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September 11, 1998

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

SEP 11 1998

Re: Federal-State Joint Board on Universal Service: CC Dkt No. 96-45

Dear Ms. Salas,

On September 10, the undersigned and Mike Stauffer of BellSouth, Marv Bailey of Ameritech, Jay Bennett of SBC, BB Nugent of US West, and John Hunter of the United States Telephone Association, met with Irene Flannery and Matthew Vitale of the Common Carrier Bureau. Deb Kriete of the Schools and Libraries Corporation also attended the meeting and Greg Vogelmann of the Florida PSC participated via telephone.

The discussion focused on the status of implementation of the Universal Service schools and libraries discount program and specifically the impact of that implementation on service providers. The local exchange carriers expressed appreciation for the opportunity to offer input to the SLC during the development of billing and invoicing program rules. However, the carriers indicated that start-up delays at the SLC will make it difficult for vendors to meet all their customers' expectations regarding reflecting Universal Service discounts on bills. The carriers presented a potential solution and emphasized that in order to avoid similar difficulties and delays in the next program year a number of targeted program changes must be made. All materials provided during the meeting are attached.

This notice is being filed pursuant to Sec. 1.1206(b)(2) of the Commission's rules. If you have questions concerning this filing, please do not hesitate to contact me.

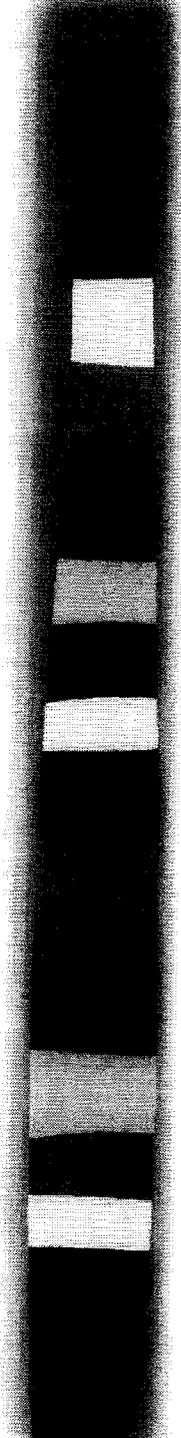
Sincerely,



Mary L. Henze
Executive Director
Executive & Federal Regulatory Affairs

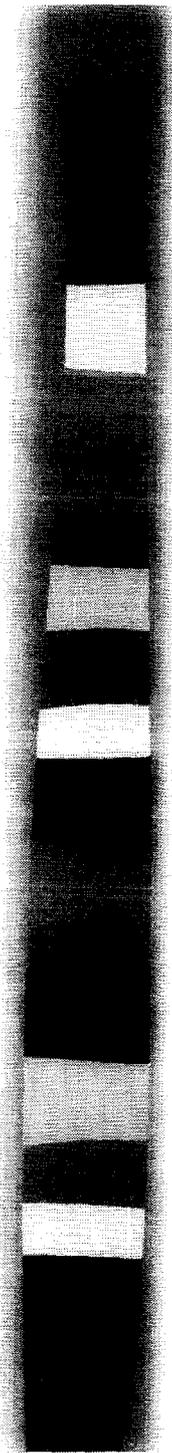
cc: I. Flannery
M. Vitale

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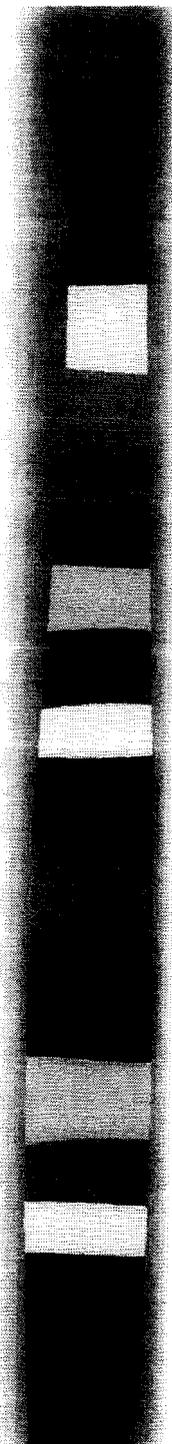
Status of School and Libraries Implementation: The LEC Perspective

