

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

RECEIVED

MAY 13 1999

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
)  
Long-Term Telephone Number Portability )  
Tariff Filings )  
)  
BellSouth Telecommunications, Inc. )  
Tariff F.C.C. No. 1, Transmittal No. 502 )

CC Docket No. 95-116

OPPOSITION

BellSouth Telecommunications, Inc. ("BellSouth") files this opposition to the Petition to Reject or Suspend Tariff submitted by AT&T Corp. ("AT&T") against the above-referenced transmittal. Transmittal No. 502 introduces new rate elements designed to effectuate requirements of the Telecommunications Act<sup>1</sup> and Commission orders.<sup>2</sup> AT&T complains that Transmittal No. 502 is inconsistent with rules established by the Commission for the recovery of costs associated with BellSouth's implementation of local number portability ("LNP") in its service area. AT&T errs in making this assertion. As shown below, BellSouth has scrupulously adhered to Commission requirements limiting recovery to those costs directly incurred for the provision of LNP. Transmittal No. 502 provides extensive detail of the methodology employed by BellSouth in achieving this objective. The resulting end user rates are among the lowest which have been filed to date by incumbent local exchange carriers ("ILECs"). Accordingly, the

<sup>1</sup> 47 U.S.C. § 251.

<sup>2</sup> E.g., In the Matter of Telephone Number Portability Cost Classification Proceeding, CC Docket No. 95-116, RM 8535, DA 98-2534, *Memorandum Opinion and Order*, released December 14, 1998 ("LNP Cost Classification Order"); In the Matter of Telephone Number Portability, CC Docket No. 95-116, RM 8535, FCC 98-82, *Third Report and Order*, released May 12, 1998 ("Third Report and Order").

No. of Copies rec'd 019  
List A B C D E

Commission should reject AT&T's petition and permit Transmittal No. 502 to take effect as scheduled on May 15, 1999.<sup>3</sup>

## DISCUSSION

### **1. BellSouth's recovery of OSS costs is fully compliant with Commission rules.**

Costs which are appropriately recovered through LNP rates must satisfy a two-pronged test. Pursuant to the LNP Cost Classification Order a carrier must demonstrate that such costs "(1) would not have been incurred... 'but for' the implementation of number portability; and (2) were incurred 'for the provision of' number portability service."<sup>4</sup> AT&T alleges that BellSouth's inclusion of certain operational support system ("OSS") costs does not meet this standard.

Table I of Transmittal No. 502 describes the various OSS modifications which BellSouth has identified as eligible for inclusion in LNP cost recovery. The information contained in Table I offers abundant proof that all of the system modifications at issue were undertaken for the exclusive purpose of meeting statutory and regulatory requirements associated with the deployment of LNP. Indeed, even AT&T appears to concede that the evidentiary showing provided by BellSouth satisfies the first prong of the Commission's test.<sup>5</sup> Nevertheless, petitioner complains that many of the identified costs were not incurred "specifically in the provision of number portability services, such as for the querying of calls and the porting of

---

<sup>3</sup> On May 7, 1999, Time Warner Telecom ("TWTC") filed a petition requesting that Transmittal No. 502 be suspended for one day and set for investigation. TWTC seeks assurance that BellSouth will not assess a default query charge (*i.e.*, call routing charge) for calls to an NXX from which no telephone number has been ported. BellSouth herewith affirms its intention to assess no call routing charge until and unless one or more numbers is ported from the NXX receiving the call. With the Commission's consent, BellSouth will supplement its tariff by the inclusion of language to this effect.

<sup>4</sup> LNP Cost Classification Order, ¶ 10.

<sup>5</sup> AT&T, p. 5.

telephone numbers from one carrier to another.”<sup>6</sup> Thus, it concludes, these costs do not meet the second prong of the Commission’s standard and are ineligible for consideration in the development of LNP rates.

While it is undeniably true that the Commission intended to adopt a narrow standard in defining LNP costs, AT&T’s interpretation unjustifiably excludes all OSS costs but those immediately attributable to query transport and number transfer. In fact, to accomplish these activities BellSouth must successfully perform a host of underlying support functions all of which generate costs that are directly related to the implementation of an LNP service. To exclude these costs from allowable recovery mechanisms would be counter to the intent of the LNP Cost Classification Order and would violate the statutory requirement that the costs of number portability “shall be borne by all telecommunications carriers on a competitively neutral basis...”<sup>7</sup>

To illustrate this point, BellSouth attaches as Exhibit 1 to its filing a description of certain OSS costs and a demonstration of how these costs meet the Commission standard.

