

**BellSouth D.C., Inc.**  
Suite 900  
1133 - 21st Street NW  
Washington, DC 20036-3351

jeanine.poltronieri@bellsouth.com

February 13, 2006

**Jeanine A. Poltronieri**  
Vice President  
Federal Regulatory

202 463 4189  
Fax 202 463 4142  
Cell 202 997 1034

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

Re: Federal State Joint Board on Universal Service, CC Docket 96-45

Dear Ms. Dortch:

On February 13, 2006, BellSouth met with Wireline Competition Bureau staff to discuss universal service contribution methodology. Attending the meeting from the Commission were Dana Shaffer, Thomas Buckley, Narda Jones, Cathy Carpino and Amy Bender. Representing BellSouth at this meeting were Russell Pierce, John Ruscilli, Theo Marcus and the undersigned.

Copies of the attached presentation served as a basis for discussion. In its presentation, BellSouth presented the Commission with a proposal for a targeted cap on universal service contributions from local and state governments, colleges, and universities that use Centrex and PRI products. BellSouth analysis showed that these customers might experience significant rate increases without such a cap, since BellSouth customers in this category do not have significant long distance charges to balance the telephone number assessment.

Pursuant to Commission rules, please include a copy of this notice and attachment in the record of the proceeding listed above.

Sincerely,



Jeanine Poltronieri

Attachment

cc: Dana Shaffer  
Thomas Buckley  
Narda Jones  
Cathy Carpino  
Amy Bender

# Capping PRI and Centrex Contributions From Local And State Governments, Colleges & Universities Would Spread the USF Contribution Burden Equitably

- 1) The current USF funding mechanism charges a percentage of interstate revenue.
- 2) Currently, the USF charge on Centrex and PRI is a percentage of the Subscriber Line Charge (SLC). This SLC charge was set at a significantly lower level on these products than the SLC on other lines to keep these products competitive with other PBX-like products.
- 3) As we move to a TN-based funding mechanism, the assessment on Centrex could jump by a factor of 10 and the PRI assessment could skyrocket by a factor of 20-40 (depending on the number of working telephone numbers (TNs)).
- 4) At the same time, removing the assessment on interstate long distance (LD) will provide a big reduction for heavy users of LD.
- 5) Most large organizations that use Centrex and PRI will benefit from a reduction in the LD assessment. Moreover, many have a significant number of 1FBs (basic business line) and therefore would not be affected by a cap on complex voice services.
- 6) However, local and state governments, colleges and universities tend to operate in a campus environment with localized operations. They tend to have a disproportionate exposure to Centrex and PRI, without significant exposure to LD to balance the increase in TN-based USF charges.
- 7) Many of these customers have long-term, fixed rate contracts that may render increased USF charges unrecoverable.
- 8) BellSouth proposes capping PRI and Centrex contributions from these customers to equitably spread the burden of USF contributions:
  - 1) PRI should be capped at 7 TNs. While maintaining the current cap would equate to 5 TNs, a 7 TN cap appears appropriate.
  - 2) Centrex should be charged at a rate of 1/9 TN per line.
- 9) Because the number of Centrex lines and PRI circuits purchased by local and state governments, colleges and universities is less than 20% of the total for these categories, the effect of the limited cap on all other lines is small – less than \$0.05 per line.

