

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

)	
In the Matter of)	
)	
BellSouth Telecommunications)	Transmittal No. 623
)	
Qwest Corporation)	Transmittal No. 120
)	

PETITION OF AT&T CORP.

Pursuant to Section 1.773 of the Commission’s Rules, 47 C.F.R. § 1.773, and the Commission’s *Third NRO Order*,¹ AT&T submits this petition requesting the Commission to reject or suspend and investigate BellSouth’s and Qwest’s above-captioned filings.² In these filings, BellSouth proposes a \$74 million rate increase and Qwest proposes a \$120 million rate increase over a two-year period for alleged exogenous extraordinary costs incurred for the implementation of thousands-block number pooling.

Although AT&T believes that the Commission’s decision to allow incumbent local exchange carriers (“ILECs”) to recover pooling costs through access charges is unfair

¹ *In the Matter of Numbering Resource Optimization*, Third Report and Order and Second Order on Reconsideration in CC Docket No. 96-98 and CC Docket No. 99-200, FCC 01-362, rel. December 28, 2001 (“*Third NRO Order*”).

² A tariff is subject to rejection when it is prima facie unlawful, in that it demonstrably conflicts with the Communications Act or a Commission rule, regulation or order. *See, e.g., American Broadcasting Companies, Inc. v. AT&T*, 663 F.2d 133, 138 (D.C. Cir. 1980); *MCI v. AT&T*, 94 F.C.C.2d 332, 340-341 (1983). Suspension and investigation are appropriate where a tariff raises substantial issues of lawfulness. *See AT&T (Transmittal No. 148)*, Memorandum Opinion and Order, 56 RR2d 1503 (1984); *ITT (Transmittal No. 2191)*, 73 F.C.C.2d 709, 716, n.5 (1979) (*citing AT&T (Wide Area Telecommunications Service)*), 46 F.C.C.2d 81, 86 (1974).

and anticompetitive, its concerns were somewhat alleviated by the *Third NRO Order's* insistence that the amounts involved in any such recovery would be minimal, if there were any at all.³ Yet, BellSouth and Qwest have filed revisions to their access tariffs to recover number pooling costs, totaling almost \$200 million -- certainly not minimal, extraordinary costs. These claims of exogenous adjustments are particularly striking given the Commission's presumption that no additional recovery for thousand block number pooling is justified.⁴ As the Commission made abundantly clear, the presumption could only be rebutted if "extraordinary" pooling implementation costs met a stringent three-part test and exceeded all the savings generated through pooling.

As shown in Section I, BellSouth and Qwest have failed to demonstrate that they are seeking exogenous recovery solely for eligible costs. Although a number of the costs are clearly ineligible, the lack of adequate supporting detail for many of the other charges makes it impossible to determine whether these costs meet the narrowly-defined set of costs that qualify as eligible. Clearly, certain costs are not eligible because they have already been recovered through Local Number Portability ("LNP") cost recovery mechanisms or other numbering administration procedures. Moreover, as shown in Section II, BellSouth and Qwest have further failed to demonstrate that thousands-block number pooling results in a net cost increase rather than a net cost reduction. All facts tend to point to a net cost reduction that would wipe out entirely their claimed exogenous adjustments. At the very least, by understating the offsetting savings, it is evident that these

³ *Third NRO Order* ¶¶ 25, 38-41.

⁴ *Third NRO Order* ¶ 39.

LECs' proposed rate increases far exceed those costs that they would even potentially be entitled to recover under the *Third NRO Order*.

