

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of

Petition of Image Access, Inc. d/b/a NewPhone  
for Declaratory Ruling Regarding Incumbent  
Local Exchange Carrier Promotions Available  
for Resale Under the Communications Act of  
1934, as Amended, and Sections 51.601 *et seq.*  
of the Commission's Rules

WC Docket No. 06-129

**REPLY OF  
BELLSOUTH CORPORATION**

**BELLSOUTH CORPORATION**

Richard M. Sbaratta  
Angela N. Brown

Suite 4300  
675 West Peachtree Street, N. E.  
Atlanta, Georgia 30375-0001  
(404) 335-0724

Its Attorneys

August 10, 2006

**TABLE OF CONTENTS**

I. INTRODUCTION .....2

II. CASH-BACK PROMOTIONS, GIFT CARDS, CHECKS, COUPONS AND  
SIMILAR MARKETING INCENTIVES ARE NOT SUBJECT TO THE  
RESALE REQUIREMENTS OF SECTION 251(c)(4) .....2

III. THE 1996 ACT DOES NOT REQUIRE ILECS TO OFFER NON-  
TELECOMMUNICATIONS SERVICES OR NON-ILEC PROVIDED  
TELECOMMUNICATIONS SERVICES IN MIXED BUNDLES TO  
RESELLERS.....11

IV. CONCLUSION.....14

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of

Petition of Image Access, Inc. d/b/a NewPhone  
for Declaratory Ruling Regarding Incumbent  
Local Exchange Carrier Promotions Available  
for Resale Under the Communications Act of  
1934, as Amended, and Sections 51.601 *et seq.*  
of the Commission's Rules

WC Docket No. 06-129

**REPLY OF  
BELLSOUTH CORPORATION**

BellSouth Corporation, on behalf of itself and its wholly-owned subsidiaries (collectively "BellSouth"), respectfully submits its reply in the above-captioned proceeding.<sup>1</sup> As the record makes clear, adopting the resale requirements proposed by NewPhone<sup>2</sup> would not only constitute an unlawful expansion of the 1996 Act's resale obligations, but also undermine competition by severely limiting the availability of innovative and competitively-priced offerings from multiple players in the marketplace. Accordingly, the Commission should deny the Petition.

---

<sup>1</sup> *Petition of Image Access, Inc. d/b/a NewPhone for Declaratory Ruling Pleading Cycle Established*, WC Docket No. 06-129, *Public Notice*, DA 06-1421 (rel. July 10, 2006).

<sup>2</sup> *See* Petition of Image Access, Inc. d/b/a NewPhone for Declaratory Ruling Regarding Incumbent Local Exchange Carrier Promotions Available for Resale Under the Communications Act of 1934, As Amended, and Sections 51.601 *et seq.* of the Commission's Rules, WC Docket No. 06-129 (filed June 13, 2006) ("Petition").

## **I. INTRODUCTION**

Giveaways, price discounts, loyalty programs – all of these represent marketing tools that are prevalent in the general marketplace today and are routine in the telecommunications industry. Indeed, incumbent local exchange carriers (“ILECs”), competitive local exchange carriers (“CLECs”), Voice over Internet Protocol providers, wireless carriers, and others use these marketing incentives to entice customers to purchase their services. Each and every communications provider is free to develop and use marketing devices to promote their services to win customers, and no provider should be required to subsidize the marketing efforts of others.

While ILECs have a statutory obligation to make available for resale at wholesale discounts the telecommunications services that they offer to their retail subscribers, ILECs are not required to engage in the type of subsidization sought by NewPhone and other resellers. Not one of NewPhone’s supporters has been able to point to any language in the 1996 Act or identify an existing Commission policy to justify the overly broad resale requirements proposed by NewPhone. Accordingly, in order to comply with the statute, ensure that consumers continue to enjoy the benefits of a fully competitive market, and avoid sidelining ILECs such as BellSouth, the Commission should deny the Petition.