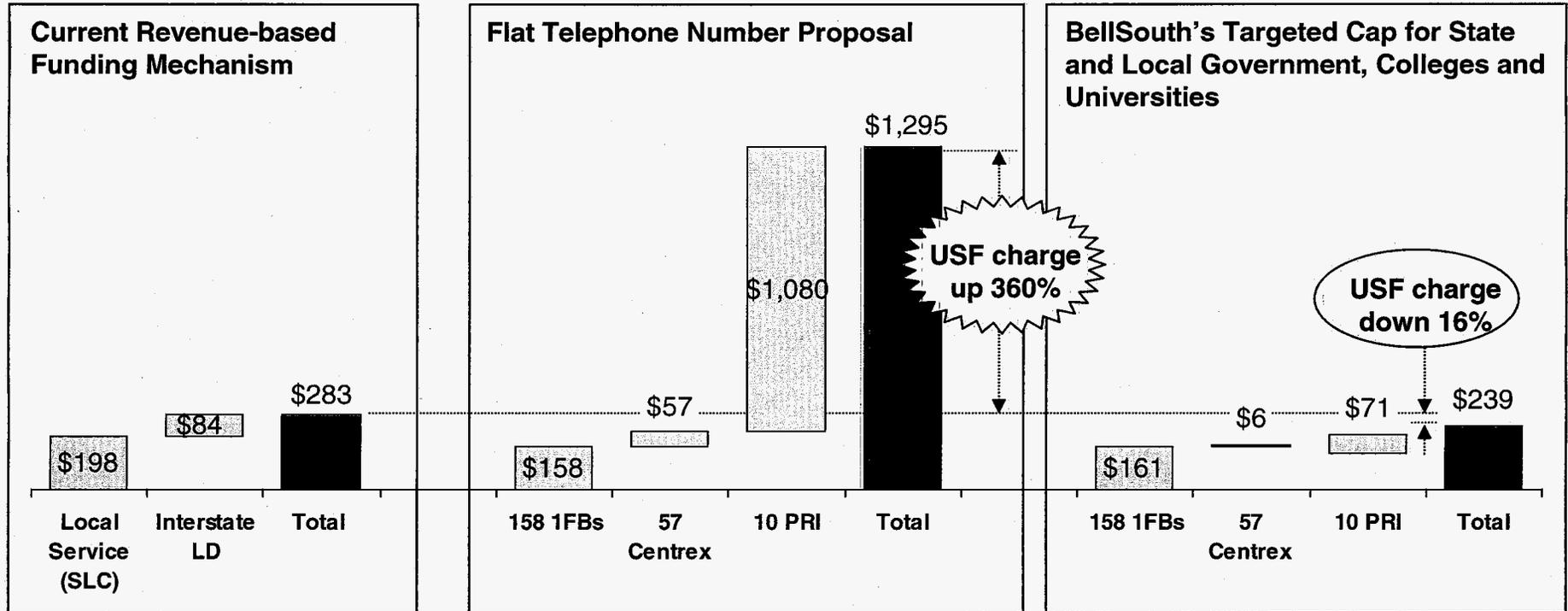
<u>Current State</u>	<u>TN Proposal</u>	<u>Targeted Cap Proposal (Gov't, Univ)</u>
\$0.65-0.86 per Res/Bus line	\$1 per TN	~ \$1.02 per TN
\$5.70 per PRI* (avg of \$0.05 per num)	\$ 108 per PRI* (avg \$1 per num)	\$7.14 within cap, \$110 per all other PRI* (avg \$0.07 G/U, \$1 All Other per num)
\$ 0.10 per Centrex line	\$1 per Centrex TN	\$0.11 w/in cap, \$1.02 per all other Centrex TNs
10.2% Interstate LD	-----	-----

\*Assumes 18 channels per PRI, 6 numbers per channel

# Capping Government And Higher Education Contribution On Centrex And PRI

## Projections of monthly USF payments by USF mechanism

### Example: *Medium-sized University*



#### Assumptions and Sources:

Current state is actual value on customer bill:

158 1FBs X \$0.86 = \$135

10 PRI X \$5.70 = \$57

57 Centrex X \$0.10 = \$6

10% of \$840 Interstate LD = \$84

#### Assumptions and Sources:

158 1FBs X \$1 = \$158

57 Centrex lines X \$1 = \$57

10 PRI X 18 channels X 6 TN/channel X \$1 = \$1,080

#### Assumptions and Sources:

158 1FBs X \$1.02 = \$161

57 Centrex lines X \$0.11 = \$6

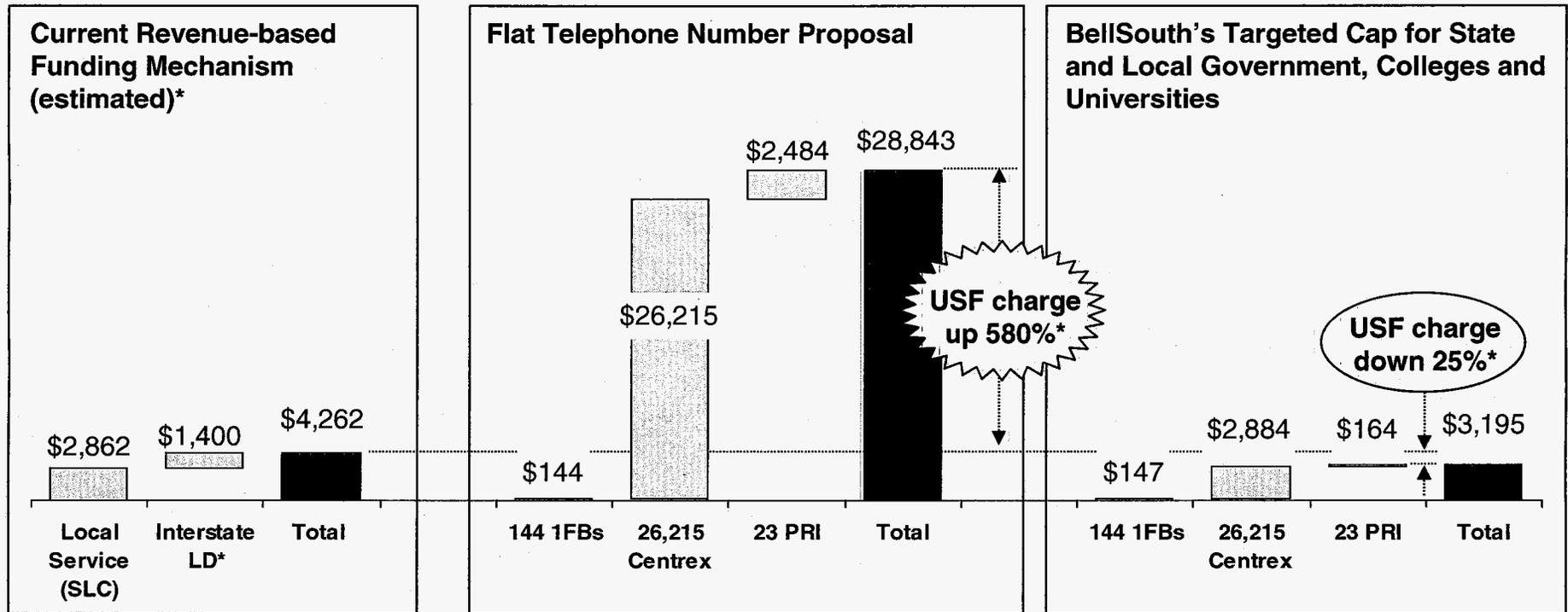
10 PRI X 7 TN X \$1.02 = \$71

Note: Values have been rounded to the nearest dollar.

# Capping Government And Higher Education Contribution On Centrex And PRI

## Projections of monthly USF payments by USF mechanism

### Example: *Large University*



\*NOTE: Data for interstate LD charge is not available. Interstate LD payment of \$1400 is based on an assumption that Interstate LD payments are 50% of Local Service payments.

#### Assumptions and Sources:

Current state is actual value on customer bill:

144 1FBs X \$0.76 = \$110

26,215 Centrex X \$0.10 = \$2,622

23 PRI X \$5.70 = \$131

10% of \$14,000 Interstate LD = \$1,400

#### Assumptions and Sources:

144 1FBs X \$1 = \$144

26,215 Centrex lines X \$1 = \$26,215

23 PRI X 18 channels X 6 TN/channel X \$1 = \$2,484

#### Assumptions and Sources:

144 1FBs X \$1.02 = \$147

26,215 Centrex lines X \$0.11 = \$2884

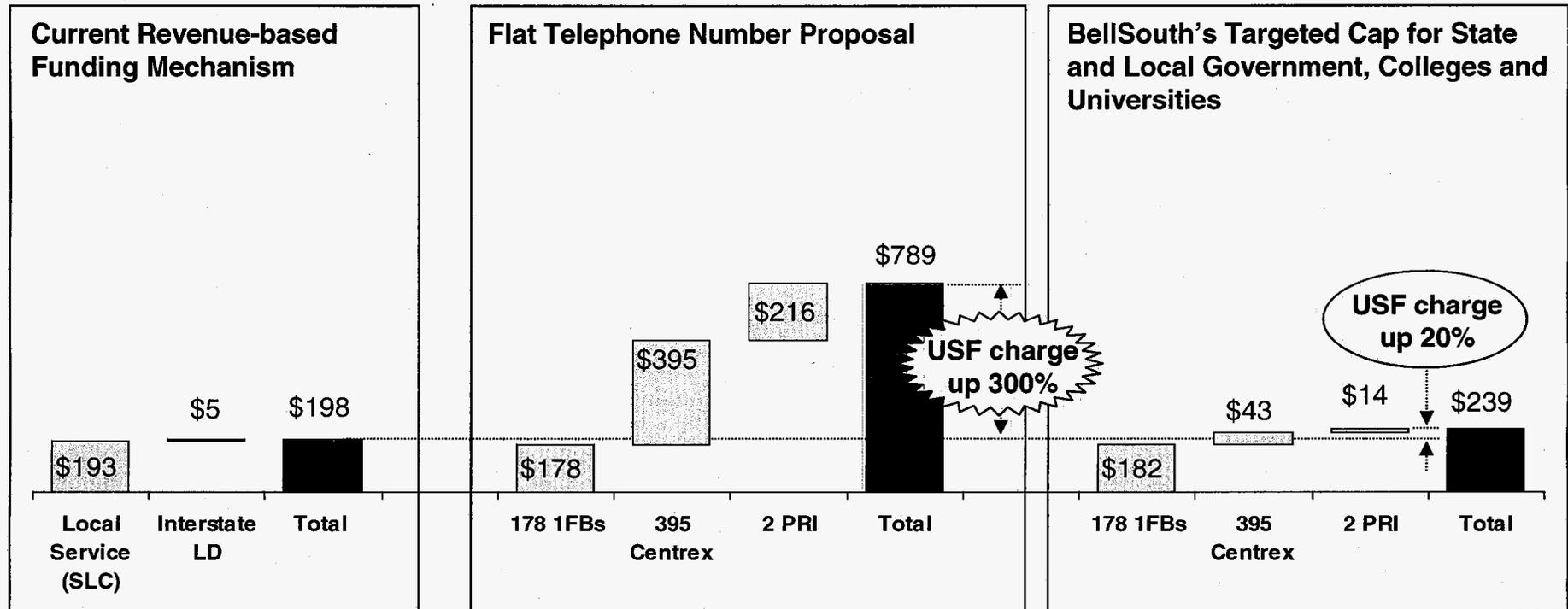
23 PRI X 7 TN X \$1.02 = \$164

Note: Values have been rounded to the nearest dollar.

# Capping Government And Higher Education Contribution On Centrex And PRI

## Projections of monthly USF payments by USF mechanism

### Example: *County Government*



#### Assumptions and Sources:

Current state is actual value on customer bill:

$$178 \text{ 1FBs} \times \$0.80 = \$142$$

$$395 \text{ Centrex} \times \$0.10 = \$40$$

$$2 \text{ PRI} \times \$5.70 = \$11$$

$$10\% \text{ of } \$50 \text{ Interstate LD} = \$5$$

#### Assumptions and Sources:

$$178 \text{ 1FBs} \times \$1 = \$178$$

$$395 \text{ Centrex lines} \times \$1 = \$395$$

$$2 \text{ PRI} \times 18 \text{ channels} \times 6 \text{ TN/channel} \times \$1 = \$216$$