BACKGROUND

According to the *Third NRO Order*, “the costs of numbering administration are generally and appropriately treated as an ordinary cost of doing business.”⁵ As the Commission explained, the “recent growth in demand for number resources [has] required carriers to implement number conservation and numbering management practices, for example, reusing numbers assigned to former subscribers, area code splits, and overlays.” The Commission considers “the costs of these numbering administration measures to be ordinary LEC administrative functions that are recovered in LEC rates generally. Under price caps, they are usually considered normal network upgrades that do not qualify for extraordinary recovery (*i.e.*, through exogenous adjustment to the price cap formula).”⁶ This means that recovery of the costs of numbering administration is already provided for in LEC compensation, and LECs seeking extraordinary recovery of thousands-block number pooling costs in the form of an exogenous adjustment to their price cap formula must overcome a rebuttable presumption that no additional recovery is justified.⁷

As the Commission explained in the *Third NRO Order*, “the rationale that supported extraordinary cost recovery for LNP implementation does not support such recovery for thousands-block number pooling. That is, LNP was a new service that did not benefit local exchange operations, but instead made it easier for subscribers to change

⁵ See *Third NRO Order* ¶ 37.

⁶ See *id.*

⁷ See *id.* ¶¶ 37, 39.

carriers. In contrast, thousands-block number pooling is, in principle, an enhancement of existing numbering administration procedures, the costs of which are already being recovered through existing mechanisms.”⁸ “Moreover, implementation of thousands-block number pooling will enable continued growth of carriers’ subscriber base. This, and the revenue from the additional services sold as a result, will provide some substantial recovery for numbering administration costs, including the costs of implementing thousands-block number pooling.”⁹

For price cap LECs, the Commission thus concluded that “many of the costs associated with thousands-block number pooling are ordinary costs for which no additional or special recovery is appropriate.”¹⁰ It expressly limited exogenous recovery solely to extraordinary implementation costs and specified that a LEC seeking an exogenous adjustment must overcome a *rebuttable presumption* that no recovery beyond that already in rates is justified.¹¹ Moreover, in order to qualify for an upward exogenous adjustment, carriers must also “demonstrate that thousands-block number pooling results in a *net cost increase* rather than a cost reduction.”¹² Specifically, “carriers must show that costs for which extraordinary treatment is sought exceed the costs that would have been incurred had the carrier engaged in an area code split, overlay or other numbering relief that would otherwise have been required in the absence of pooling.”¹³

⁸ See *id.* ¶ 38.

⁹ See *id.* n.104.

¹⁰ See *id.* ¶ 25.

¹¹ See *id.* ¶ 39.

¹² See *id.* ¶ 40.

¹³ See *id.* ¶ 40.

To be eligible for the extraordinary recovery, thousands-block number pooling costs must satisfy each of three criteria. “First, only costs that would not have been incurred ‘but for’ thousands-block number pooling are eligible for recovery. Second, only costs incurred ‘for the provision of’ thousands-block number pooling are eligible for recovery. Finally, only ‘new’ costs are eligible for cost recovery.”¹⁴

BellSouth’s and Qwest’s filings are, in numerous respects, flatly inconsistent with the Commission’s ruling. Prompt and unequivocal action by the Commission is necessary to address the many serious errors underlying BellSouth’s and Qwest’s national thousands-block number pooling access charge tariffs. Accordingly, AT&T respectfully urges the Commission to *reject* or, at a minimum, suspend and investigate the unsupported and inflated tariff rates for the reasons detailed below.

I. BELLSOUTH AND QWEST HAVE FAILED TO DEMONSTRATE THAT THEY ARE SEEKING EXOGENOUS RECOVERY SOLELY FOR ELIGIBLE COSTS.

The Commission has interpreted the first two criteria of the three-prong test as follows. “Only costs that were incurred ‘for the provision of’ thousands-block number pooling are eligible for recovery through this extraordinary mechanism, but these must also be costs that would not have been incurred ‘but for’ thousands-block number pooling. This means that only the demonstrably incremental costs of thousands-block number pooling may be recovered.”¹⁵ “[C]osts specifically incurred in the narrowly defined thousands-block pooling functions are those incurred specifically to identify, donate and receive blocks of pooled numbers, to create and populate the regional databases and carriers’ local copies of

¹⁴ See *id.* ¶ 43.

