

Robert A. Culpepper
Senior Regulatory Counsel

BellSouth Telecommunications, Inc.
150 South Monroe Street
Room 400
Tallahassee, Florida 32301
(404) 335-0841

September 6, 2006

Mrs. Blanca S. Bayó
Director, Division of the Commission Clerk and
Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

**Re: Docket No. 000121A-TP: GAAP Audit of 2004 SEEM Payments
In Re: Investigation into the establishment of operations support
systems permanent incumbent local exchange Telecommunications
companies**

Dear Ms. Bayó:

As required by a prior version of the Florida Self Effectuating Enforcement Mechanism ("SEEM") Administration Plan (version 2.7), PricewaterhouseCoopers LLP ("PwC") has completed an audit, consistent with Generally Accepted Accounting Principles ("GAAP"), of SEEM payments made by BellSouth Telecommunications, Inc. ("BellSouth") for 2004. PwC identified no major issues with the processes for calculating or making payments of any of the enforcement mechanisms associated with BellSouth's performance and concluded that BellSouth accurately disbursed SEEM payments to CLECs (Tier-1). As explained below, however, PwC determined that, on several occasions, BellSouth was late in paying a portion of the Tier-2 SEEM payments.

For the months in question, BellSouth made the following Tier-2 penalty payments:

- \$164,000 on July 15, 2004;
- \$212,700 on August 14, 2004;
- \$12,100 on October 15, 2004;
- \$10,650 on November 14, 2004; and
- \$27,250 on February 14, 2005.

After each month's penalty payments are made, BellSouth continues to review the transactions to ensure that no errors have been made, and such review is performed for internal quality control and is unrelated to the PwC audit. As a result of these internal reviews, for the months in question, BellSouth determined that some manual transactions had not been included in the production cycle that generated the Tier-2 payment amounts. Thus, BellSouth determined that additional Tier-2 penalty amounts

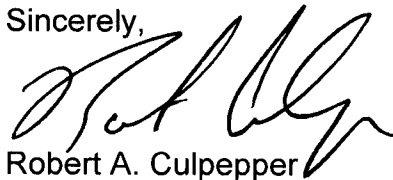
were owed for these five months and, after re-running the data, BellSouth made such additional Tier-2 payments. Specifically, BellSouth made additional Tier-2 payments in the following amounts:

- \$1,450 on August 11, 2004 (27 days late);
- \$1,000 on September 13, 2004 (30 days late);
- \$166,650 on October 28, 2004 (13 days late);
- \$250 on January 12, 2005 (89 days late);
- \$500 on January 12, 2005 (59 days late); and
- \$2,100 on March 14, 2005 (28 days late).

Because BellSouth made these additional Tier-2 payments late, PwC found that one of two things should occur. PwC determined that BellSouth either owes no fine for the late payments or BellSouth owes a fine of \$663,000. That is, PwC interpreted Section 4.4.3 of the former SEEM Plan to possibly mean that when a partial payment is made, a fine of \$1,000 per day accrues until the full payment is made. BellSouth disagrees with this possible interpretation. BellSouth's understanding of the intent of Section 4.4.3 of the former SEEM Plan is that a fine would apply when BellSouth intentionally fails to make a required Tier-2 payment or when BellSouth is negligent in processing the underlying measurement data to calculate the penalties. Indeed, PwC specifically noted that the SEEM Plan *did not address what/if any late fees are to be paid by BellSouth in the event SEEM payments are paid late because of data being rerun due to BellSouth's quality assurance processes.*

Clearly, given that BellSouth made Tier-2 penalty payments totaling \$426,700 for the five months in question, BellSouth was not attempting to avoid making its Tier-2 penalty payments. To suggest that BellSouth owes a fine of \$663,000 because it made additional payments totaling \$171,950 within a few months – and, in some instances a few days - of when such payments should have been made represents a strained and grossly inequitable interpretation of the former SEEM Plan. BellSouth believes that PwC's option wherein BellSouth owes no fine for the Tier-2 penalty payments that were made late correctly reflects the intent of Section 4.4.3 of the former SEEM Plan, and BellSouth proposes to follow this option. Again, PwC did not identify any major issues or systemic problems with BellSouth's processes for calculating or paying SEEM penalties. Please do not hesitate to contact me if you have any questions.

Sincerely,



Robert A. Culpepper

cc: All parties of record
Jerry D. Hendrix
Lisa Harvey

CERTIFICATE OF SERVICE
Docket No. 000121A-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via

Electronic Mail and U.S. Mail this 6th day of September, 2006 to the following:

Adam Teitzman
Jerry Hallenstein
Lisa Harvey
David Rich
Staff Counsel
Florida Public Service
Commission
Division of Legal Services
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
Tel. No. (850) 413-6175
Fax. No. (850) 413-6250
ateitzma@psc.state.fl.us
jhallens@psc.state.fl.us
lsharvey@psc.state.fl.us
drich@psc.state.fl.us

Tracy W. Hatch
AT&T
101 North Monroe Street
Suite 700
Tallahassee, FL 32301
Tel No. (850) 425-6360
Fax No. (850) 425-6361
thatch@att.com

Sonia Daniels
AT&T
1230 Peachtree Street
Suite 400
Atlanta, GA 30309
Tel. No. (404) 810-8488
Fax. No. (281) 664-9791
soniadaniels@att.com

Verizon, Inc.
Kimberly Caswell
P.O. Box 110, FLTC0007
Tampa, FL 33601-0110
Tel. No. (813) 483-2617
Fax. No. (813) 223-4888
kimberly.caswell@verizon.com

