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

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

COMMENTS OF PUERTO RICO TELEPHONE COMPANY

Puerto Rico Telephone Company, Inc. ("PRTC") hereby comments on certain issues raised in the Further Notice of Proposed Rulemaking released in the above-referenced proceeding on May 28, 1999.¹

I. INTRODUCTION

No model output is available for Puerto Rico. Without this information, the most recent hybrid model releases have included only the hold harmless amount as the universal service support to be provided. PRTC agrees with the Bureau's apparent conclusion that if no model output is available, then the hold harmless amount provides the universal support amount. In this regard, PRTC's inability to analyze the model effectively underscores the need to maintain support at current levels.

The continued lack of customer location data for Puerto Rico has made it virtually impossible for PRTC to participate meaningfully in this proceeding. Moreover, should any such

¹ Federal-State Joint Board on Universal Service; Forward-Looking Mechanism for High Cost Support for Non-Rural LECs, FCC 99-120 (rel. May 28, 1999); Order, DA 99-1277 (Com. Car. Bur. rel. June 29, 1999) (revising comment date).

data be developed, PRTC must be given the opportunity to review the data and output thoroughly, particularly to ensure that it has been satisfactorily adjusted to account for the penetration rates in various wire center areas. More generally, however, it is not apparent that the model inputs or underlying assumptions have been made available for public scrutiny as mandated by the Commission's universal service model principles. Therefore, PRTC cautions against deployment of the model for the distribution of universal service support until all aspects of the model have been made available for public inspection.

II. DETERMINING CUSTOMER LOCATION

A. Customer Location Data Is Not Available for Puerto Rico

Both the Commission and the Bureau have touted the use of accurate customer location data for achieving the most reliable model output results. The Common Carrier Bureau concluded that reliability and accuracy of customer location data are essential to accurate model results, proposing the use of geocode data that associates the location of each customer with latitudinal and longitudinal coordinates. The Bureau stated that “[b]ecause assumptions about the location of customers have a large impact on loop length calculations, the use of more accurate customer location data is consistent with the criterion specified in the Order that ‘a model’s average loop length should reflect the incumbent carrier’s actual average loop length.’”² The Commission also concluded that “a model is most likely to select the least-cost, most-efficient outside plant design if it uses the most accurate data for locating customers within wire centers, and that the most accurate data for locating customers within wire centers are precise

² “Guidance to Proponents of Cost Models in Universal Service Proceeding: Customer Location and Outside Plant,” Public Notice, CC Docket Nos. 96-45 and 97-160, DA-2372 (rel. Nov. 13, 1997).

latitude and longitude coordinates for those customers' locations.”³ Thus, the Commission confirmed the Bureau’s recommendation that the model be capable of accepting and using geocode data, to the extent that such data are available and reliable, and adopted the HAI method for use in the HCPM.⁴

Customer location and its impact on the accuracy and reliability of cost proxy model results has long been a focus of discussions regarding the model. The relationship between customer location and the accuracy of the model output may be illustrated using the earlier models, the HAI and BCPM, as examples.⁵ The HAI and BCPM models respectively predicted the existence of 415,000 and 401,000 more access lines in Puerto Rico than actually exist, thereby overestimating the individual line count by more than 37 percent. In some municipios, the models overestimate access lines by 200 percent. Thus, these models calculated costs based on erroneous assumptions regarding Puerto Rico’s density. The Commission has turned to the use of geocode data to address such unreliable line counts, but no such data has been developed for Puerto Rico.⁶

Given the reliance of PNR’s methodology on the use of Census data, however, it may be very difficult to develop accurate customer location data for Puerto Rico. Unlike the mainland, Puerto Rico does not have a systematic addressing system. For rural areas in particular, the

³ USF Fifth Report and Order, 13 FCC Rcd 21323, 21337 (¶ 33) (1998).

⁴ Id. at 21337 (¶ 31).

⁵ PNR has indicated that road surrogate customer location data would be developed for Puerto Rico. Without geocode data for the island, however, the examples presented here could be expected to be typical of results generated by surrogate location methodology.

⁶ The persistent lack of customer location data has made it virtually impossible for PRTC to participate in the forward-looking model effort in any substantive way, making it impossible to test assumptions with respect to any of the other model modules.

address is not likely to have any relationship with the location of the addressee. The Census Bureau has not begun developing this type of information for Puerto Rico. As the Board reported to the Commission previously,

The Population and Economic Census are conducted on the island but with lesser degrees of accuracy on the exact location of residences and businesses. Preparations for the decennial census in 2000 are underway and a greater degree of accuracy (street location and geo-coding) will be available even before January 2000. The Economic Census currently collects location information based upon the "municipio", which is similar to a county on the mainland. There is currently no effort underway to improve the location accuracy of this data for the 2002 Economic Census. Due to budgetary considerations in Washington, there is not much support for improving the Economic Census for Puerto Rico.⁷

Discussions among Puerto Rico carriers before the Telecommunications Regulatory Board of Puerto Rico confirmed that this information will not be easily developed. This conclusion is apparently borne out by the fact that no data has yet to be developed, even on a surrogate basis, for Puerto Rico.⁸

Without this information, PRTC has had no opportunity to test in any meaningful way the accuracy of the model. This inability to participate in the regulatory process extends not only to an ability to test and challenge the outcome of the model itself, but the assumptions and inputs that produce the result, not limited to the customer location data. As a practical matter, PRTC cannot test the model's sensitivity to changes in inputs with an incomplete data set for Puerto Rico. In this case, the Bureau's practice of employing the hold harmless amount must continue.⁹

⁷ Ex parte Letter from Phoebe Forsythe Isales, President, to William E. Kennard, Chairman, FCC (dated April 22, 1998) (emphasis added).