**2. Advancement and upgrade costs are properly attributed to LNP implementation.**

AT&T has alleged that BellSouth’s treatment of advancement and upgrade costs does not meet requirements of the LNP Cost Classification Order. This contention, however, is not supported by the quoted passages of the Order. With respect to advancements, the Commission has disallowed a claim of advancement costs in their entirety when “the advanced deployments also benefit other services.”<sup>8</sup> By contrast, the 1997 and 1998 advancement costs

---

<sup>6</sup> AT&T, pp. 5-6.

<sup>7</sup> 47 U.S.C. § 251(e)(2)

<sup>8</sup> LNP Cost Classification Order, ¶ 30.

BellSouth identifies in its filing have benefited only LNP. This circumstance is due to the fact that the advancement was necessitated before marketing, billing, provisioning and advertising procedures necessary to support additional services were in place or even developed. Since LNP is the sole beneficiary of the advancement, 100% of the associated costs are properly charged to LNP deployment.<sup>9</sup>

In calculating upgrades, BellSouth recognized that most upgrades offer network enhancements apart from the capability of provisioning LNP. Accordingly, Transmittal No. 502 includes only a portion of upgrade costs, determined through an allocation factor representing the relative capacity of the upgrade feature which is dedicated to LNP. LNP upgrade costs so identified were further allocated among the various LNP services (end user, query service, call routing service) based on anticipated query demand.

Finally, AT&T complains that BellSouth fails to reduce upgrade costs through offsetting avoided costs and incremental revenues made possible by the upgrade. The upgrade costs claimed by BellSouth are incurred solely to support LNP and do not produce identifiable benefits to other services; hence there are no avoided costs or incremental revenues to apply. The LNP Cost Classification Order does not require mechanical application of such a formula nor does it require BellSouth to engage in unsupported speculation regarding the possibility or magnitude of incidental benefits flowing from a specific network upgrade.

**3. BellSouth's methodology does not produce an over-recovery of LNP costs.**

AT&T further claims that BellSouth's use of SCIS and SONET costing models to develop rates for the database services will produce a double recovery of switching costs. This

---

<sup>9</sup> It must also be noted that advancement costs constitute no more than \$0.0047 of costs allocated to the end user rate element; thus their inclusion produces a negligible effect on the rate.

contention is incorrect. The SCIS program used by BellSouth to develop costs for these and other services does not incorporate embedded or averaged costs. Instead it employs a long run incremental cost methodology which has been endorsed by numerous state public service commissions and economists.<sup>10</sup> Rates developed using this methodology are fully cost based and do not depend upon subsidies from other offerings. Moreover, the methodology produces results which reflect forward-looking costs of deployment, materials and provisioning procedures. A like costing methodology is incorporated in the BellSouth SONET Price Calculator.

The models are used to develop the costs for providing database services which cannot be identified through estimates.<sup>11</sup> Because end office switch capacity grows in discrete increments and trunks are deployed to service these increments, the only functional method to determine incremental cost is by developing unit investments based on the usable capacity of equipment.<sup>12</sup> These unit investments are then multiplied by usage (*e.g.*, number of octets per query multiplied by investment per octet) which results in eventual exhaust of the equipment. The "per query" cost so derived is then multiplied by total query demand for each service to determine total annual investment and expense per service. This step is necessary to subtract identified costs from total LNP projects and to meet Commission requirements for an annual accounting of expenditures.

---

<sup>10</sup> The Florida Public Service Commission has approved use of this methodology for the determination of intrastate service costs. Moreover, an audit of the SCIS model was conducted by Arthur Andersen under the auspices of this Commission during the Open Network Architecture (ONA) proceeding. On page 7 of the resultant report released in 1992 the auditor states, "The costing principles inherent in SCIS are appropriate for estimating long run incremental investments attributable to switching system usage."

<sup>11</sup> Attachment II of Transmittal No. 502 shows the effect of these costs. As stated therein, BellSouth has identified approximately \$640,000 that cannot be mapped to specific projects.

<sup>12</sup> SCIS segments equipment into functional categories and determines unit investment based on the form of usage that eventually leads to exhaust (*e.g.*, milliseconds, terminations).