## **II. CASH-BACK PROMOTIONS, GIFT CARDS, CHECKS, COUPONS AND SIMILAR MARKETING INCENTIVES ARE NOT SUBJECT TO THE RESALE REQUIREMENTS OF SECTION 251(c)(4).**

Not surprisingly, none of NewPhone’s supporters provides a statutory basis for requiring ILECs to offer cash-back promotions, gift cards, checks, coupons and similar marketing incentives for resale pursuant to Section 251(c)(4). As a North Carolina federal district court

recently held,<sup>3</sup> and as BellSouth, AT&T, Qwest and Verizon have demonstrated in this proceeding, the marketing incentives at issue are neither “telecommunications services” nor “promotional price discounts” that are subject to the resale requirements of Section 251(c)(4).<sup>4</sup> Therefore, ILECs are neither required to provide the value of these marketing incentives to resellers nor provide an additional or super discount to the already discounted wholesale rate for the “telecommunications service” at issue.

Notwithstanding the 1996 Act’s clear directive, some parties attempt to sway the Commission by raising irrelevant issues that have no bearing on the essential question posed in this proceeding – whether the 1996 Act mandates the overly broad resale requirements proposed by NewPhone. Perhaps recognizing the weaknesses in their own arguments, the Joint Resellers resort to complaining that lawful increases in BellSouth’s *retail* rates make it more difficult for resellers to compete.<sup>5</sup> This argument is nothing more than a “red herring.”

As an initial matter, BellSouth is authorized to increase its retail rates in North Carolina.<sup>6</sup> The 2005 and 2006 rate adjustments noted by the Joint Resellers<sup>7</sup> are reasonable and reflect the competitive realities that exist in the marketplace today in North Carolina. Moreover, as required by law, BellSouth fulfills its resale obligations under Section 251(c)(4) by making the

---

<sup>3</sup> *BellSouth Telecommunications, Inc. v. Jo Anne Sanford, et al.*, No. 3:05-cv-00345-MU (copy attached as Exhibit G to Petition), 2006 U.S. Dist. LEXIS 34265, at \*9 (W.D.N.C. May 15, 2006) (“*BellSouth v. Sanford*”).

<sup>4</sup> *See, e.g.*, BellSouth Opposition at 6-12; AT&T Opposition at 2-6; Qwest Opposition at 4-8; Verizon Opposition at 9-14.

<sup>5</sup> Joint Resellers Comments at 8-10.

<sup>6</sup> In April 2005, the North Carolina Utilities Commission approved BellSouth’s price regulation plan allowing certain rate adjustments. *See Application of BellSouth Telecommunications, Inc. for, and Election of, Price Regulation*, Docket No. P-55, Sub 1013, *Order Approving Modified Price Regulation Plan* (Apr. 29, 2005).

<sup>7</sup> *See* Joint Resellers Comments at 8-9.

telecommunications services that it offers to its retail subscribers available for resale at the state-mandated wholesale discount rate. The fact that the underlying retail rate to which the wholesale discount is applied is higher due to lawful retail rate adjustments is irrelevant and is hardly part of a grand scheme to eliminate resale competition as suggested by the Joint Resellers.<sup>8</sup>

The Commission also should reject the Joint Resellers' effort to rewrite the 1996 Act by referring to a hypothetical rate category referred to as "Retail Rate w/ Cash Back."<sup>9</sup> This non-existent "rate" is the product of the Joint Resellers' attempt to separate a BellSouth package of services into discrete components and allocate a total cash-back promotion to each discrete service in an arbitrary manner. The reality is that there is no such thing as a BellSouth "Retail Rate w/ Cash Back." As BellSouth and others have pointed out, cash-back, gift cards, checks, coupons and similar marketing incentives do not affect the retail rate paid by end users.<sup>10</sup> The subscriber who receives one of these incentives is billed the full tariff price and must pay the full tariff price. Therefore, the Joint Resellers' hypothetical rates are irrelevant to the application of any wholesale discount.

The Commission also should reject the Joint Resellers' request to adopt additional resale requirements that exceed even those sought by NewPhone. The Joint Resellers take the NewPhone petition one step further and ask "the Commission [to] declare that for all promotions, *regardless of length*, the 'effective retail rate' shall be determined by subtracting the face value of the promotions from the tariffed rate."<sup>11</sup> Although the Joint Resellers claim to

---

<sup>8</sup> See *id.* at 10.

