EX PARTE OR LATE FILED

ORIGINAL

BELLSOUTH

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November 13, 2001

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th St. SW
Washington, D.C. 20554

Re: CC Docket No. 01-277

Dear Ms. Salas:

The attached information is being provided to Commission staff in response to their request for information during ex parte meetings on November 7, 2001 and November 9, 2001.

We are filing notice of this ex parte meeting in the docket identified above, as required by Section 1.1206(b)(2) of the Commission's rules. Please associate this notice with the record of that proceeding.

Sincerely,

Glenn T. Reynolds

cc: Deena Shetler
Josh Swift
Carol Canteen
Marvin Sacks
Raj Kannan
Jessica Rosenworcel
James Davis-Smith (Department of Justice)

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QUESTION FROM 11/7/2001

1. Provide Georgia cites for vertical features.

Docket No. 7061-U Order Establishing Cost-Based Rates Decided October 21, 1997, pages 41 – 42:

> The port (switch) element rate shall remain at the $1.85 level and the Commission will not adopt additional, separate charges for vertical features that CLECs choose to order with or as a part of this port (switch) element.

Docket No. 7061-U Georgia Commission Staff Recommendation, pages 38 – 39:

> The Staff recommends that switch vertical features should not be priced as individual elements but incorporated within the unbundled switch port element. This can be viewed as an aspect of UNE rate design. However, the Staff does recognize that there are costs associated with the provisioning of vertical features in the switch, as compared with the basic switch functions.

QUESTIONS FROM 11/9/2001

1. When was revised demand for DUF introduced in Louisiana?

It was introduced in Docket No. U-24714–A in Caldwell Rebuttal Testimony filed March 26, 2001, pages 52 – 54 (pages attached). The study period for both the Louisiana and the Florida filings for the revised DUFs was 2000 – 2002.

2. When did Louisiana Cost Docket U-24714-A close?

The evidentiary record for DUFs closed on the last day of the hearing, April 27, 2001. The record remained open for the Unbundled Copper Loop – Non-designed until June 1, 2001.

3. When was the Georgia cost studies filed on October 1, 2001, completed?

The studies were completed on September 25, 2001 based on a 2002 – 2004 study period.

4. Provide a copy of the AT&T Post-Hearing Brief at page 29 (filed October 1, 1997) addressing loading factors. (Attached)

1

2 **ACCESS TO DAILY USAGE FILES**

3 **Q. MR. KING RAISES CONCERNS WITH REGARD TO BELLSOUTH'S**
4 **ACCESS DAILY USAGE FILE ("ADUF") AND ENHANCED OPTIONAL**
5 **DAILY USAGE FILE ("EODUF") COST DEVELOPMENT. ARE HIS**
6 **CONCERNS JUSTIFIED (KING TESTIMONY AT PAGES 19-20)?**

7

8 A. No. BellSouth has developed unique programs at the CLECs' request in order to
9 extract the billing data they requested, in a format such that they can bill their end-
10 users. The costs associated with this on-going process and the computer resources
11 required to implement and support the programs are appropriately reflected in
12 BellSouth's cost study. Mr. King's contention that "BellSouth currently performs
13 this same level of recording of calls for its own retail customer calls" and thus, this
14 Commission should somehow reduce (or eliminate) this cost to AT&T, is
15 misguided. (King Testimony, Page 20, Line 1) First, the cost of recording is not
16 included in either of these studies. Second, as I explained previously, ADUF and
17 EODUF were developed to extract data in a format unique to the CLEC. For
18 example, EODUF is designed to capture the call details from what would have
19 "normally" been a flat-rated customer. These costs are incremental to BellSouth's
20 normal billing process and are therefore appropriately charged to the CLEC.

21

22 Additionally, Mr. King states that somehow BellSouth benefits from the
23 production of these files, but fails to explain how he arrived at that conclusion.
24 The costs identified by BellSouth are directly caused by the CLECs and BellSouth
25 does <u>not</u> benefit from the production of daily usage files. Thus, BellSouth should

1 be reimbursed for these costs.

