

BellSouth D.C., Inc.
Suite 900
1133 21st Street, N.W.
Washington, D.C. 20031-3351

mary.henze@bellsouth.com

Mary L. Henze
Assistant Vice President
Federal Regulatory

202 463 4109
Fax 202 463 4631

April 1, 2005

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

Re: Presubscribed Interexchange Carrier Charges, CC Dkt. 02-53

Dear Ms. Dortch,

On March 31, 2005, the undersigned, Steve Inman, Charles Lee, and Sam Gagliano of BellSouth met with Judy Nitsche, Jennifer McKee, Jim Lichford, R.L. Smith, Vienna Jordan, and Richard Kwiatkowski of the Wireline Competition Bureau.

The purpose of the meeting was to discuss how BellSouth must modify its cost study to comply with the Commission's recent "bifurcated PIC" Order. The Order makes clear that since BellSouth's current PIC rates were set pursuant to a cost study, it cannot use "safe harbor" rates but must revise its cost study to reflect actual costs. However, BellSouth explained that the Order contains conflicting requirements that the company cannot fulfill without Commission clarification. In addition, BellSouth emphasized that appropriately revising a cost study of this magnitude takes 6 to 8 months and therefore cannot be completed within the current implementation timeframe. All material used during the meeting is 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: D. Gonzalez
T. Preiss
J. Nitsche
J. McKee
J. Lichford
R. L. Smith
V. Jordan
R. Kwiatkowski

PIC Cost Study

CC Docket No. 02-53

3/31/05 Ex Parte

BellSouth

Changes Required from Previous Cost Methodology

- Clear changes:
 - Remove Third Party Verification (TPV) costs
 - Remove PIC freeze costs
 - Separate mechanized and manual changes
 - Add implementation costs
- Cost study questions:
 - Inconsistent requirements in Order concerning 50% rate reductions for simultaneous PIC and LPIC
 - 6-8 months needed for new cost study

Order Appears Inconsistent Concerning Cost Requirements

- The Order contains conflicting language when a customer requests a PIC change simultaneously with an LPIC change:
 - Order requires BellSouth to adjust PIC change charge based on actual costs. (paragraph 1, fn 4)
 - Order requires BellSouth to amend tariff to include a rate that is 50% of the stand alone rate when PIC change is simultaneous with LPIC. (paragraph 21)
- Conflicts with implementation of cost-based rates because costs for handling simultaneous PIC/LPIC are not reduced by 50%.

Cost Study Does Not Include Any LPIC Costs to Exclude

- BellSouth's previously filed and approved PIC cost study developed the actual cost of performing a standalone PIC change.
- The cost methodology was based upon the actual labor expenses and computer-related costs to process a PIC change.
- The cost study only includes the costs incurred in a PIC change and does not capture any of the additional costs of processing a second simultaneous LPIC change.
- To arbitrarily cut the rate in half would prevent recovery of much of the BellSouth's actual cost required to process the PIC change.

Mechanized PIC Clearly Demonstrates the Conflict

- BellSouth's service order processing systems and circuit switches are unable to process simultaneous PIC and LPIC change requests as a single transaction.
- BellSouth's circuit switches require one order transaction for PIC and a separate order transaction for LPIC.
- Although the IXC may send a mechanized order with simultaneous PIC and LPIC change requests, BellSouth service order processing systems must break such orders into two unique transactions, a PIC change request and a separate LPIC change request.
- Each type of PIC change consumes the same downstream computer system costs. There are no mechanized cost savings in performing simultaneous PIC and LPIC changes.
- The Order's implied assumption that BellSouth can process two simultaneous PIC changes at the same cost as a single stand alone PIC is simply not true in BellSouth's case.

Commission Should Allow BellSouth to Recover Actual Cost

- To accurately recover the cost of PIC change requests while recognizing any efficiencies in processing simultaneous PIC and LPIC change requests, BellSouth recommends its revised cost study identify four separate and unique costs:
 1. The cost of processing a manual standalone PIC change request.
 2. The PIC portion of the cost of processing simultaneous PIC and LPIC change requests submitted manually.
 3. The cost of processing a mechanized standalone PIC change request.
 4. The PIC portion of the cost of processing simultaneous PIC and LPIC change requests submitted on a mechanized basis.

Strict Compliance Will Result in Non-Cost Based Rates

- In BellSouth's case, it is impossible to comply with the Commission's 50% cost recovery directive for simultaneous PIC and LPIC change requests and accurately recover our costs.
- The FCC should recognize that if BellSouth is required to comply with the 50% cost recovery directive, BellSouth must under-recover its cost related to simultaneous PIC and LPIC change requests and must over-recover its cost related to standalone PIC requests such that the weighted average recovers BellSouth's actual costs.