<sup>9</sup> *Id.* at 5.

<sup>10</sup> See, e.g., AT&T Opposition at 5; BellSouth Opposition at 8-10; Qwest Opposition at 5; Verizon Opposition at 13.

<sup>11</sup> Joint Resellers Comments at 10 (emphasis added).

“agree [with NewPhone]”<sup>12</sup> that the Commission should adopt such a requirement, NewPhone did not request that the Commission establish new rules “for all promotions, regardless of length.”<sup>13</sup> Rather, NewPhone’s request was expressly limited to those marketing incentive programs *lasting longer than 90 days*.<sup>14</sup>

The Commission has already addressed ILEC obligations for short- and long-term price promotions. Specifically, the Commission has concluded that ILECs must make available for resale *promotional price discounts* offered on their retail telecommunications services. The Commission defined “promotions” to include “price discounts from standard offerings that will remain available for wholesale rates, i.e., temporary price discounts.”<sup>15</sup> The Commission also concluded that “short term promotional prices,” which are defined as “promotions of up to 90 days,” “do not constitute retail rates for the underlying services and are thus not subject to the wholesale rate obligation.”<sup>16</sup> Consequently, promotional prices offered for a period of 90 days or less need not be offered to resellers at a wholesale discount. In other words, the rate available to a reseller is the standard tariff price less the wholesale discount. In contrast, promotional prices offered for periods greater than 90 days must be offered for resale at the wholesale rate (*i.e.*, the reduced promotional price less the wholesale discount). The Joint Resellers’ request to eliminate

---

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> See Petition at 3-4 (“for all ILEC promotions greater than 90 days in duration”). The Joint Resellers allege that “[t]oo often, BellSouth and other ILECs have refused to allow the Joint Commenters to resell long-term promotions (greater than 90 days) until the 91<sup>st</sup> day.” Joint Resellers Comments at 14. As BellSouth indicated in its opposition, the NCUC established the condition that ILECs make long-term promotions available to resellers on the 91<sup>st</sup> day, and BellSouth is in compliance with the NCUC’s ruling. BellSouth Opposition at 5, n.15.

<sup>15</sup> *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996 Act*, CC Docket No. 96-98, *First Report and Order*, 11 FCC Rcd 15499, 15970, ¶ 948 (1996) (“*First Local Competition Order*”).

<sup>16</sup> *Id.* ¶¶ 949-50.

this distinction and require ILECs to offer resellers a discount on the lower promotional price for short-term price discounts, rather than applying the wholesale discount to the standard retail rate, not only conflicts directly with the Commission's long-standing rule but also goes beyond NewPhone's original request. The Commission therefore should deny this request.

Like NewPhone, the Joint Resellers allege that BellSouth's refusal to provide resellers the value of its cash-back promotions is an "unreasonable restriction" on resale in violation of Section 251(c)(4) as well as Section 51.605(e) of the Commission's rules.<sup>17</sup> NewPhone and others misinterpret this limitation. As Verizon explains, the prohibition on "unreasonable or discriminatory conditions or limitations" refers to precluding ILECs from restricting what a reseller may do with the telecommunications services that it obtains from ILECs at wholesale.<sup>18</sup> For example, an ILEC may not prohibit a reseller from offering its own cash-back promotion, gift card, or similar giveaway in conjunction with the resale of the ILEC's telecommunications service. BellSouth has not imposed any such restrictions on resellers. Therefore, the allegation that BellSouth has placed unreasonable and discriminatory limitations on resale is without merit.

Even if the Commission were to find that an ILEC's refusal to offer the marketing incentives at issue here to resellers at a wholesale discount was a "restriction" under the 1996 Act, such a restriction would not automatically constitute an "unreasonable or discriminatory" limitation. Indeed, an ILEC may not be obligated to offer resellers the wholesale discount on the telecommunications service that is the subject of a particular promotion, if it can prove that the restriction is reasonable and nondiscriminatory.<sup>19</sup>

---

<sup>17</sup> Petition at 15; Joint Resellers Comments at 8.