**4. BellSouth's rate development satisfies Commission requirements.**

Notwithstanding AT&T's assertion to the contrary, BellSouth has developed its end user line charge and database service rates in a manner which is consistent with Commission requirements. The end user line charge element incorporates certain forward-looking common overhead costs. These are represented by a common cost factor of 3.98%. As shown in Transmittal No. 502, assessment of the end user line charge over a five-year term will produce an effect which is essentially revenue neutral.<sup>13</sup>

In contrast to the end user line charge, rates for the database services (query and call routing services) are subject to price cap rules and were developed in the same manner as other new service rates under price caps. This approach is consistent with the direction of the LNP Cost Classification Order.<sup>14</sup> No general overhead loadings were applied in the development of the costs supporting these rates. Consistent with its practice in establishing other rates, BellSouth did apply InPlant Loadings and Land and Building Loadings, both of which are necessary to capture the full direct costs of service development and implementation.<sup>15</sup> The resulting rates satisfy all price cap requirements and, as shown below, are well within any reasonable benchmark established for ILEC LNP services.

---

<sup>13</sup> See Transmittal No. 502, Appendix A, Workpaper 1, p. 1 of 2.

<sup>14</sup> "Because the query service charge will not expire within a five-year period, but will continue to be a charge associated with LECs' continuing provision of long-term number portability, the query service charge must be included under price cap regulation. As noted below, we require price cap LECs to treat this charge as a new service within the meaning of section 61.49(g) of the Commission's Rules." LNP Cost Classification Order, ¶ 47.

<sup>15</sup> InPlant Loadings add the engineering, installation labor and miscellaneous equipment costs to the material price and/or vendor installed price of a piece of equipment. InPlant Loadings are necessary to capture the full direct costs of converting the material cost of a piece of equipment into an "InPlant Cost" of equipment ready for service. Similarly, Land and Building Loadings capture the full direct costs associated with supporting central office and/or computer investment costs that are included in a cost-of-service study.

**5. BellSouth's rates are comparable to those of other filing LECs.**

AT&T has alleged that BellSouth's rates are aberrant when compared with those of other LECs. As Exhibit 2 demonstrates, this contention is simply untrue. At \$0.39, BellSouth's end user line charge rate element is among the lowest filed to date, while rates for query and call routing services are comparable to those of other carriers. Although Bell Atlantic rates are lower (a fact AT&T appears to find significant), the larger number of access lines served by that LEC—and correspondingly lower LNP cost per line—virtually foreclose any other result.

**6. BellSouth's intrastate rates do not recover costs attributable to the deployment of LNP.**

AT&T asserts that BellSouth must demonstrate that its LNP cost recovery has been limited to the federal jurisdiction and that no costs of LNP deployment have been assigned to intrastate services. The movement in state jurisdictions away from a system of regulation based upon rate of return enables BellSouth to make this assurance.

Before any LNP costs were incurred, all nine states within BellSouth's region adopted some form of price regulation. Rates in effect at the inception of price regulation thus did not incorporate LNP costs nor have such costs been considered in subsequent rate revisions.<sup>16</sup>

---

<sup>16</sup> A limited exception to this exclusion is found in 1997 Florida rates, where intrastate earnings were offset by certain LNP costs, affecting the revenue sharing mechanism. BellSouth will eliminate any over-recovery of LNP costs attributable to this circumstance in a final adjustment of Florida 1997 intrastate earnings.

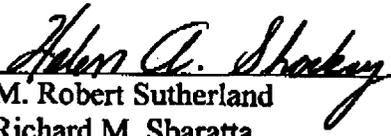
CONCLUSION

AT&T's petition offers no reasonable basis for rejection or suspension of BellSouth's LNP tariff filing. Accordingly, the Commission should deny AT&T's request in its entirety and allow Transmittal No. 502 to take effect as scheduled on May 15, 1999.

Respectfully submitted,

BELLSOUTH TELECOMMUNICATIONS, INC.

