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June 8, 2004

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, TW-A325
Washington, DC 20554

Re: WC Docket 03-173

Dear Ms. Dortch,

On June 8, 2004 the undersigned, Keith Milner, Bob McKnight and Lisa Brooks of BellSouth met with Jeremy Marcus, Alvaro Gonzalez, Marv Sacks, and Steve Morris of the Wireline Competition Bureau. Participating via conference call were Kelly Stephens, Daonne Caldwell, and Walter Reid of BellSouth and Cathy Zima, Jerome Stanshine, and Monica Desai of the Commission. The purpose of the meeting was to discuss the incorporation of real-world attributes into the TELRIC cost process. All materials used 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 any questions regarding this filing please do not hesitate to contact me.

Sincerely,



Mary L. Henze

cc: J. Marcus
A. Gonzalez
M. Sacks
S. Morris
C. Zima
J. Stanshine
M. Desai

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**TELRIC NPRM
Ex Parte Presentation**

June 8, 2004

Incorporation of Real-World Attributes into Cost Process

- What BellSouth wants this Commission to accept for TELRIC pricing
 - ILEC's engineering guidelines
 - ILEC's pricing and material costs
 - ILEC's actual utilization rates
 - ILEC's actual structure sharing percentages

Incorporation of Real-World Attributes into Cost Process

- Why the Commission should accept the ILEC's engineering guidelines
 - Considers constraints of the existing network
 - No single “right” answer exists. Deployment is impacted by the current network and service obligations. Guidelines provide *criteria* by which engineers determine appropriate facilities and design.
 - Reflects forward-looking objectives
 - Based on economic considerations

Incorporation of Real-World Attributes into Cost Process

- Why the Commission should accept the ILEC's engineering guidelines
 - Technology choices comport with forward-looking directive
 - Reflects correct technology/network design for voice-grade UNEs – for example, determines when fiber is the appropriate choice

Incorporation of Real-World Attributes into Cost Process

- Examples of Engineering Guideline-related inputs to cost studies
 - Use of Next Generation Digital Loop Carrier (NGDLC)
 - Use of GR303 and/or TR008
 - Carrier Serving Area design limits

Incorporation of Real-World Attributes into Cost Process

- Why the Commission should accept the ILEC's placing and material costs
 - Reflects discounts negotiated with contractors and equipment vendors – ILEC purchasing power
 - Ensures costs will reflect those ILECs will incur on a going-forward basis

Incorporation of Real-World Attributes into Cost Process

- Why the Commission should accept the ILEC's actual utilization rates
 - Reflects real-world factors e.g., churn, breakage, maintenance, and demand uncertainty
 - Reflects ILEC's engineering guidelines that are designed to ensure flexibility to serve demand efficiently and to satisfy service obligations
 - Spare facilities will continue into the future to ensure continued network health and responsiveness

Incorporation of Real-World Attributes into Cost Process

- Why the Commission should accept ILEC's actual structure sharing percentages
 - ILECs have incentives to share as often as efficiently possible and this is reflected in the actual data
 - Alleged future increases ignore technical, safety, and timing considerations

Incorporation of Real-World Attributes into Cost Process

- How the BSTLM-CP[©] currently works
 - Starts with 2 known data points – wire center location and customer location
 - Builds facilities based on Minimum Spanning Road Tree (MSRT) algorithm

Incorporation of Real-World Attributes into Cost Process

- Why the current process understates loop cost
 - Does not reflect existing network routing which considers rights-of-way and structure
 - Clustering is optimized – does not recognize that demand grows over time

Incorporation of Real-World Attributes into Cost Process

- What BellSouth wants this Commission to accept for TELRIC pricing
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Examples of Network Guidelines Reflected in BSTLM-CP[®]

Guideline:

Next Generation Digital loop Carrier (NGDLC)

Next Generation Digital Loop Carrier (NGDLC) is the first choice vehicle for all new narrowband facility placements.

BSTLM:

NGDLC is the only type of DLC placement chosen by the model. For switched lines, NGDLC systems with less than 150 lines are served via TR008 Mode 2, while those systems supporting greater than 150 lines are served via GR303. TR008 systems represent from less than 1% to around 10% of the modeled lines in the BellSouth states.

Guideline:

Serving area considerations

CSA design limits for metallic distribution (9 kft of 26 gauge cable or 12 kft of 24/22 gauge cable)

BSTLM:

Model has a "soft" CSA limit of 12kft from DLC to customer premises but can go out to 18kft to pickup up to 10 "orphaned" customer lines to avoid placement of another DLC; model uses 9kft from DLC as crossover point for 26 to 24 gauge cable.

Guideline:

Surplus analog capacity

"Large" NGDLC terminations are those that qualify for GR303, typically 175-672+ lines; otherwise "small" TR008 terminations must be made.

BSTLM:

The model places TR008 systems only when the demand per system is less than 150 lines but greater than 24 lines (for areas with fewer than 24 lines the model places a fiber connection from a larger DLC site to an ONU). Systems with greater than 150 lines are GR303 systems.