¹⁵ See *id.* ¶ 44.

these databases, and to adapt the procedures for querying these databases and for routing calls so as to accommodate a number pooling environment.”¹⁶

By contrast, “costs that carriers incur as an ‘incidental consequence’ of thousands-block number pooling implementation are not incurred specifically in the provision of narrowly defined thousands-block pooling functions. Thus, costs incurred to adapt other systems to the presence of thousands-block number pooling are not incurred for the provision of thousands-block number pooling and are ineligible for recovery. Examples of such systems include those for maintenance, repair, billing and other functions not directly involved in the provision of thousands-block number pooling. These systems are not part of the provisioning of thousands-block number pooling. Similarly, costs incurred to facilitate the continued provision of other services in the presence of number pooling are an “incidental consequence” and are not eligible for recovery. For example, database-related costs such as those involving service control points (SCPs) that support services such as third-party billing or calling card calls are not eligible even though these costs would not have been incurred but for number pooling.”¹⁷

The third prong of the Commission’s test requires that thousands-block number pooling costs must also be “new” costs in order to qualify for exogenous recovery.¹⁸ This means that costs incurred prior to the implementation of thousands-block number pooling are ineligible embedded investments already subject to recovery through standard mechanisms. “Costs are not ‘new’ and thus are ineligible for extraordinary treatment as thousands-block number pooling charges, if they previously were incurred, are already being

¹⁶ See *id.* ¶ 44.

¹⁷ See *id.* ¶ 45.

¹⁸ See *id.* ¶ 46.

recovered under ordinary recovery mechanisms, or are already being recovered through the number portability end-user charge or query charge.”¹⁹

It appears that BellSouth and Qwest have included costs in their exogenous adjustments that are not eligible for recovery under the three-prong test. Nor have these carriers provided sufficient cost justification and other support to permit a full assessment of the reasonableness of the proposed exogenous costs. Moreover, they have sought recovery of costs they claim are for pooling when they actually are costs associated with non-recoverable numbering administration functions or LNP and thus already subject to recovery. At the very least, it is evident that these LECs’ proposed rate increases far exceed those costs that they would even potentially be entitled to recover under the *Third NRO Order*.

First, contrary to the Commission’s explicit instructions, both Qwest²⁰ and BellSouth²¹ include costs incurred commencing January 1, 2000, despite the fact that the Commission expressly held that costs incurred prior to the implementation of national thousands-block number pooling are *not* eligible for exogenous cost treatment because they are sunk costs that have already been recovered through ordinary rate recovery mechanisms.²² The Commission established March 15, 2002 as the implementation date for

¹⁹ See *id.* ¶ 46.

²⁰ Qwest Transmittal No. 120, Description and Justification, p. 18.

²¹ BellSouth Transmittal No. 623, Thousands Number Pooling, WP Capital, pp. 1-4.

²² See *Third NRO Order* ¶ 46. “Costs are not ‘new,’ and thus are ineligible for extraordinary treatment as thousands-block number pooling charges, if they previously were incurred, are already being recovered under ordinary recovery mechanisms, or are already being recovered through the number portability end-user charge or query charge.” *Id.* It is also clear that rates more than recovered any costs incurred in 2000. See FCC Interstate Rate of Return Summary, Years 1991 through 2000, which reports that BellSouth and Qwest earned 22.61% and 19.78%, respectively, during the 2000 annual reporting period.

beginning the national number pooling program,²³ and thus any costs related to an earlier period must be disallowed unless they were incurred solely for national pooling, as opposed to state pooling trials.²⁴ Neither Qwest nor BellSouth has demonstrated that any of these earlier costs were incurred to meet the federal mandate.²⁵ The Commission cannot presume that these costs were incurred for national pooling purposes given the vast number of state commissions in both companies' regions that have obtained delegated authority from the Commission to conduct state-specific thousands-block number pooling trials.²⁶

²³ “*The Common Carrier Bureau Announces the First Quarter Schedule for National Thousands-Block Number Pooling*,” Public Notice, DA 01-3019, released December 28, 2001, Attachment A. *See also Third NRO Order* n.19.