By:



M. Robert Sutherland

Richard M. Sbaratta

Helen A. Shockey

Its Attorneys

Suite 1700

1155 Peachtree Street, N.E.

Atlanta, Georgia 30306-3610

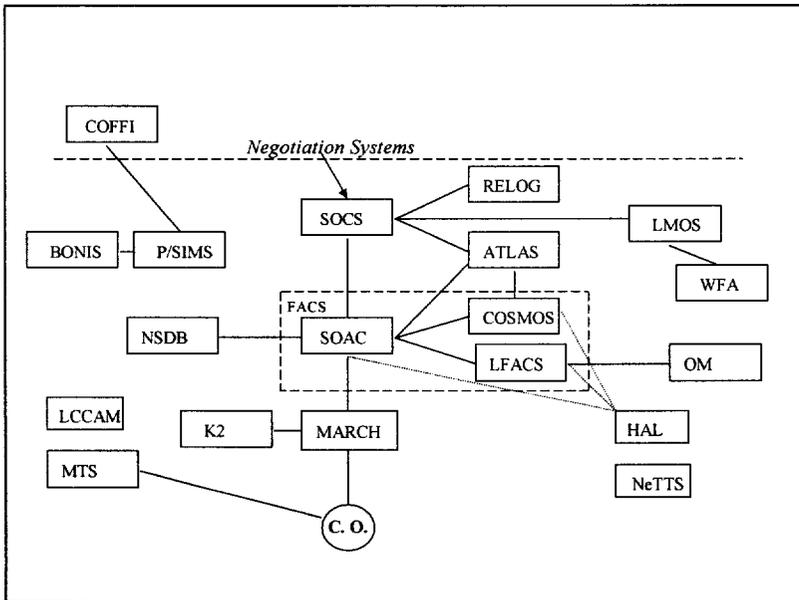
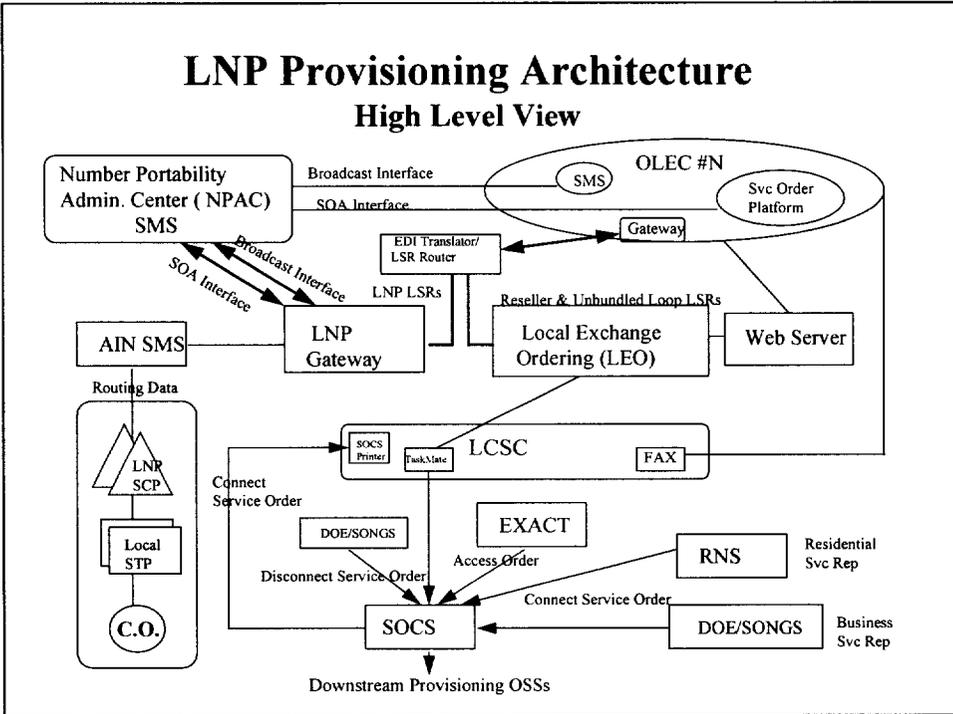
(404) 249-3390

Date: May 13, 1999

## Exhibit 1, Part I

BellSouth's position supports the FCC order that the OSSs identified in AT&T's Exhibit 1 allow "for the provisioning of LNP".

The following diagrams depict a high level view of BellSouth's provisioning architecture which includes but is not limited to these systems:



As depicted in these diagrams, the systems are tightly integrated in that an output from one system is an input to another to process service orders. To accommodate this provisioning process, several new LNP-specific Field Identifiers (FIDs) had to be incorporated into OSSs.

Various porting scenarios were addressed to define process flows. This resulted in both major and minor modifications to these applications to allow porting of numbers.