SEP 1 1998



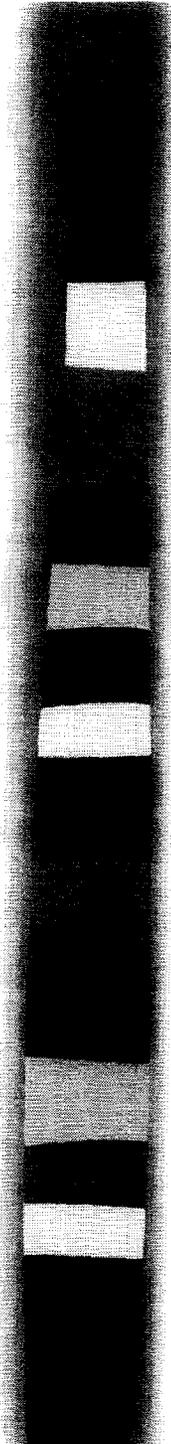
Key Messages

- Schools and Libraries are important LEC customers.
- LECs helping with SLC implementation to ensure we can deliver Universal Service benefits to our customers.
- Concerned that implementation delays will prevent vendors from meeting customer expectations.
- Strongly urge FCC/SLC to avoid further frustration by communicating realistic message.
- Suggest alternative approach for delivering first year benefits and ideas for improving process.



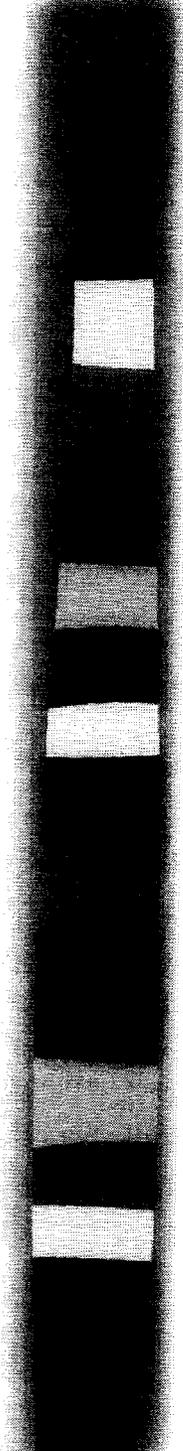
Helping to implement program...

- LECs have been working closely with SLC to offer input and suggestions to implement program. LECs have tried to be partners in an effort to assure an effective process for all stakeholders.
- LECs have participated in many ways:
 - offered suggestions in early phases of forms, applications
 - since Oct '97, weekly industry billing/invoicing calls with NECA, SLC
 - assisting w/development of guide for service providers
 - suggested & developed supplemental forms to address Form 471 deficiencies
 - documented open issues for SLC's use & submitted proposals for resolution



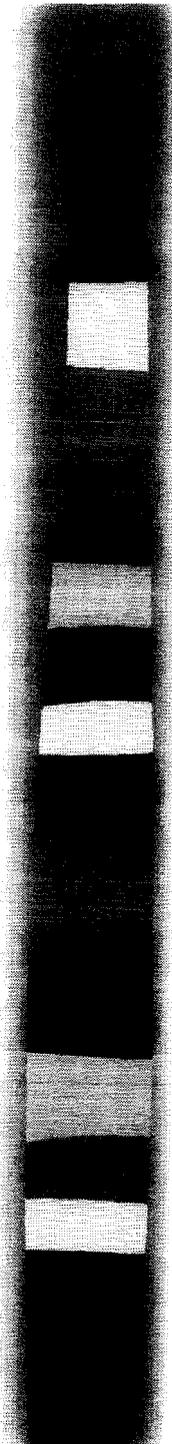
From a vendor's perspective...

- LECs are concerned about current status of program implementation and its impact on vendors:
 - start-up difficulties at SLC, delays, and continuing process changes have made it very difficult for vendors to design, build Methods & Procedures, systems and hire and train operations personnel
 - forms that are critical input to vendors (486, Billed Entity Applicant Reimbursement, notification letters) not yet finalized and may be approved just days before actual use
 - overall disconnect between FCC/SLC forms & processes and vendor relationship with customers & customer records
 - MUCH vendor process work remains to be done before discounts can appear on bills



Issue broader than LECs...

- Many vendors are not aware of complex, time-consuming process needed to meet requirements of program
- Website contains little vendor-related information
- Call-in number for vendor billing/invoice conference call posted in late August
- Service provider guide not available yet
- FCC and SLC at risk of complaints from uninformed vendors

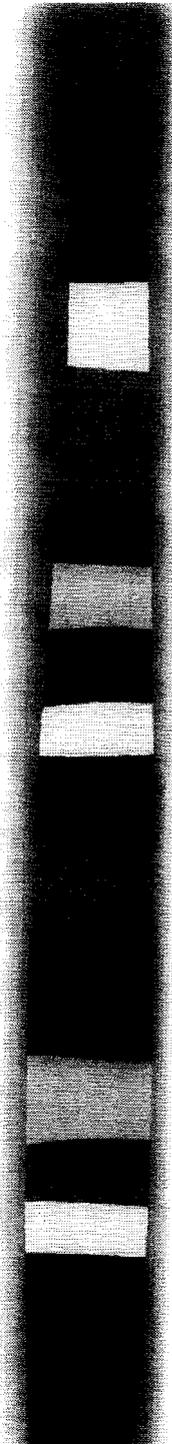


Realistic assessment...

