in high-cost rural areas.

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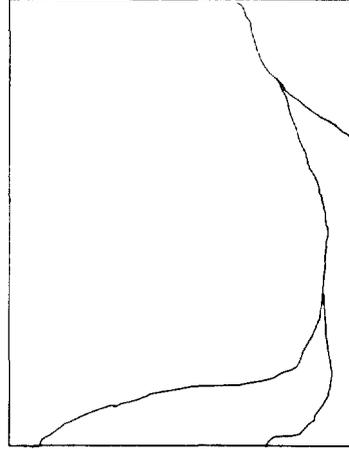
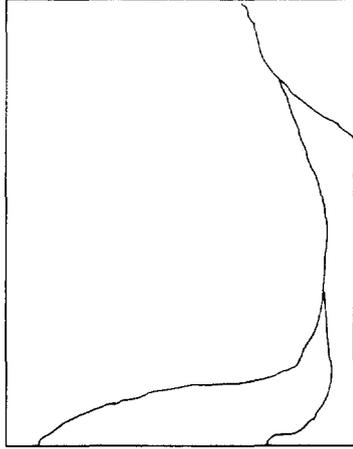


THE FCC'S MODEL CRITERIA

FCC CRITERIA	BCPM3	HATFIELD 5.0
1. The technology must be least cost, most efficient and should not impede the provision of advanced services.	YES	<ul style="list-style-type: none"> • Not capable of providing 28.8 bps modem speeds. • Not consistent with generally accepted network design standards.
2. All network functions must have an associated cost.	YES	YES
3. Only long-run forward-looking costs may be included.	YES	YES
4. Rate of return must be current FCC or State prescribed.	YES (To be further developed in Phase II)	YES (To be further developed in Phase II)
5. Depreciation rates must be within FCC-authorized range.	YES (To be further developed in Phase II)	YES (To be further developed in Phase II)
6. Must include cost of serving all businesses and households.	YES	YES
7. Reasonable allocation of joint and common costs.	YES (To be further developed in Phase II)	YES (To be further developed in Phase II)
8. The model and all underlying data, formulae, computations and software must be available to all interested parties. All data must be verifiable, engineering assumptions reasonable, and outputs plausible	YES	<ul style="list-style-type: none"> • METROMAIL data is proprietary. • Algorithm for converting METROMAIL data to geocoded points is proprietary. • Network engineering not standard. • Shifts more funds to densely populated areas.
9. Must be able to modify critical assumptions and engineering principles.	YES	YES
10. Must deaverage support to the wire center, and if possible, to the CBG, CB or grid cell.	YES	<ul style="list-style-type: none"> • Support only stated at wire center and density zone levels.

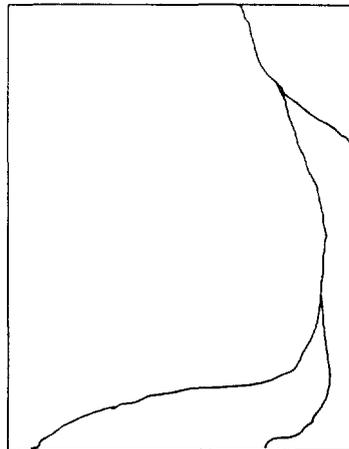
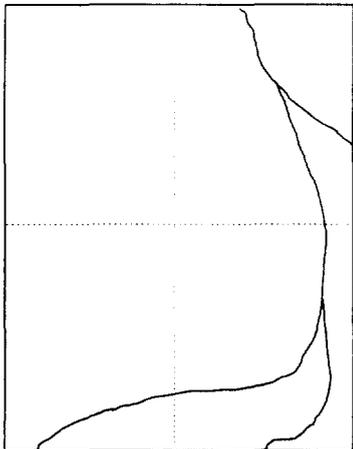
BCPM 3 Grid