<sup>18</sup> Verizon Opposition at 13.

<sup>19</sup> 47 U.S.C. § 51.613(b).

In the underlying proceedings before the North Carolina Utilities Commission (“NCUC”), the NCUC noted that “although [it] believes that restrictions on resale obligations must be considered on a promotion-by-promotion basis, *some restrictions on resale of some gift card type promotions that run for more than 90 days may be proven to be reasonable and nondiscriminatory.*”<sup>20</sup> In reviewing the BellSouth cash-back promotion known as BellSouth’s 1FR + 2 Cash Back, the NCUC stated that, “based on [its] current knowledge, the [NCUC] would be inclined to find a restriction on resale is reasonable and nondiscriminatory.”<sup>21</sup> The NCUC concluded that, although the promotion at issue should be considered a discount (a conclusion with which BellSouth disagrees), making the “discount” available to resellers would result in a double discount in the amount of the marketing expenses. According to the NCUC:

The wholesale discount was, in part, set by deducting ILEC marketing expenses from the ILECs’ costs for the regulated service—at least in part a recognition that resellers would have their own marketing expenses. Resellers remain free to offer, at their own expense, promotional inducements to customers who purchase the tariffed services(s) from them.<sup>22</sup>

The NCUC ultimately concluded that, “at least with respect to 1FR + 2 Cash Back, the anti-competitive effects caused by a nine-month promotion that is unavailable to resellers are outweighed by the pro-competitive effects.”<sup>23</sup> Thus, blanket assertions that cash-back

---

<sup>20</sup> *Implementation of Session Law 2003-91 Senate Bill 814 Titled “An Act to Clarify the Law regarding Competitive and Deregulated Offerings of Telecommunications Services,”* Docket No. P-100, Sub 72b, *Order Ruling on Motion Regarding Promotions*, at 12-13 (Dec. 22, 2004) (“*First Resale Order*”) (emphasis added).

<sup>21</sup> *Id.* at 13.

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

promotions, gift cards, checks and coupons are *per se* unreasonable and discriminatory are without merit.

Similar to the Joint Resellers, Angles Communication Solutions (“Angles”) fails to demonstrate that NewPhone’s proposed resale rules are consistent with the 1996 Act. Rather than setting forth a sustainable legal argument, Angles goes into extensive detail about a 2003 BellSouth marketing campaign known as the “Welcoming Reward Program” offered in Tennessee. Angles mischaracterizes some of the critical facts in the underlying Tennessee program. For example, Angles repeatedly describes the BellSouth Tennessee marketing incentive as a “cash-back” offer.<sup>24</sup> This description is incorrect. BellSouth offered customers a \$100 *bill credit* that reduced the price of the underlying telecommunications service that was the subject of the reward. This distinction has significant implications.

Had this program involved a cash-back reward, BellSouth would not have been under any obligation to provide the incentive to resellers at a discounted rate. However, because the Tennessee program resulted in a decrease in the tariff rate, such a promotion constituted a “promotional price discount.” As such, one of the central issues was whether BellSouth was obligated to make the underlying telecommunications service available for resale based upon the full tariff rate or the reduced promotional rate. To avoid the potential delay that could have resulted from a tariff suspension and contested case (as sought by some of BellSouth’s competitors), BellSouth agreed to modify its tariff to make clear that it was offering a long-term promotional price discount that was subject to resale. BellSouth’s voluntary modification of its tariff should not, and cannot, be construed as anything other than an effort to avoid a protracted regulatory proceeding that would have significantly delayed BellSouth’s delivery of

---

<sup>24</sup> See Angles Comments at 3, 6.

competitively-priced services to the public. Therefore, the Commission should disregard Angles' baseless claims against BellSouth.