These selected systems provide examples that support the argument “for the provisioning of LNP”:

| <b>System</b>  | <b>Description</b>  |
|--|---|
| ATLAS (Application for Telephone Number Load Administration and Selection) | <p>ATLAS is a BellSouth system that performs telephone number load and selection including the selection of common language circuit ID serial numbers-TN format. In addition, ATLAS supports TN selection, inventory and assignment for services beyond POTS, including complex services, small business services and AIN services.</p> <p>ATLAS was modified for LNP to accurately reflect Telephone Number porting status to avoid reuse of numbers. If the LNP modifications had not been made, TNs that are ported out would reflect as non-working in COSMOS and be available for reassignment to BellSouth customers.</p>   |
| BONIS (BellSouth On-line NXX Information System)                           | <p>BONIS is a BellSouth Corporate Database system that supports the service order process via the following capabilities :</p> <ul style="list-style-type: none"> <li>• Select an NPA/NXX for assignment to a Code Applicant</li> <li>• Verify that it does not pose cross-boundary seven-digit dialing conflicts</li> <li>• Notify the Code Applicant of the assignment and effective date</li> <li>• Issue the Code Memorandum that activates the NPA/NXX in the BST network</li> <li>• Feeds P/SIMS to provide the negotiating systems and ATLAS with LNP eligibility data and to provide LNP eligibility data on BST NXXs to RDBS (Routing Database System)</li> <li>• Feeds ARTS for CCM routing</li> <li>• Provides ability to generate LNP eligibility report to OSSs that are not able to accept a mechanical feed (CRIS CO Database).</li> <li>• Capability to generate reports associated with regulatory filings and responses</li> </ul> <p>BONIS was enhanced to support the provisioning processes related to SPP (Service Provider Portability) including sending downstream work groups a Code Memorandum containing sufficient information to activate LNP NPA NXXs.</p> |

|   |  |
|---|--|
|   | <p>If LNP enhancements were not made to BONIS, reports that are used by downstream OSSs and work functions would not have properly reflected NXXs as LNP-eligible. The LNP eligibility of NXXs that is identified in BellSouth's LNP Gateway would not have been accurate.</p>   |
| <p>COSMOS (Computer System for Mainframe Operations)</p> <p>Telcordia</p> | <p>COSMOS performs TN assignment and administration, preferential assignment of equipment, frame jumper reuse, tie-pair management, and framework management essential in the service order process flow. COSMOS supports the LNP provisioning process by mechanically assigning Central Office equipment to facilitate the porting request.</p> <p>If enhancements were not made to COSMOS, a manual process for handling Central Office requests and associated FIDs would have to be used in each LNP office. The resulting manual LNP provisioning process would be much slower and error prone.</p> |
| <p>SOAC (Service Order Analysis and Control)</p> <p>Telcordia</p>         | <p>SOAC administers and controls the service order flow for Assignment and Control. SOAC interacts with multiple OSSs to mechanically provision service in BellSouth. SOAC facilitates the LNP provisioning process by receiving the porting request and determining other OSS's that are required to complete the request.</p> <p>If enhancements were not made to SOAC, a manual process of facilitating provisioning would have to be created for LNP resulting in significant delays in porting TNs. LNP requests would have to be manually worked in each OS to provision the service.</p>          |

## Exhibit 1, Part II

BellSouth's allocation method to recover costs to add capacity, memory or functionality to existing hardware seeks to capture only that portion which was to provision LNP. Assumptions on the number of LNP orders versus the total universe of orders derived the incremental difference afforded the "but for" LNP test.

A few examples to support this rationale follow:

| System  | Description & Rationale  |
|---|--|
| FACS (Facility Assignment and Control System) | <p>FACS system capacity projections for BellSouth region indicated the need for capacity additions. Two UNISYS 2200/3800 3X-processor mainframes (196 MIPS) were required to meet capacity estimates and avoidance of degraded mode of operation.</p> <p>A percentage of this increase was attributable to additional processing related to LNP, which includes a minimum of two service orders per LNP occurrence.</p> <p>Capital: Data derived from Bellcore's estimate of an 11% decrease in capacity due to CNUM interface required for LNP. 459 total MIPS installed regionally prior to purchase;<br/>           196 MIPS purchased; 11% increase in installed MIPS needed across region to account for LNP impact.<br/> <math>459 \times .11 = 50.49</math> MIPS for LNP<br/> <math>50.49 / 196 = 26\%</math> total cost attributable</p> |
| MLT (Mechanized Loop Testing)                 | <p>MLT provides the means for testing Plain Old Telephone Service (POTS). It is used for identifying and correcting loop problems in response to customer trouble reports. It is also utilized for testing in an effort to prevent customer reports.</p> <p>Capital Driver: The outdated VAX8650 processors were replaced with HP9000s to accommodate new LNP feature software. LNP software is not compatible with the VAX8650 processors.</p> <p>Other benefits as result: Improved MLT processing and response time, improved</p>   |