Peter M. Dunbar, Esquire
Karen M. Camechis, Esquire
Pennington, Moore, Wilkinson,
Bell & Dunbar, P.A.
Post Office Box 10095 (32302)
215 South Monroe Street, 2nd Floor
Tallahassee, FL 32301
Tel. No. (850) 222-3533
Fax. No. (850) 222-2126
pete@penningtonlawfirm.com

Supra Telecommunications and
Information Systems, Inc.
Marva Johnson
2901 S.W. 149th Avenue
Suite 300
Miramar, FL 33027-4153
Phone: (786) 455-4248
FAX: (786) 455-4600
marva.johnson@supratelecom.com

Michael A. Gross
Vice President, Regulatory Affairs
& Regulatory Counsel
Florida Cable Telecomm. Assoc.
246 East 6th Avenue
Tallahassee, FL 32303
Tel. No. (850) 681-1990
Fax. No. (850) 681-9676
mgross@fcta.com

Douglas C. Nelson
Sprint Nextel
233 Peachtree Street, NE
Suite 2200
Atlanta, GA 30303
Tel. No. 404 649-0003
Fax No. 404 649-0009
douglas.c.nelson@sprint.com

Brian Sulmonetti
MCI WorldCom, Inc.
6 Concourse Parkway, Suite 3200
Atlanta, GA 30328
Tel. No. (770) 284-5493
Fax. No. (770) 284-5488
brian.sulmonetti@wcom.com

William Weber, Senior Counsel
Gene Watkins (+)
Covad Communications
1230 Peachtree Street, N.E.
19th Floor, Promenade II
Atlanta, Georgia 30309
Tel. No. (404) 942-3494
Fax. No. (508) 300-7749
wweber@covad.com
jbelle@covad.com
gwatkins@covad.com

John Rubino
George S. Ford
Z-Tel Communications, Inc.
601 South Harbour Island Blvd.
Tampa, Florida 33602
Tel. No. (813) 233-4630
Fax. No. (813) 233-4620
gford@z-tel.com

Vicki Gordon Kaufman
Moyle Flanigan Katz Raymond
& Sheehan, PA
118 North Gadsden Street
Tallahassee, FL 32301
Tel. No. (850) 681-3828
Fax. No. (850) 681-8788
vkaufman@moylelaw.com
Represents KMC Telecom
Represents Covad
Represents Mpower

Jonathan E. Canis
Kelley Drye & Warren, LLP
1200 19th Street, N.W., Fifth Floor
Washington, DC 20036
Tel. No. (202) 955-9600
Fax. No. (202) 955-9792
jcanis@kelleydrye.com

Tad J. (T.J.) Sauder
Manager, ILEC Performance Data
Birch Telecom of the South, Inc.
2300 Main Street FL
Kansas City, MO 64108
Tel. No. (816) 300-3202
Fax. No. (816) 300-3350

John D. McLaughlin, Jr.
KMC Telecom
1755 North Brown Road
Lawrence, Georgia 30043
Tel. No. (678) 985-6262
Fax. No. (678) 985-6213
jmclau@kmctelecom.com

Andrew O. Isar
Miller Isar, Inc.
7901 Skansie Avenue
Suite 240
Gig Harbor, WA 98335-8349
Tel. No. (253) 851-6700
Fax. No. (253) 851-6474
aisar@millerisar.com

Renee Terry, Esq.
e.spire Communications, Inc.
14405 Laurel Pl.
Suite 200
Laurel, MD 20707-6102
Tel. No. (301) 361-4298
Fax. No. (301) 361-4277

Mr. David Woodsmall
Mpower Communications, Corp.
175 Sully's Trail
Suite 300
Pittsford, NY 14534-4558
Tel. No. (585) 218-8796
Fax. No. (585) 218-0635
dwoodsmall@mpower.com

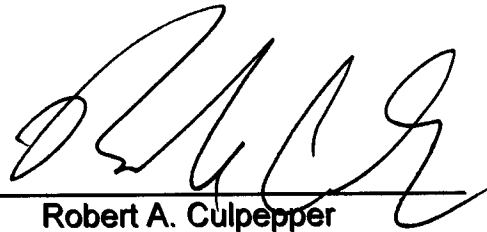
Suzanne F. Summerlin, Esq.
Attorney At Law
2536 Capital Medical Blvd.
Tallahassee, FL 32308-4424
Tel. No. (850) 656-2288
Fax. No. (850) 656-5589
summerlin@nettally.com
sbharvey@suzannesummerlinattorney.com

Dulaney O'Roark III (+)
WorldCom, Inc.
Six Concourse Parkway
Suite 3200
Atlanta, GA 30328
Tel. No. (770) 284-5498
De.OROark@mci.com

Matthew Feil
FDN Communications
2301 Lucien Way, Suite 200
Maittland, FL 32751
Tel. No. (407) 835-0460
mfeil@mail.fdn.com

Bill L. Bryant, Jr.
Akerman Senterfitt
106 East College Avenue
Suite 1200
Tallahassee, FL 32301
Tel. No. (850) 224-9634
Bill.Bryant@akerman.com

D. Anthony Mastando
DeltaCom
VP-Regulatory Affairs
Senior Regulatory Counsel
Ste 400
7037 Old Madison Pike
Huntsville, AL 35806
Mary.Conquest@deltacom.com



Robert A. Culpepper

**(+) Signed Protective
Agreement**

#502166