²⁴ *Third NRO Order* ¶¶ 26-29.

²⁵ The Commission did not even adopt thousands-block pooling until the *First NRO Order*, which was released on March 31, 2000, and did not become effective until 30 days after publication in the Federal Register. *In the Matter of Numbering Resource Optimization*, First Report and Order and Further Notice of Proposed Rulemaking, CC Docket No. 99-200, FCC 00-104, released March 31, 2000, ¶ 116 *et seq.* (“*First NRO Order*”). Therefore, BellSouth’s and Qwest’s inclusion of costs commencing January 1, 2000 demonstrates that they are attempting to recover state, not federal, pooling costs. Qwest attempts to obscure this fact by rolling these earlier expenditures into 2002 with interest. *See* Qwest Transmittal No. 120, Description and Justification, pp. 18-19.

²⁶ *See, e.g., In the Matter of Florida Public Service Commission Petition to Federal Communications Commission for Expedited Decision for Grant of Authority to Implement Number Conservation Measures*, 14 FCC Rcd 17506, 17510 (1999) (granting the Florida Public Service Commission authority to institute thousands block pooling); *In the Matter of Numbering Resource Optimization; Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, 15 FCC Rcd 23371 (2000) (delegating number pooling authority to the state utility commissions in Arizona, Colorado, Iowa, Nebraska, North Carolina, Oregon, Utah, Washington, Tennessee); *Id.*, 16 FCC Rcd 3479, 3488-89 (2001) (granting the Louisiana Public Service Commission thousands-block number pooling authority); *Id.*, 16 FCC Rcd 5474, 5485-86, 5488 (2001) (delegating numbering pooling authority to Minnesota and Tennessee); *Washington Utilities and Transportation Commission’s Second Amended Petition for Additional Delegated Authority to Implement a Number Pooling Trial in Area Code 509*, 16 FCC Rcd 7649 (2001); (granting the Washington Utilities and Transportation Commission number pooling

Similarly, BellSouth and Qwest have each included numerous costs that are not *solely* related to the provision of thousands-block number pooling. For one, Qwest has included the cost of additional STP pairs asserting that growth in call volumes will necessitate their use.²⁷ However, additional STPs would be required as traffic volumes grow irrespective of whether thousands-block number pooling is implemented. In addition, Qwest includes costs for adaptation or maintenance of other systems to the presence of thousands-block number pooling, which are not incurred “for the provision of” thousands-block number pooling” and thus are not eligible for recovery.²⁸ These incidental costs include adding memory to accommodate call processing for pooled numbers, which should not significantly differ from call processing for LNP or 800 calls.

Qwest has not explained (nor can it) why call processing for numbers that are pooled is any more complex than call processing in other cases. Qwest also claims that increased switch usage will require it to replace processors on its DMS-100 switches.²⁹ Like Qwest’s claim regarding increased call processing, Qwest has not offered an explanation for why number pooling will lead to disproportionate demands on its process capacity.

authority); *In the Matter of Numbering Resource Optimization; Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, 16 FCC Rcd 15842 (2001) (granting thousands-block number pooling authority to the North Carolina Utility Commission); *Florida Public Service Commission Petition for Expedited Decision for the Release of a New Area Code to Provide Relief for the 561 Numbering Plan Area*, 16 FCC Rcd 15860 (delegating pooling authority to the Florida Public Service Commission); *In the Matter of Numbering Resource Optimization; Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, 16 FCC Rcd 18862 (2001) (granting the Public Service Commission of South Carolina and the Florida Public Service Commission additional pooling authority).

²⁷ Qwest Transmittal No. 120, Cost Descriptions, Workpaper 1-A, pp. 6-7.

