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

JAN 28 1999

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Federal State Joint Board on	)	CC Docket No. <u>96-45</u>
Universal Service	)	
	)	
Forward-Looking Mechanism for High Cost	)	CC Docket No. 97-160
Support for Non-Rural LECs	)	

**REPLY TO OPPOSITION OF AT&T TO  
PETITION FOR RECONSIDERATION**

BellSouth Corporation, on behalf of itself and its subsidiaries ("BellSouth"), hereby files this reply to AT&T Corp.'s ("AT&T") Opposition to BellSouth's Petition for Reconsideration of the Commission's *Fifth Report and Order*<sup>1</sup> in the above referenced proceeding.

During BellSouth's review of the *Fifth Report and Order* and the adoption of the Commission's cost model platform (the "Model") considered therein, BellSouth found several flaws which BellSouth raised in its Petition for Reconsideration. AT&T opposes BellSouth's Petition because it appears to "attack the synthesis model's platform by criticizing its inputs...."<sup>2</sup> AT&T's opposition overlooks the critical fact that in order to validate the Model, the most efficient method is to review the Model's output. Being able to compare the results from the Model with actual costs will either verify the accuracy of the Model or will facilitate in the identification of the algorithms or inputs that are questionable.

<sup>1</sup> *In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, CC Docket No. 97-160, Fifth Report and Order, FCC 98-279, released October 28, 1998 ("Fifth Report and Order")*.

<sup>2</sup> AT&T at 3.

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AT&T's suggestion that "an analysis of the model platform's logic can be conducted through studying ... the model's algorithms" in order to verify the accuracy of the Model is incorrect. Verification is more than just a theoretical exercise. To test a model's validity, the model must produce results consistent with actual data, and the results must be run with accurate input values. Since the Commission referenced the PNR & Associates geocoded data ("PNR data") in the *Fifth Report and Order*,<sup>3</sup> BellSouth believes that using the PNR data during its testing phase will allow BellSouth to achieve results similar to the output results used by the Commission when making its decision to adopt the Model. Until the *GTE Data Request Order*,<sup>4</sup> the PNR data was not publicly available.

The recent availability of the PNR data does not resolve BellSouth's Petition. BellSouth still has been unable to verify the accuracy of the Model because the Model is continuously being modified with new and updated instructions. Since the Model's adoption on October 28, 1998, the Commission has made significant modifications to the Model on five separate occasions. Even after these different modifications, testers of the Model are still having difficulty getting the Model to run and to verify the Model's assumptions. Thus, the Model is far from final. The shifting sands upon which the Model rests makes it impossible to verify the Model. Thus, it was premature for the Commission to adopt the Model. Therefore, the Commission should reconsider its decision to adopt the Model in the *Fifth Report and Order*.

Finally, BellSouth requested the Commission to reconsider its use of the HAI module for computing expenses because such module excludes marketing expenses. AT&T claims that the

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<sup>3</sup> *Fifth Report and Order* ¶34.

<sup>4</sup> *In the Matter of Federal-State Joint Board on Universal Service and Forward-Looking Mechanism for High Cost Support for Non-Rural LECs*, CC Docket Nos. 96-45 and 97-160, Order, DA 98-2567, released December 17, 1998, ¶9 and n. 34 ("*GTE Data Request Order*").

*Fifth Report and Order* only adopts the logic of the HAI model and does not preclude marketing expense. BellSouth's concern stems for the fact that the Commission pointed out that under the HAI model, "[m]arketing expenses, for example, are excluded in calculating customer operations expenses."<sup>5</sup> If, however, the Commission, in adopting the HAI module, did not intend to preclude the recovery of marketing expenses, BellSouth requests the Commission to clarify its order. Otherwise, for the reasons set forth in BellSouth's Petition, the Commission should reconsider its *Fifth Report and Order*.

For the reasons stated above, BellSouth requests the Commission to reconsider and clarify parts of its *Fifth Report and Order* to the extent indicated above.

Respectively submitted,

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<sup>5</sup> *Fifth Report and Order* ¶86.

**CERTIFICATE OF SERVICE**

I do hereby certify that I have this 28<sup>th</sup> day of January 1999 served the following parties to this action with a copy of the foregoing REPLY TO OPPOSITION OF AT&T TO PETITION FOR RECONSIDERATION by hand delivery or by placing a true and correct copy of the same in the United States Mail, postage prepaid, addressed to the parties listed on the attached service list.

  
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Juanita H. Lee

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