



# Presubscribed Inter-exchange Carrier (PIC) Change Cost Analysis

Supporting SBC's PFR of 4/14/05

*Ex Parte* Presentation

June 23, 2005

# Purpose



- Explain SBC's reasons for filing the PFR
  - 50% rule not supported by the record
  - Question assumption that total cost for PIC/LPIC combinations equal cost of changing the PIC only.
  - Emphasize that 50% discount double counts efficiencies already contained in SBC's filed studies.
- Purpose of cost analysis in Makarewicz Declaration
  - Demonstrate that total cost for PIC/LPIC combinations exceeds cost of cost for stand-alone PIC.

# SBC Cost Analysis



- Starting point was SBC's revised cost studies filed in Feb 2005. These studies:
  - Exclude TPV and PIC Freeze per Order
  - Reflect efficiencies for PIC/LPIC combinations
    - Multiplied manual, labor-related costs by reciprocal of Changes per Order (i.e., divided cost at least in half). Affects activities for Manual orders only.
    - Changes per order nearly 2.0 for Consumer segment; higher for other segments.
- Updates include:
  - Update PIC/LPIC volumes to reflect actuals for 2004, replacing 4Q'04 annualized volumes used previously.
  - Add incremental IT costs to implement the Order (bifurcation and 50% discount)

	<i>SBC Southwest (Texas)</i>	<i>SBC West (California)</i>	<i>SBC Midwest (Illinois)</i>
Manual, per change	\$4.66	\$4.15	\$4.34
Mechanized, per change	\$1.83	\$1.82	\$1.30

# SBC Cost Analysis (cont'd.)



- Calculate cost of stand-alone PIC change
  - Set all request-per-order values to 1.0 to attribute labor-related costs to PIC changes only
    - Affects Manual results only.
  - No change to Computer-related and support costs.
    - Still attributable to PIC and LPIC requests

<b>TABLE 2</b>			
<b>Stand-Alone PIC rates compared to PIC / LPIC Combination Rates per Change</b>			
	<i>SBC Southwest (Texas)</i>	<i>SBC West (California)</i>	<i>SBC Midwest (Illinois)</i>
<b>STAND-ALONE PIC:</b>			
Manual, per change	\$7.37	\$7.35	\$7.57
Mechanized, per change	\$1.83	\$1.82	\$1.30
<b>PIC/LPIC COMBINATION:</b>			
Manual, per change (Total)	\$4.66 (\$9.32)	\$4.15 (\$8.30)	\$4.34 (\$8.68)
Mechanized, per change (Total)	\$1.83 (\$3.66)	\$1.82 (\$3.64)	\$1.30 (\$2.60)



# Conclusion

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- Contrary to statements in the Order, the total cost for PIC/LPIC combinations exceeds cost of cost for a stand-alone PIC.
- Applying the 50% discount would double count efficiencies for PIC/LPIC combinations already included in SBC's filed cost results.