|                  |  |
|------------------|--|
|                  | <p>system recovery time in the event of a processor failure, and reduced system upkeep hours.</p> <p>Capital: % based on number of MLT Testable Lines in Region (Source: Combined E2700) divided by number of ported lines per year (assumption).<br/> <math>100,000 / 22,438,000 = 0.45\%</math></p>  |
| <p>PREDICTOR</p> | <p>Predictor provides switch and test data for POTS numbers and maintains a customer record database, separate from LMOS, which associates facility information with an ALIT (Automatic Line Insulation Test) tested customer telephone number. Predictor provides access to the central office to allow the Business Repair Center and Residential Repair Center to do feature verifications on customer reported troubles.</p> <p>Capital: BellSouth acquired a new platform to support LNP feature changes because the existing processor could not support the demands of the new generic required to accommodate the LNP requirements. Refurbished processors also increased access for the customer contact centers, increased speed for processing verifications, improved Predictor processing time, disaster recovery time and reduced system upkeep hours.</p> <p>BellSouth allocated to LNP a share of these costs based on a percentage calculated by dividing the number of Predictor ALIT Testable Lines by the projected number of ported lines per year.</p> <p>Capital: Capital: % based on number of Predictor ALIT Testable Lines in Region (Source: Combined E2700) divided by number of ported lines per year (assumption).<br/> <math>100,000 / 16179475 = 0.62\%</math></p> |

Exhibit 2  
Comparisons of Service Provider Number Portability (SPNP) Rates

|                  | <u>SPNP Monthly Rate<br/>Per Line</u> | <u>SPNP Default<br/>Query Charge</u>         |
|------------------|---------------------------------------|--|
| Ameritech        | \$ .42                                | \$0.003102                                   |
| Bell Atlantic    | \$ .23                                | \$0.000926                                   |
| <b>BellSouth</b> | <b>\$ .39</b>                         | <b>\$0.0013</b>                              |
| Cin. Bell        | \$ .38                                | \$0.0021458                                  |
| GTE              | \$ .43                                | unknown                                      |
| SBC              | \$ .50                                | \$0.00042                                    |
| Sprint           | \$ .48                                | \$0.004227                                   |
| US West          | \$ .53                                | End Office: \$0.004662<br>Tandem: \$0.003886 |

**CERTIFICATE OF SERVICE**

I do hereby certify that I have this 13<sup>th</sup> day of May 1999 served the following parties to this action with a copy of the foregoing OPPOSITION by hand delivery or by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed on the attached service list.

  
\_\_\_\_\_  
Juanita H. Lee

**SERVICE LIST CC DOCKET NO. 95-116**

Mark C. Rosenblum  
Roy E. Hoffinger  
James H. Bolin, Jr.  
AT&T Corporation  
Room 3245HI, 295 North Maple Avenue  
Basking Ridge, NJ 07920

\*Larry Strickling, Chief  
Common Carrier Bureau  
Federal Communications Commission  
The Portals, 445 12<sup>th</sup> Street, SW  
5<sup>th</sup> Floor  
Washington, DC 20554

\*Jane Jackson, Chief  
Competitive Pricing Division  
Common Carrier Bureau  
Federal Communications Commission  
The Portals, 445 12<sup>th</sup> Street, SW  
5<sup>th</sup> Floor  
Washington, DC 20554

\*Judith A. Nitsche, Chief  
Tariff and Price Analysis Branch  
Common Carrier Bureau  
Federal Communications Commission  
The Portals, 445 12<sup>th</sup> Street, SW  
5<sup>th</sup> Floor  
Washington, DC 20554

\*International Transcription Service  
1231 20<sup>th</sup> Street, N. W.  
Washington, D.C. 20554

Brian Conboy  
Thomas Jones  
Jay Angelo  
Time Warner Communications Holding Inc.  
Willkie Farr & Gallagher  
Three Lafayette Centre, 1155 21<sup>st</sup> Street, N. W.  
Washington, D.C. 20036

**\* VIA HAND DELIVERY**