Angles further misconstrues the law by asking the Commission to "make clear that . . . the wholesale discount should be applied to the non-promotional rate in order to capture all the avoided costs."<sup>25</sup> In other words, when an ILEC offers a long-term promotional price discount, Angles proposes that the ILEC apply the wholesale discount to the standard tariff rate instead of the lower promotional rate. Angles reasons that, "if . . . the wholesale discount percentage is applied to a cheaper, promotional rate, the incumbent would gain a windfall and the reseller would be cheated. The dollars 'avoided' by the incumbent in marketing, billing, and collection costs are exactly the same but the amount of dollars reflected in the wholesale discount will be smaller."<sup>26</sup> Angles' rationale is illogical. An ILEC that must allow resellers to purchase telecommunications services at a lower wholesale rate (*i.e.*, the reduced promotional rate less the state-mandated discount) is hardly receiving a windfall. Under these circumstances, the ILEC is receiving less, and the reseller is paying less.

Moreover, Angles' request is in direct conflict with the Commission's existing rules. ILECs offering promotional price discounts that last longer than 90 days must offer these price discounts to resellers and calculate the wholesale rate by subtracting the state-mandated discount from the reduced promotional price.<sup>27</sup> Angles' request would necessitate a rule change that is beyond the scope of this proceeding and would require a rulemaking with proper notice and opportunity to comment.

---

<sup>25</sup> *Id.* at 7.

<sup>26</sup> *Id.*

<sup>27</sup> *First Local Competition Order*, 11 FCC Rcd at 15970, ¶ 948.

Although it is clear that the 1996 Act does not require ILECs to offer resellers either the value of a marketing incentive such as a gift card or a discounted rate based upon such an incentive, if the Commission were to conclude otherwise, the incentive's face value would not be an appropriate basis for determining the actual value of the incentive for a number of reasons. First, the face value of a cash-back promotion, gift card, check, or coupon does not reflect the costs incurred by the carrier to obtain or offer the incentive. For example, as BellSouth points out, carriers that purchase gift cards to use as marketing incentives often do not pay the full face value for the gift card.<sup>28</sup> Second, the face value of a marketing incentive is unlikely to reflect the value to the consumer. According to Dr. David S. Evans, the process of calculating the value of a promotional incentive is a complicated and imprecise exercise.<sup>29</sup> As Dr. Evans explains, a promotional incentive's value to a customer is difficult to quantify because of the transaction costs associated with having to send in a rebate, cash a check, or take a coupon to a store.<sup>30</sup> As a result, "one dollar of promotional offering is almost always worth less than one dollar to the people who avail themselves of the offer, and is worth even less to the people to whom the offer is made."<sup>31</sup> Therefore, requiring ILECs to provide the face value (or any value) of such incentives either directly or through further reduced wholesale rates is not only contrary to the 1996 Act, but also would "eliminate the use of a valuable pro-competitive tool"<sup>32</sup> by diminishing ILECs' incentives to offer attractive, consumer-friendly marketing incentives.

---

<sup>28</sup> BellSouth Opposition at 12.

<sup>29</sup> Verizon Opposition, Exhibit 1, Declaration of David S. Evans, ¶¶ 8, 22.

<sup>30</sup> *Id.* ¶¶ 17-21.

<sup>31</sup> *Id.* ¶ 18.

<sup>32</sup> *Id.* ¶ 9.

Moreover, commenters agree that requiring ILECs to provide an additional discount on top of the state-mandated wholesale discount would result in ILECs subsidizing resellers' businesses.<sup>33</sup> Such a result would be inequitable and anti-competitive. As BellSouth and Verizon point out, resellers are free to create their own marketing incentives that include cash-back, gift cards, checks, coupons, and similar giveaways.<sup>34</sup> As such, "the Commission should not allow them to free ride in the effort incumbent LECs put into developing promotional offers that are most likely to attract customers."<sup>35</sup>

### **III. THE 1996 ACT DOES NOT REQUIRE ILECS TO OFFER NON-TELECOMMUNICATIONS SERVICES OR NON-ILEC PROVIDED TELECOMMUNICATIONS SERVICES IN MIXED BUNDLES TO RESELLERS.**

The Commission must reject NewPhone's request to require ILECs to either: (1) offer mixed bundles of telecommunications and non-telecommunications for resale at wholesale rates; or (2) offer the telecommunications component in a mixed bundle at a super-discounted rate.<sup>36</sup> As the statute makes clear, the resale obligation is only applicable to telecommunications services that the ILEC provides to its retail subscribers. As such, any attempt to require ILECs to resell telecommunications services offered by non-ILECs (*e.g.*, wireless service) or non-telecommunications services (*e.g.*, video service; high-speed Internet access) that are included in a mixed bundle would necessitate a rewrite of the 1996 Act.