- SLC delay in processing '98 applications is so severe that vendors will not have adequate time to bill discounts prospectively for the last six months of program year:
 - still do not have customer-specific discount information
 - extensive resource requirements cannot be quantified or secured
- Lack of final business rules and program specifications make it difficult to finalize operational procedures and systems development

Basic vendor processing steps ...

- Profile Customer Accounts to Establish Discounts
 - Receive 471 notification letter & identify FRN to Customer Account relationships
 - Call or visit customer to identify composite discounts (discount % & eligibility factors) & discount effective dates
 - Complete cost allocation grid for each FRN
 - Receive 486 letter & issue orders
- Process Retroactive Reimbursement
 - Receive notification letter & post reimbursement to YTD spending at FRN level
 - Prepare check, hold in abeyance until SLC/USAC payment is received, remit payment to customer
- Begin Prospective Discounting
 - Validate end date for retroactive reimbursement
 - Initiate prospective discounting
 - Review activity on accounts & issue subsequent orders as req'd
 - Monitor against program year FRN cap



Resource challenges...

- Most large LECs estimate that to initiate discounts this program year they:
 - must secure or hire, and train **40 to 90** service reps each
 - will need **four to six months** to complete work necessary to show discounts on bills
 - will spend **\$8 to \$12 million** each

Prospective timeline ...

E - Rate Discount Delivery To Applicants (Best Case)

Current Program Year (1998)