⁸ "Common Carrier Bureau Releases Preliminary Results Using Proposed Input Values in the Forward-Looking Cost Model for Universal Service," CC Docket Nos. 96-45, 97-160, Public Notice, DA 99-1165 (rel. June 16, 1999) at 4.

⁹ Id. ("Although forward-looking cost estimates are not provided for Puerto Rico and Alaska, they are included in the nationwide support tables, to the extent that Puerto Rico and Alaska
(continued...)

B. If Customer Location Data Is Developed for Puerto Rico, It Must Be Adjusted for Penetration Levels

The Commission has concluded that the customer location data should be developed by households, rather than housing units, so as not to overestimate the line count in the designated area. In addition, PNR's customer location methodology as described uses telephone penetration rates and its National Access Line Model to estimate the demand for second lines.¹⁰ However, these preliminary adjustments and estimates may not adequately take into account the wide disparity in Puerto Rico between the total number of households and those where service is available but the household does not take service. In some areas, where the penetration rate barely exceeds 50 percent, it is not enough to exclude vacant housing and unserved areas. Housing units where service is available but the customer chooses not to subscribe must also be taken into account.

In this regard, the model should build plant where it exists; plant should not be simply excluded to reflect penetration rates. Network to households that currently do not subscribe is still a universal service cost incurred by a company for which it receives no revenue in return. If this plant is not accounted for in determining the cost of serving a particular area, then a carrier serving that area will not receive adequate support, and universal service goals will not be furthered.

(..continued)

would continue to receive support amounts they currently receive because of the hold-harmless provision adopted by the Commission.”).

¹⁰ Further Notice of Proposed Rulemaking, Appendix B at ¶ 3.

C. Actual Wire Center Boundaries Should Be Used

As described in the Further Notice of Proposed Rulemaking, PNR estimates wire center boundaries using BLR wire center information.¹¹ Given that the actual switch locations are being used,¹² there is no apparent reason for estimating the wire center boundary using a private company's (BLR) database, when companies have this information corresponding to switch location. Therefore, actual wire center boundaries may be a practical alternative to the BLR wire center boundaries.

III. THE MODEL INPUTS, FORMULAE, AND UNDERLYING ASSUMPTIONS HAVE NOT BEEN MADE AVAILABLE TO THE PUBLIC

As PRTC has stated, it is unable to comment with specificity on model inputs, because without a model output for Puerto Rico, PRTC's ability to analyze the model has been severely limited. A review of the model and issues raised in the Further Notice indicate a continued failure to make underlying data available to the public. For example, although the Further Notice supplies the methodology for estimating the outside plant costs, sufficient information has not been provided to evaluate these calculations. Specifically, the standard error has not been provided to allow parties to assess the model's sensitivity. Based on the information provided, it is not possible to determine the margin for error in the regression analysis.

In addition, the PNR methodology for estimating customer location is generally described (at Appendix B); however, a repeated complaint associated with the use of the PNR methodology and data has been that PNR has not made available the information necessary to evaluate the underlying methodologies and assumptions. The failure to develop methodologies

¹¹ Id. at ¶ 47.

¹² Federal-State Joint Board on Universal Service, Report and Order, 12 FCC Rcd 8776, 8913 (¶ 250(1)) (1997) ("First Report and Order").

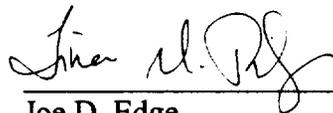
and inputs based on information available to the public is contrary to the Commission's earlier finding that the cost model and all its underlying data, formulae, computations, and software associated with it must be available to all interest parties for review and comment.¹³

IV. CONCLUSION

Based on the foregoing, PRTC urges the Commission to ensure that before any party is transitioned to the proxy model methodology, it must have the opportunity to review and analyze the model methodology. PRTC particularly has been denied the opportunity to participate fully in this process due to the continued inability to produce a model output utilizing the geocode customer location data. Thus, it should be afforded universal service support under the hold harmless approach indefinitely.

In addition, despite PRTC's ability to analyze the model in detail, the Further Notice itself makes clear that data and underlying model assumptions have not been available for public scrutiny as mandated by the Commission.

Respectfully submitted,



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Dated: July 23, 1999

¹³ Id. at 8915 (¶ 250(8)).

CERTIFICATE OF SERVICE

I, Dottie E. Holman, do hereby certify that a copy of the foregoing Comments of Puerto Rico Telephone Company was sent by hand-delivery or first-class mail, this 23rd day of July, 1999, to the following:

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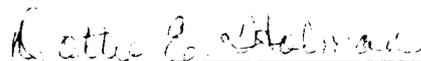
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