Hatfield 5.0 Cluster



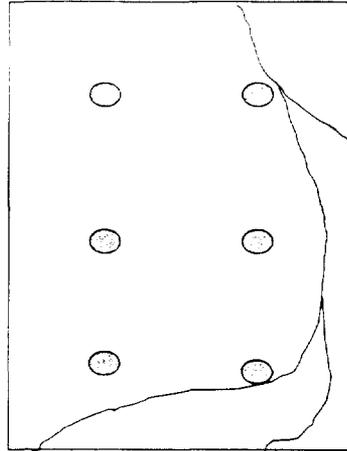
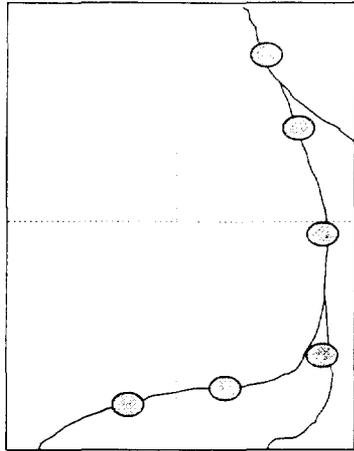
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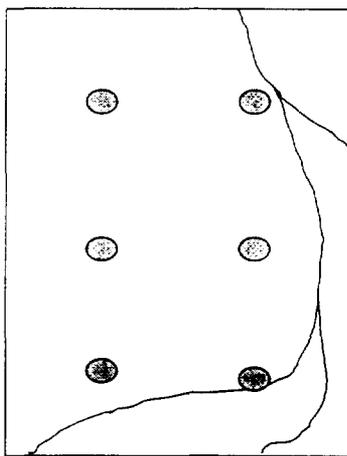
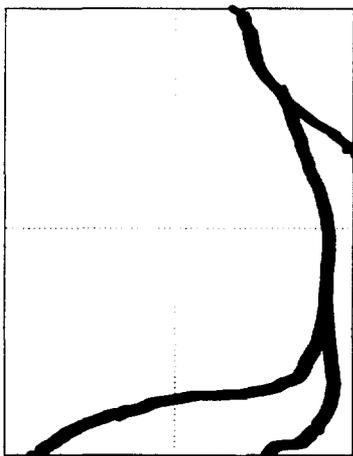
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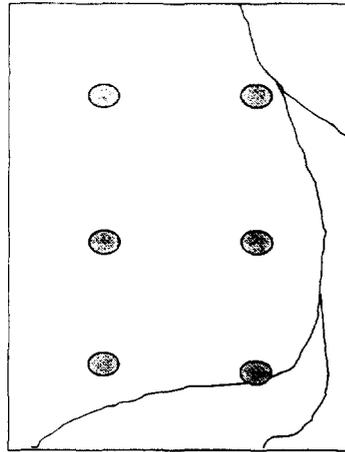
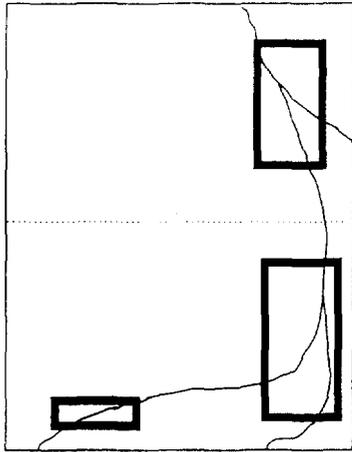
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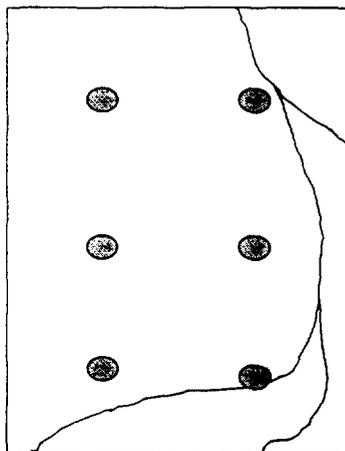
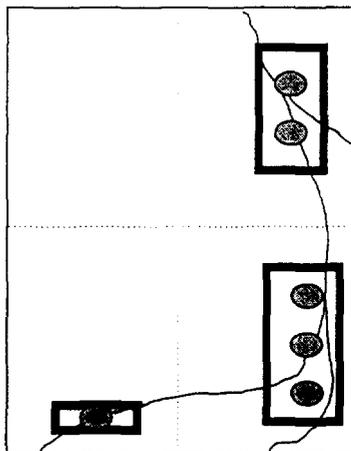
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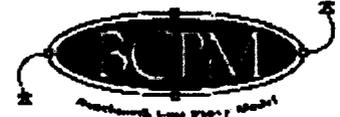
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