²⁸ *See id.* pp. 6-7.

²⁹ *See id.* p. 2.

Similarly, Qwest's assertion that it should be able to recover the costs of upgrading its 5ESS switches with generic 5E14, allegedly to accommodate number pooling, is unsupported.³⁰ Such upgrades are part of regular maintenance, even though they may eventually be necessary for number pooling. Other regular maintenance costs that Qwest seeks to recover are software upgrades for the AXE-10 and DMS-10.³¹ These costs also are not solely or directly related to pooling.

Moreover, Qwest seeks to recover costs of adding trunk capacity for additional traffic, which it claims will be necessary in a pooling environment,³² but provides no documentation to support that claim. In addition, Qwest's tariff provides recovery for increased investment in its Service Control Point (SCP) to accommodate pooling³³ but, again, there is no evidence that pooling would require additional SCP capacity. Nor should Qwest be permitted to recover costs associated with modifying its OSS systems to accommodate pooling.³⁴ Qwest has not demonstrated that these costs for systems adaptation and maintenance either are only for the provision of number pooling, are a direct cost of pooling, or fall within the eligible pooling criteria.³⁵

Another category of incidental costs that Qwest seeks to recover through the pooling mechanism is for additional staffing and network number tracking functions it claims

³⁰ See *id.* pp. 1-2.

³¹ See *id.* pp. 3-6.

³² See *id.* p. 6.

³³ See *id.* pp. 6-7.

³⁴ Qwest Transmittal No. 120, Operational Support Systems: Thousands Block Number Pooling Cost Recovery, Workpaper 2, pp. 1-17.

³⁵ See *Third NRO Order* ¶¶ 43-46.

are necessary to implement number pooling. Specifically, Qwest contends that it should be able to recover staffing and network costs to manage the implementation of number pooling, to administer and monitor reporting requirements related to number pooling, to prepare and analyze data related to thousands-blocks that can be donated to a pool, to handle repair processes related to problems with pooling, and to train personnel regarding changes required by pooling.³⁶ The vast bulk of these costs, however, are associated with general numbering administration, not specifically number pooling. Indeed, all code-holders today, regardless of whether or not they are pooling-capable, must manage their numbering resources at the thousands-block level and file with the Commission semi-annual Number Resource Utilization and Forecast (“NRUF”) reports.³⁷ There is no reason that Qwest should have to add more staff or network functions specifically for pooling purposes. As noted above, the Commission has recognized that “recovery for numbering administration expenses is already included in basic LEC compensation” and that “LECs seeking extraordinary recovery of thousands-block number pooling costs . . . must overcome a rebuttable presumption that no additional recovery is justified.”³⁸ Qwest has not met its burden in this regard.

BellSouth also includes a host of undefined items that are not directly related to thousands-block number pooling. For example, BellSouth contends that it must construct a “Block Administration Center.”³⁹ These building costs are not demonstrably incremental costs of thousands-block number pooling. Rather, like Qwest, costs included in BellSouth’s

³⁶ Qwest Transmittal No. 120, Cost Descriptions, Workpaper 1-A, pp. 8-11.

³⁷ 47 C.F.R § 52.15(f)(6)(i).

³⁸ See *Third NRO Order* ¶ 39.

³⁹ BellSouth Transmittal No. 623, Cost Development, p. 3.

BAC Capital and Expense category relate to various functions that are required by the Commission for other number conservation purposes. For instance, the “assessment of inventory (months to exhaust)”⁴⁰ refers to items necessary under normal carrier operations to maintain compliance with NRUF semi-annual filings, and for routine Thousands-Block Pooling Administration Guidelines (TBPAG) submissions to the Pooling Administrator. These functions are examples of compliance activities that jointly serve both normal number acquisition and reporting requirements and number pooling.

