BellSouth Corporation
Suite 900
1133-21st Street, N.W.
Washington, DC 20036-3351

kathleen.levitz@bellsouth.com

Kathleen B. Levitz
Vice President-Federal Regulatory

202 463 4113
Fax 202 463 4198

March 7, 2003

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Re: CC Docket No. 96-45; CC Docket No. 98-171; CC Docket No. 90-571; CC Docket No. 92-237; CC Docket No. 99-200; CC Docket No. 95-116; CC Docket No. 98-170; NSD File No. L-00-72; DA 03-486

Dear Ms. Dortch

Attached is a letter that I sent electronically to Diane Law-Hsu, Deputy Chief of the Wireline Competition Bureau's Telecommunications Access Policy Division, with copies also sent electronically to William Maher, Carol Mattey and Eric Einhorn of that Bureau. In accordance with Commission rules, I am filing with you electronically a copy of that letter and related attachments and request that you place the letter in the record of the proceeding identified above. Please call me at 202.463.4113 if you have any questions related to this filing.

In accordance with Section 1.1206, I am filing this notice electronically and request that you please place it in the record of the proceedings identified above. Thank you.

Sincerely,

Kathleen B. Levitz

Kathleen B. Levitz

Attachment

cc: Diane Law-Hsu
Eric Einhorn
Carol Mattey
William Maher

BellSouth Corporation
Suite 900
1133-21st Street, N.W.
Washington, DC 20036-3351

kathleen.levitz@bellsouth.com

Kathleen B. Levitz
Vice President-Federal Regulatory

202 463 4113
Fax 202 463 4198

March 7, 2003

Ms. Diane Law-Hsu
Deputy Chief, TAPD
Wireline Competition Division
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Re: CC Docket No. 96-45; CC Docket No. 98-171; CC Docket No. 90-571; CC Docket No. 92-237; CC Docket No. 99-200; CC Docket No. 95-116; CC Docket No. 98-170; NSD File No. L-00-72

Dear Ms. Law-Hsu

You have asked whether BellSouth could provide additional information to support its request that it be permitted to average within customer categories PIC change charges and end-user PICCs. In particular, you requested additional information to support BellSouth's claim that the changes to its billing system required to bill individual customers a USF contribution charge that reflected their incurring a PIC or PICC charge would be costly and time consuming.

In the Reply to Oppositions to Interim Waiver that BellSouth, SBC and Verizon filed on February 26, 2003 (the "Joint Reply"), BellSouth estimated that it would take 4,000 man-hours to change the BellSouth billing systems to enable BellSouth to bill customers using a single line charge that would equal the product of all the customer's interstate service charges for that month times the federal USF factor. *Id.* at 5. BellSouth based this estimate on its experience in making revisions to its Customer Record Information System, or CRIS, in response to a decision of the South Carolina Public Service Commission to create a state Universal Service Fund and to have subject carriers recover their contributions to the fund by imposing a 2% surcharge on charges associated with some, but not all, intrastate services. The change to the billing system took nine months to implement at a cost of $1.2 million. BellSouth anticipates that the changes required to make the calculations on working accounts and to change the format of customers' bills in all nine states in the BellSouth region in order to give effect to the FCC's new billing rule, 47 C.F.R. § 54.712, would be at least as

costly and take at least as long to implement as the South Carolina effort. As stated in the Petition for Interim Waiver filed by BellSouth, SBC and Verizon on February 6, 2003 ("Interim Waiver Petition"), "grant of this waiver would avoid the need for Petitioners to incur the costs and devote personnel resources to making the billing changes that would be reversed if the Commission grants" pending petitions for reconsideration or elects to adopt one of the alternative methods of assessing USF contributions set forth in its *Report and Order and 2d Further Notice of Proposed Rulemaking* in the dockets listed above. Interim Waiver Petition at 6.

Although small changes to the CRIS system can be made in monthly releases, the changes described above do not fall into this category. To make the required changes to BellSouth's CRIS, a billing program would have to be written to examine every customer account each month on the night before that account's billing date; to analyze the amount of interstate revenues present (excluding the Federal USF charge itself) and then to apply the federal USF contribution factor to that month's qualifying revenue. As noted in the Interim Waiver Petition, certain charges, like the PIC change charge and the PICC, may or may not be present in a given month, while others, like the end user line charge and the LNP surcharge, will always be present. The necessary billing changes would require extensive unit testing in the CRIS billing system. For all these reasons the required software changes would have to be included in a major CRIS release, which, for BellSouth, is scheduled for August 2003, assuming no delaying events. Therefore, the earliest possible date for implementation of the billing changes necessary to comply with the FCC's new rule would be August 2003, assuming that a decision by the FCC is rendered far enough in advance to write and develop the necessary software programs, install the software, and conduct testing.

You also had asked about the cost and timing if BellSouth decided to make the necessary billing changes through a special CRIS software release rather than as part of the annual major CRIS release. It is my understanding that the timeframe for software development, installation, and testing for a special release would be the same as if the changes were incorporated into a major release. The biggest difference, however, would be the costs, which would be 50% greater for a special release because the project would have to carry all the project management, testing and overhead costs, which would be normally be spread among all projects in a major release. BellSouth estimates that the costs to implement the necessary billing changes through a special software release would be at least $1.8 million

Finally you asked about the timing and cost of a work-around that BellSouth could implement to enable it to recover at least the USF contribution associated with the interstate revenues generated by PIC change charges. If BellSouth were to recover the contribution associated with PIC change charges on a customer-by-customer basis "as a percentage of interstate retail revenues, and

... combined for billing purposes with [the PIC rate element]", 47 C.F.R. § 69.158, BellSouth could accomplish the required billing system change by April 1, 2003. However, such a billing change would not exclude Lifeline customers. All customers, Lifeline included, that incurred a PIC change charge would be assessed a USF charge under this scenario. To avoid collecting USF contributions from Lifeline customers as required by Section 69.158 and new Section § 54.712(b), BellSouth would need until June 1, 2003 to implement this work-around at a cost of approximately $60,000-$100,000.

You have also inquired about how BellSouth levies USF contribution charges on Centrex systems with fewer than nine lines. For all its Centrex system subscribers, BellSouth follows the same procedure, as stated in its tariff. For each Centrex line, the subscriber pays 1/9 of the USF contribution charge levied on single line customers.

If you have any additional questions relating to these issues, please call me at 202.463.4113. In accordance with Section 1.1206, I am filing a copy of this letter with the Secretary and am requesting that the Secretary place the letter in the record of the proceedings identified above.

Sincerely,

Kathleen B. Levitz

Kathleen B. Levitz

cc: Eric Einhorn
Carol Mattey
William Maher