Funding Decision Letters

Applicants Complete 486

SLC Provides 486 Notification Letters

Applicants Submit BEAR/Discount Grid

BEAR Approvals Received By Applicants & Vendors

Retroactive Payments Begin

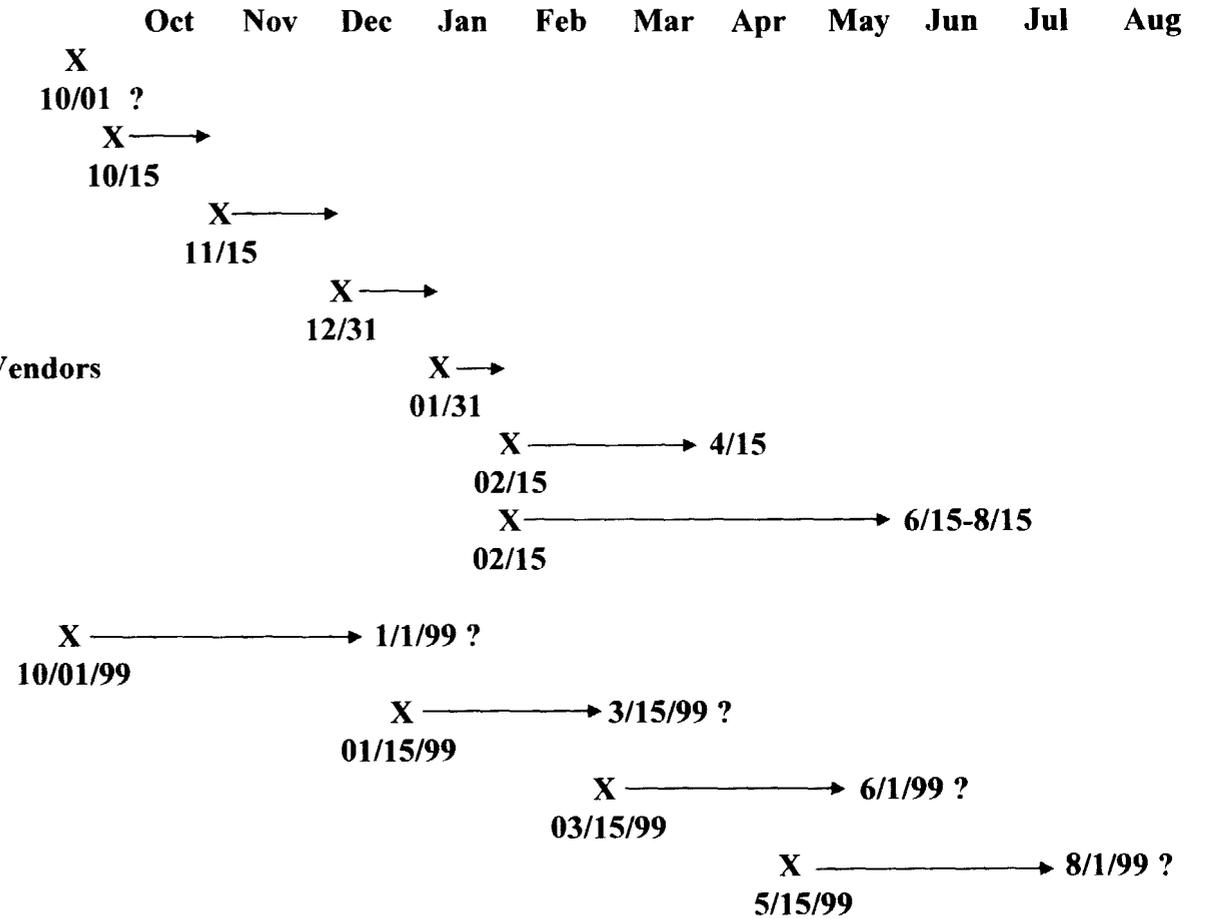
Prospective Discount Work Begins

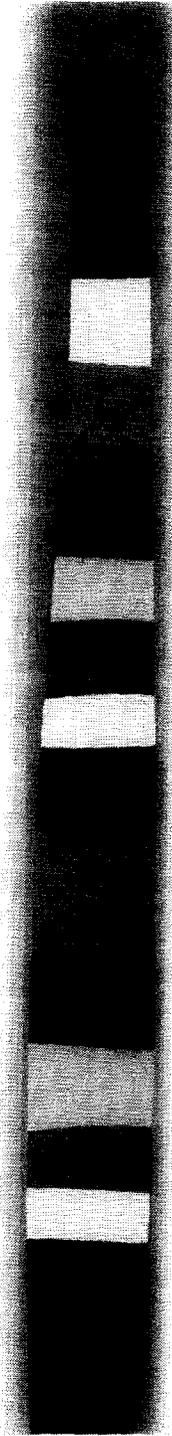
Next Program Year (1999)

Window Opens

Window Closes

1999 Funding Awarded

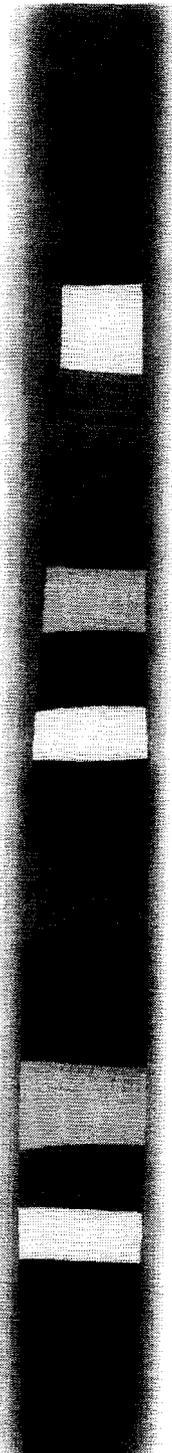




Our primary concerns...

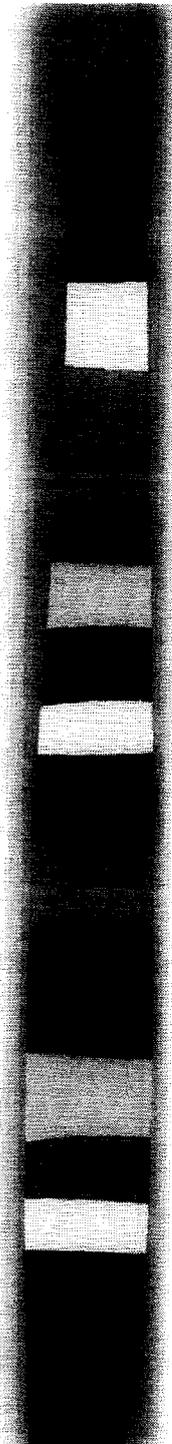
- Under current procedures, many vendors will not be able to show discounts for '98-'99 program year on customer bills until late Spring 1999
- Schools and libraries, **OUR CUSTOMERS**, will continue to be frustrated with program

There is a better way to handle the first program year ...