Further, BellSouth includes in its OSS Capital Expense a myriad of systems costs that produce changes in systems that serve primarily individual telephone number and customer order-level purposes. Beyond this, BellSouth has included costs related to enhancements to its White and Yellow Pages system (*e.g.*, ACCESS), and enhancements to Marketing/Sales (*e.g.*, RNS, CSPS, CRIS/BOCRIS) and Service (*e.g.*, COFFI, SOCS) systems. BellSouth also seeks exogenous recovery of costs related to enhancements of its LEO system for “receiving & processing Local Service Requests (LSRs)” and its LENS system, an “interface for CLECs [that] enables BellSouth to meet regulatory requirements for entering the long distance business.”⁴¹ BellSouth may not seek to recover costs associated with pre-ordering, ordering, maintenance and other systems that, while potentially impacted by thousands-block number pooling, are not used to provide that service. Costs incurred to adapt other systems to the presence of thousands-block number pooling are incidental costs and are not directly incurred in the provision of thousands-block pooling functions.

⁴⁰ *See id.* p. 3.

⁴¹ BellSouth Transmittal No. 623, Number Pooling Systems and Descriptions, Attachment B.

Also, by developing factors that represent a distribution of shared and common costs,⁴² it appears that BellSouth has inappropriately included incidental shared costs and common costs⁴³ that have not been incurred solely for thousands-block number pooling. In the *First NRO Order*, the Commission noted with regard to number portability cost recovery that “carriers already allocate general overhead costs to their rates for other services, and allowing general overhead loading factors ... might lead to double recovery.”⁴⁴ It is unlikely that there will be significant new overhead costs associated with thousands block number pooling.

Finally, both Qwest and BellSouth have included costs with little or no related cost support. For example, BellSouth includes costs it labels “SoftCap” and provides the source as “SME.”⁴⁵ As the Commission found in the *LNP Cost Classification Order*, “the cost support submitted with the initial query service tariffs filed by several ILECs was inadequate to enable the Commission, or interested parties, to ascertain that only eligible LNP costs had been included in the end-user and query service charges.”⁴⁶ As with LNP,

⁴² BellSouth Transmittal No. 623, Cost Development, p. 2.

⁴³ *Id.* BellSouth used a thousands-block number pooling shared factor for buildings of 0.0001 and for Digital Electronic Switching of 0.0113 and a common cost factor of 0.0442. BellSouth described its shared costs as expenses such as Plant Operations Administration Expense, General Engineering Expenses and Motor Vehicles. Common costs include costs, which span the activities of the business, such as general and administrative, executive and planning, accounting and financial, and legal.

⁴⁴ *First NRO Order* ¶ 224.

⁴⁵ BellSouth Transmittal No. 623, Thousands Number Pooling, WP Input Summary, page 1 of 1.

⁴⁶ *In the Matter of Telephone Number Portability Cost Classification Proceeding*, Memorandum Opinion and Order, 13 FCC Rcd 24,495, ¶ 19 (1998) (“*LNP Cost Classification Order*”).

neither the Commission nor potential commenters have had a meaningful opportunity to evaluate these carriers' claimed number pooling costs.

In short, both BellSouth and Qwest have failed to establish that they have included only costs incurred for narrowly-defined thousands-block number pooling functions. As such, they have failed to overcome the rebuttable presumption against exogenous recovery.

II. BELLSOUTH AND QWEST HAVE FURTHER FAILED TO DEMONSTRATE THAT THOUSANDS-BLOCK NUMBER POOLING RESULTS IN A NET COST INCREASE RATHER THAN A NET COST REDUCTION.

Apart from the deficiencies identified above, it is apparent that neither BellSouth nor Qwest has made a credible showing that it will experience a net cost increase rather than a cost reduction as a result of implementing thousands-block number pooling, as required under the Commission's *Third NRO Order*.⁴⁷ Specifically, neither carrier has shown that the costs for which it seeks exogenous treatment "exceed the costs that would have been incurred had the carrier engaged in an area code split, overlay other or numbering relief [including replacement of the existing NANP] that would otherwise have been required in the absence of pooling." Yet, per the Commission's ruling, only costs that constitute a *net increase* qualify for exogenous price cap treatment.⁴⁸

⁴⁷ See *id.* ¶ 40.