Section 251(c)(4)(A) requires that ILECs offer for resale at wholesale discounts "*any telecommunications service that the [ILEC] provides* at retail to subscribers who are not

<sup>33</sup> See, *e.g.*, AT&T Opposition at 1; BellSouth Opposition at 11-12, 15; Qwest Opposition at 10; Verizon Opposition at 2, 11.

<sup>34</sup> BellSouth Opposition at 15; Verizon Opposition at 11.

<sup>35</sup> Verizon Opposition at 11.

<sup>36</sup> Petition at 19.

telecommunications carriers.”<sup>37</sup> Non-telecommunications services and services provided by an entity other than the ILEC, regardless of whether such services are offered on a standalone basis or as part of a mixed bundle, are therefore outside the scope of Section 251(c)(4). Consequently, the Joint Resellers’ assertion that “BellSouth’s failure to permit carriers to resell BellSouth’s long distance, either as a stand-alone telecommunications service or as part of a bundle, is unreasonable and discriminatory”<sup>38</sup> is a gross misinterpretation of the law.

BellSouth’s obligation is to make available for resale those telecommunications services that *it provides* to its retail subscribers. BellSouth does not provide long distance service through its ILEC operations. Rather, BellSouth’s Section 272 affiliate (BellSouth Long Distance (“BSLD”)) provides long distance services that BellSouth (ILEC) jointly markets as permitted under the 1996 Act. Similarly, BellSouth is not the provider of Cingular wireless service and therefore is under no statutory obligation to make this non-ILEC provided telecommunications service available for resale as a stand-alone offering or as part of a bundle.

Likewise, there is nothing in the 1996 Act to support NewPhone’s request to require ILECs to disaggregate a mixed bundle of telecommunications and non-telecommunications services and offer the ILEC-provided telecommunications component at a super-discounted rate (or as NewPhone would call it, the “effective retail rate”<sup>39</sup>). Again, none of NewPhone’s supporters identify any statutory language that would justify such a requirement.

As is evident from a plain reading of the statute, the starting point for the wholesale discount is the retail rate charged to end users, not some hypothetical or pretend rate. Section

---

<sup>37</sup> 47 U.S.C. § 251(c)(4)(A) (emphasis added).

<sup>38</sup> Joint Resellers Comments at 12.

<sup>39</sup> Petition at 4, 20.

251(c)(4) requires an ILEC “to offer for resale at wholesale rates any telecommunications service that [it] *provides at retail to subscribers* who are not telecommunications carriers.”<sup>40</sup> And, wholesale rates are calculated “*on the basis of retail rates charged to subscribers* for the telecommunications service requested.”<sup>41</sup> Consequently, the approach advocated by NewPhone to base the wholesale discount on an “effective retail rate” must necessarily fail, because this hypothetical discounted price is not a price at which the ILEC makes such services available to its own retail end users.<sup>42</sup> An ILEC’s retail customers can only obtain the discounted bundle price by agreeing to purchase the other items in the bundle. As a result, the only price available to a retail customer for the individual telecommunications service components of the bundle is the standard tariff price for these services.

Further, BellSouth agrees with Verizon that resellers “can compete by creating their own bundles, whether by self-provisioning the services other than those obtained from the incumbent LEC or by entering into joint marketing agreements with third parties.”<sup>43</sup> The ability to craft and fashion combined and bundled offers is part and parcel of a competitive marketplace in which carriers distinguish themselves from one another through the development of unique offerings. The Commission has embraced the competitive process of fashioning these combined offerings, saying:

We conclude that allowing all carriers to bundle products and services is generally procompetitive and beneficial to consumers. Bundling encourages competition by giving carriers flexibility both to differentiate themselves from

---

<sup>40</sup> 47 U.S.C. § 251(c)(4)(A) (emphasis added).