#### Assumptions and Sources:

$$178 \text{ 1FBs} \times \$1.02 = \$182$$

$$395 \text{ Centrex lines} \times \$0.11 = \$43$$

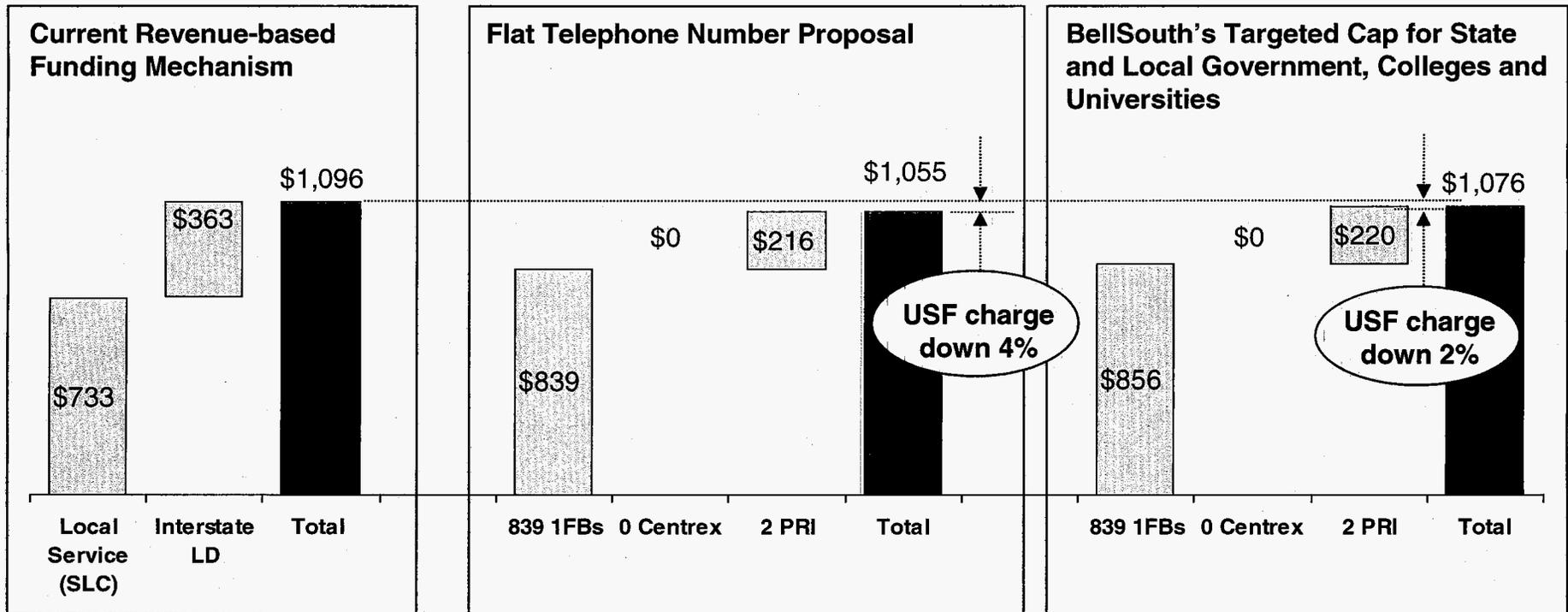
$$2 \text{ PRI} \times 7 \text{ TN} \times \$1.02 = \$14$$

*Note: Values have been rounded to the nearest dollar.*

# Cap Should Not Significantly Change USF Assessment On Large Corporate Customers

## Projections of monthly USF payments by USF mechanism

### Example: *Large Corporate Branch*



#### Assumptions and Sources:

Current state is actual value on customer bill:

839 1FBs X \$0.86 = \$722

2 PRI X \$5.70 = \$11

10% of \$3.630 Interstate LD = \$363

#### Assumptions and Sources:

839 1FBs X \$1 = \$839

2 PRI X 18 channels X 6 TN/channel X \$1 = \$216

#### Assumptions and Sources:

839 1FBs X \$1.02 = \$856

2 PRI X 18 channels X 6 TN/channel X 1.02 = \$220

Note: Values have been rounded to the nearest dollar.