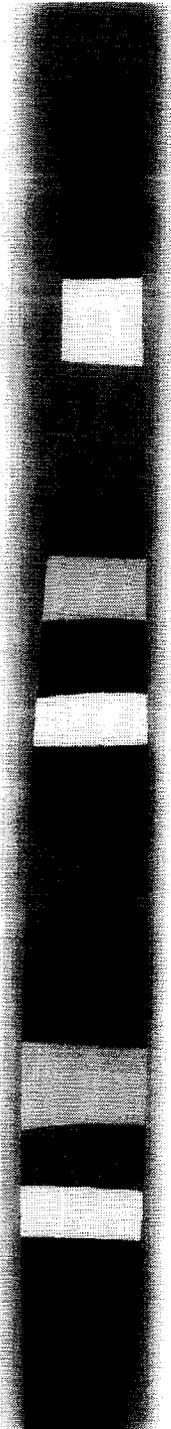
Our proposed solution...

- LECs strongly urge FCC to consider using the currently proposed retroactive reimbursement process for the entire '98-'99 program year
- All benefit payments would be handled on retroactive basis with four invoicing payment periods: Jan-Sep 1998; 4Q98; 1Q99; and 2Q99
- Procedure for each cycle would be same as currently proposed
 - Customers pay full bill and submit BEAR form
 - BEAR processed by SLC
 - Customers receive cash/credit from vendor



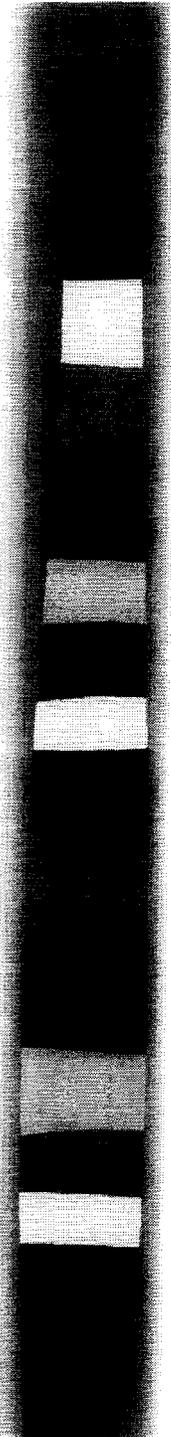
Benefits of approach ...

- Schools and libraries will receive discount benefits **SOONER**
 - reimbursements will flow more quickly than under prospective billing method
- SLC and vendor resources could more quickly be re-deployed to '99-'00 program year processes



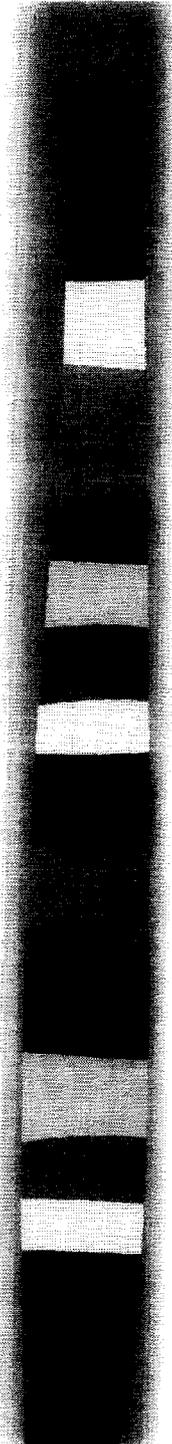
Actions to manage applicant expectations ...

- Whether or not FCC adopts LEC proposal, it **MUST** communicate realistic message to applicants to avoid further frustration.
- We strongly urge FCC/SLC to issue statement:
 - Vendors now face same type of first-year process issues that SLC confronted
 - Many vendors have been working closely w/SLC to get processes up & running
 - But it will take vendors some time before they can bill discounts prospectively
 - Regardless of any delay, be assured that all applicants will receive their approved discounts



Changes necessary to improve process...

- Forms 470, 471 must have major revisions, but recognize impossibility of task in face of '99 start-up; should start planning changes now for '00 program year with public proceeding
- Interim enhancements are **NECESSARY** to capture essential data for more efficient, accurate process:
 - 470: add block for SPIN for existing contracts
 - 471: add column for account numbers (billed telephone number, vendor's account number, etc.)
 - supplemental grid **REQUIRED** to determine eligibility
 - supplemental grid: add column for composite discount calculations
 - need access to 471 company-specific data ASAP after filing



In summary ...

- LECs are committed to helping the process work smoothly for our customers, the SLC, and all vendors
- Request that the FCC/SLC
 - consider the retroactive solution for first program year
 - issue realistic outreach statements
 - commit to making changes for next program year