<sup>41</sup> *Id.* § 252(d)(3) (emphasis added).

<sup>42</sup> No state in BellSouth’s region (or elsewhere as far as BellSouth knows) requires ILECs to break apart bundles and to give resellers super discounts off of hypothetical rates that are not available to end users.

<sup>43</sup> Verizon Opposition at 16.

their competitors and to target segments of the consumer market with product offerings designed to meet the needs of individual customers.<sup>44</sup>

Thus, there is no statutory or policy justification for allowing resellers to forego the cost and effort of developing their own competitive bundled offerings at the expense of ILECs and consumers.

#### IV. CONCLUSION

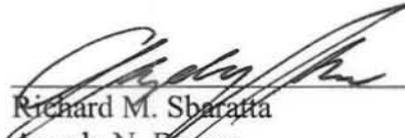
For all of the foregoing reasons, the Commission should deny the Petition.

Respectfully submitted,

**BELLSOUTH CORPORATION**

Its Attorneys

By:

  
Richard M. Sbaratta  
Angela N. Brown  
675 West Peachtree Street, N. E.  
Suite 4300  
Atlanta, GA 30375-0001  
(404) 335-0724

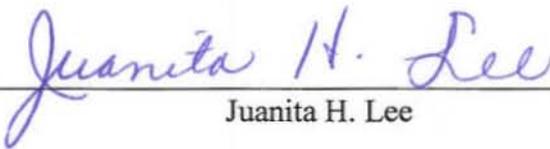
August 10, 2006

---

<sup>44</sup> *Policy and Rules Concerning the Interstate, Interexchange Marketplace, et al.*, CC Docket Nos. 96-61 & 98-183, *Report and Order*, 16 FCC Rcd 7418, 7426, ¶ 14 (2001).

**CERTIFICATE OF SERVICE**

I do hereby certify that I have this 10<sup>th</sup> day of August served the following parties to this action with a copy of the foregoing **REPLY OF BELLSOUTH** by electronic filing and/or by placing a copy of the same in the United States Mail, addressed to the parties on the attached service list.

  
\_\_\_\_\_  
Juanita H. Lee

Service List WC Docket No. 06-129

John J. Heitmann  
Thomas Cohen  
Scott A. Kassman  
Joint Commenters  
Kelley Drye & Warren LLP  
3050 K Street, N. W., Suite 400  
Washington, DC 20007

Scott H. Angstreich  
Verizon  
Kellogg, Huber, Hansen, Todd,  
Evans & Figel, P.L.L.C.  
1615 M Street, N. W.  
Suite 400  
Washington, D. C. 20036

Karen Zacharia  
Amy P. Rosenthal  
VERIZON  
1515 North Courthouse Road  
Suite 500  
Arlington, VA 22201-2909

Christopher M. Heimann  
Gary L. Phillips  
Paul K. Mancini  
AT&T Inc.  
1120 20<sup>th</sup> Street, N. W.  
Washington, D. C. 20036

Henry Walker  
Boult, Cummings, Conners,  
& Berry, PLC  
1600 Division Street, Suite 700  
P. O. Box 340025  
Nashville, Tennessee 37203

Karen Reidy  
COMPTTEL  
1900 M Street, NW, Suite 800  
Washington, D.C. 20036

Daphne E. Butler  
Craig J. Brown  
Qwest Corporation  
Suite 950  
607 14<sup>th</sup> Street, N. W.  
Washington, D. C. 20005

SouthEast Telephone, Inc.  
119 Second Street  
Pikeville, KY 41501

+Marlene H. Dortch  
Office of the Secretary  
Federal Communications Commission  
The Portals, 445 12<sup>th</sup> Street, S. W.  
Room TW-A325  
Washington, D.C. 20554

+Best Copy and Printing, Inc.  
The Portals, 445 12<sup>th</sup> Street, S. W.  
Room CY-B402  
Washington, D. C. 20554

**+ VIA ELECTRONIC FILING**