

BELLSOUTH

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EX PARTE OR LATE FILED

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EX PARTE

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

RECEIVED
MAY - 8 1998
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: CC Docket No. 97-208, CC Docket No. 97-231,
CC Docket No. 97-121, CC Docket No. 97-137.

Dear Ms. Salas:

This is to inform you that Randy New, John Robinson, Belinda Grant-Anderson, Alice Harms, Robert Blau, and the undersigned, all of BellSouth Corporation met with Commission staff on May 7, 1998. The following Commission staff attended the meeting: Michael Riordan, Chief Economist; Patrick DeGraba, Deputy Chief Economist; from the Office of Plans and Policy, Johnson Garrett and Jon Wilkins; and from the Common Carrier Bureau, Jennifer Fabian, Florence Setzer, Donald Stockdale, and Joe Welch.

The purpose of the meeting was to discuss the economics of entry into the local telecommunications services market, including the cost of entry, projected revenues and resulting margins. The two documents attached to this notice present the framework for the analysis presented by BellSouth and the discussion that ensued.

Because the Commission is considering one or more of the issues discussed at the meeting in each of the proceedings identified above, we are filing notice of this ex parte meeting in each of those proceedings.

As required by Section 1.1206(a)(2) of the Commission's rules, we are filing with the Commission two copies of this notice in each of the

proceedings identified above. Please associate this notification with each of those proceedings.

Sincerely,

Kathleen B. Levitz

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Attachment

cc: Patrick DeGraba
Michael Riordan
Joe Welch

Jennifer Fabian
Florence Setzer
Jon Wilkins

Johnson Garrett
Donald Stockdale

CLEC MARGIN ANALYSIS ASSUMPTIONS

(incl LD, SG&A, and recombination cost)

1. Revenue, lines in service by wirecenter by product by state turned into decile distribution.
2. Local, toll and access MOUs for 1996 Georgia SLU study by decile applied to UNE usage rates to compute UNE usage costs to CLECs.
3. Long distance revenues were computed off of access revenues by assuming \$.05 per MOU for access (both originating and terminating) and \$.15 per minute for residential LD and \$.10 per minute for business LD.
4. Long distance costs were assumed to equal the costs of access of \$.05 and network costs of \$.01 for both residential and business customers.
5. Resale CLEC revenues included local basic, vertical services, intralata toll, access, SLC, and long distance.
6. Resale CLEC costs included local basic, vertical services, and intralata toll revenue less resale discount, 100% of access and SLC revenues, \$.01 per long distance minute for network costs, and 10% - 20% of total retail revenues for normal SG&A expenses.
7. UNE CLEC revenues included are the same as resale - local basic, vertical services, intralata toll, access, SLC, and long distance.
8. UNE CLEC costs included UNE rates for the line, port, local usage, toll usage and access; \$.01 per long distance minute for network costs; and 10% - 20% of total retail revenues for normal SG&A expenses.
9. No assumptions on USF, rate re-balancing, or de-averaging were made.
10. Recombination costs were assumed to be in the range of \$8 - \$12 for residential and \$10 - \$25 for business.

Georgia
Estimate of CLEC Margins - Residential

#1 Decile - Res

	Resale		UNEs	
	Revenue	Expense	Revenue	Expense
Line				
Port				
Vertical Service				
Local Usage				
Toll				
Access				
Subscriber Line Charge				
Recombination Costs				
SG&A				
LD Net of Access				
Total				
EBITDA Margin				
% EBITDA Margin				
Resale Discount				