⁴⁸ See *id.* ¶ 40.

A. Delay in NANP Exhaust

As the Commission has previously observed, because of the growth in demand for numbering resources, huge expenditures estimated to be in the range of \$50 billion to \$150 billion on a LEC industry-wide basis will eventually be required to redo the entire North American Numbering Plan (NANP).⁴⁹ In 1999, the North American Numbering Council (NANC) estimated that NANP exhaust was likely to occur in 2005 to 2016.⁵⁰ However, with the implementation of thousands-block number pooling, NANP exhaust is not likely to occur before 2025 to 2034, an extension of approximately 18 to 20 years.⁵¹ As shown in Exhibit 3, this delay in capital expenditures will result in savings of \$19 billion to \$64 billion for the industry.

Despite the enormous savings that the ILEC industry stands to realize as a result of thousands-block number pooling, it is apparent that BellSouth and Qwest have failed to offset their *pro rata* share of these cost savings against the thousands-block number pooling implementation costs for which they seek exogenous treatment. As also shown in Exhibit 3, BellSouth's share of the NANP expansion savings is estimated to be in the range of \$672 million to \$2.2 billion and Qwest's in the range of \$430 million to \$1.4 billion. Yet, neither BellSouth nor Qwest has included *any* cost savings associated with delay of NANP exhaust. Had these carriers properly netted the eligible costs of thousands-block number

⁴⁹ See *id.* n.8, citing NANC Meeting Minutes, February 18-19, 1999, at 13 (In 1999, some industry members suggested that the cost to expanding the NANP by adding one or more digits could be between \$50 to \$150 billion.)

⁵⁰ See *id.* n.2, citing NANPA Report to the NANC, October 16-17, 2001, at 8.

⁵¹ See *id.* n.2, citing NANPA Report to the NANC, October 16-17, 2001, at 8.

pooling implementation against its tremendous overall cost saving benefits, it is evident that they would not be entitled to any exogenous adjustment whatsoever.

B. Delay and Avoidance of Area Code Splits and Overlays

Although Qwest and BellSouth did include savings from delay and avoidance of area code splits and overlays as a result of implementing thousands-block number pooling, their cost savings (\$1.8 million for Qwest and \$2.9 million for BellSouth) are significantly *understated* for the reasons explained below. By understating cost savings attributable to delay of area code splits and overlays,⁵² these companies have overstated their extraordinary thousands-block number pooling costs by millions of dollars.

First, although Qwest and BellSouth are required to implement thousands-block number pooling in 13 and 25 MSAs, respectively, they have only included the savings for delay of area code splits and overlays in 3 and 6 MSAs, respectively. Qwest and BellSouth should have offset their claimed exogenous cost with the cost savings they will receive for *all* area code splits and overlays in *all* their MSAs designated for thousands-block number pooling. This would include as many as 21 NPAs for Qwest and 34 NPAs for BellSouth. Instead, Qwest included savings for delay of 4 area code splits and overlays and BellSouth for 9 area codes.⁵³ In addition, these companies should include not only the savings because of postponement of scheduled area code splits and overlays, but also the savings as a result of long-term avoidance of future area code splits and overlays. Their

⁵² Costs to implement area code splits and overlays would include, but are not limited to, educating consumers industry-wide of these area code changes and notifying customers of these changes.

⁵³ These carriers showed savings for area code splits and overlays for the following area codes: Qwest - Oregon 541, Idaho 208, Colorado 303/720, and BellSouth - Atlanta 404/678/770, Orlando 321/407, Birmingham 205, Columbia 803, Charleston 843, and

failure to do so significantly understated the savings that will be achieved as a result of implementation of thousands-block number pooling.