2

3 **Q. MR. KING CLAIMED TO HAVE REDUCED BELLSOUTH'S DUF RATE**
4 **PROPOSAL BY 80%. (KING TESTIMONY, PAGE 20) PLEASE**
5 **COMMENT.**

6

7 A. Comparing Mr. King's Exhibit JAK-1 to BellSouth's filed cost study results
8 proves this statement wrong. Mr. King did not reduce the proposed DUF rates by
9 80%. In fact, some of the AT&T rates are higher than those BellSouth filed. Mr.
10 King meant to say that he adjusted the number of recorded messages because he
11 felt the number of messages contained in the study only reflected 20% of all
12 messages (Exhibit JAK-3, Page 19). Even though Mr. King's statement is
13 incorrect, he has a valid point concerning the number of recorded messages. In
14 reviewing information related to the cost development for the DUF elements,
15 BellSouth became aware that the actual number of records exceeded the estimates
16 used as cost study input, but not to the extent Mr. King claims. Thus, BellSouth
17 revised the cost study to reflect this updated information.

18

19 **Q. CAN YOU EXPLAIN WHY THE ORIGINAL COST STUDY INPUT FOR**
20 **THE DUF ELEMENTS AND THE ACTUALS DIFFERED?**

21

22 A. When BellSouth developed the cost study inputs for this filing, the actual number
23 of records was lower and rather stagnant. Thus, the projected demand reflected
24 this trend. Since the time the cost study was filed, however, BellSouth
25 experienced a dramatic increase in the number of records. Thus, it was a timing

problem that caused this mismatch. The increase in the number of resale to UNE-P (combination) conversions may have caused this upswing.

Q. WHAT IS THE EFFECT OF REVISING THE COST STUDY?

A. The table below illustrates the impact of adjusting the demand forecast. Since the costs are developed on a "per record" basis, an increase in demand **results in a decrease in cost.**

L1.1 ADUF, Message Processing, per Message

Filed: $.014489 Revised: $0.008035

M1.1 Enhanced Optional Daily usage File: Message Processing, Per Message

Filed: $.258215 Revised: $0.257755

M2.2 Optional Daily Usage File: Message Processing, Per Message

Filed: $.007580 Revised: $0.004689

VERTICAL FEATURES

Q. MS. WILSKY AND MR. WOOD STATE THAT CLECS SHOULD NOT PAY ANY ADDITIONAL CHARGE FOR VERTICAL FEATURES ABOVE A PORT CHARGE. SHOULD THIS COMMISSION BE SWAYED BY THEIR ARGUMENT?

A. No. First, Ms. Wilsky and Mr. Wood offer no new evidence in support of this position. This Commission ruled on the costs/rates for vertical features previously and in doing so rejected this position. In Docket Nos. U-22022/U-22093, this

c) **Copper/Fiber Crossover**

BellSouth redesigns all loops over 12,000 feet to incorporate forward-looking fiber feeder. (Caldwell, Tr. 522-23.) This approach also is flawed. Use of fiber feeder is only efficient when feeder length exceeds 9000 feet. (Wells, Reb. 8-9.) However, total loop length is the sum of feeder *and* distribution cable. Because BellSouth uses total loop length, its model fails to distinguish between a 12,001-foot loop consisting of 3001 feet feeder and 9000 feet distribution cable (which BellSouth converts to fiber feeder although it is not efficient) and an 11,000-foot loop consisting of 10,000 feet feeder and 1,000 feet copper distribution cable (where BellSouth assumes no fiber although fiber is the most efficient).

d) **Loading Factors**

BellSouth's loading factors also tremendously inflate its material prices. Specifically, these factors are based on embedded cost data and thus are unadjusted for even the limited, forward-looking assumptions contained in BellSouth's own cost studies. As one example, BellSouth's embedded labor loadings do not reflect BellSouth's stated intent to more economically outsource labor. BellSouth also preserves historic conduit cost ratios per pair even though it assumes placement of forward-looking fiber technologies that increase the "per pair" capacity of a conduit by several orders of magnitude. (Wells, Reb. 45-47.) Finally, for example, BellSouth's "forward-looking" loop designs purport to eliminate the need for load coils. (Id. at 41.) Yet, BellSouth demonstrates no adjustments to its embedded exempt material loadings reflecting this fact.

C. **BellSouth Fails to Use Forward-Looking Switch Inputs**

This Commission also should reject BellSouth's proposed TELRIC switch costs because these costs violate several critical TELRIC principles, to the detriment of competition and Georgia consumers. First, BellSouth's switch prices do not reflect the actual discounts BellSouth now experiences and can anticipate in the future in its contracts with switch vendors. (Petzinger, Reb. 4-5.) BellSouth's model inexplicably uses switch discount inputs which produce prices