Moreover, the area code splits and overlays that Qwest and BellSouth used in computing their savings were those limited to those scheduled to be completed by 2004.⁵⁴ Qwest chose to limit its savings calculations to the same time period as the thousands-block number pooling cost recovery period.⁵⁵ Although BellSouth does not state what period it used as a cut off, none of the 9 area codes for which BellSouth shows a savings goes beyond 2004.⁵⁶ The *Third NRO Order* does *not* establish a two-year offset limit. To the contrary, it is reasonable to assume that *all* scheduled area code splits and overlays in those MSAs implementing thousands-block number pooling will be either postponed or avoided. Accordingly, Qwest and BellSouth should have included an analysis showing the savings for each of the area codes in the designated MSAs as a result of implementation of thousands-block number pooling regardless of when the area code split or overlay would have been implemented. By arbitrarily limiting the time interval for cost savings associated with delayed area code splits and overlays, Qwest and BellSouth have significantly understated the savings of thousands-block number pooling.⁵⁷

Tupelo 662. See Qwest Transmittal No. 120, Workpaper 2b; BellSouth Transmittal No. 623, Workpaper Savings.

⁵⁴ Qwest Transmittal No. 120, Description and Justification, p. 6 and BellSouth Transmittal No. 623, Workpaper Savings.

⁵⁵ Qwest Transmittal No. 120, Description and Justification, p. 6.

⁵⁶ BellSouth Transmittal No. 623, Workpaper Savings.

⁵⁷ In addition to the reasons identified above, the savings from delay and avoidance of area code splits and overlays also appears to be understated because of the length of the delay Qwest and BellSouth claim. Qwest claims between 6 months and 33 months of a delay (Chart 2b). BellSouth claims 3 years, but admits “There is not, however, substantial data on record, which supports how long pooling defers an NPA relief.” (Cost Development, p. 4).

Finally, Qwest has not provided any cost support or explanation regarding its “Estimated Cost of Split/Overlay.”⁵⁸ As a result, AT&T cannot verify that Qwest has correctly computed its actual costs of implementing an area code split or overlay. Because these costs are used to compute the savings Qwest will receive from thousands-block number pooling, these area code split or overlay costs must be properly supported. Moreover, because these cost figures are, according to Qwest, “estimates”⁵⁹ of their area code split and overlay costs, it is even more critical that AT&T be able to review the cost data and assumptions used to create these estimates.

In sum, it appears that both BellSouth and Qwest have failed to establish that they will experience a net cost increase as a result of thousands-block number pooling. As such, they have failed to qualify for exogenous recovery under the Commission’s standards.

⁵⁸ Qwest Transmittal No. 120, Workpaper 2b, shows only the estimated cost for its NPA split/overlay.

⁵⁹ Qwest Transmittal No. 120, Workpaper 2b.

CONCLUSION

For the reasons stated above, the Commission should *reject* or, at a minimum, suspend and investigate BellSouth's and Qwest's filings.

Respectfully submitted,

AT&T CORP.

By /s/ Judy Sello
Mark C. Rosenblum
Judy Sello

Room 1135L2
295 North Maple Avenue
Basking Ridge, New Jersey 07920
(908) 221-8984 (voice)
(908) 221-4490 (fax)

Its Attorneys

March 25, 2002

CERTIFICATE OF SERVICE

I, Judy Sello, do hereby certify that on this 25th day of March, 2002, a copy of the foregoing "Petition of AT&T Corp." was served by facsimile and U.S. first class mail, postage prepaid, on the parties named below.

Mr. Richard Sbaratta
General Attorney
BellSouth Corporation
Suite 4300
675 West Peachtree Street
Atlanta, GA 30375
Fax: (404) 614-4054

John Kure
Qwest
1020-19th Street, NW, Suite 700
Washington, DC 20036
Fax: (303) 896-1107

/s/ Judy Sello

Judy Sello