

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of

Federal-State Joint Board on
Universal Service

Forward-Looking Mechanism
For High Cost Support for
Non-Rural LECs

CC Docket No. 96-45

CC Docket No. 97-160

**ERRATUM TO OPPOSITION OF BELL ATLANTIC¹ TO
AT&T'S PETITION FOR RECONSIDERATION**

On February 7, 2000, Bell Atlantic filed its Opposition to AT&T's Petition for Reconsideration in this proceeding. Bell Atlantic discovered a typographical error after filing its opposition with the Commission. On page 10, the filing is mistakenly dated January 7, 2000 instead of February 7, 2000.

For the convenience of the Commission, Bell Atlantic has attached a complete copy of the corrected opposition and respectfully requests that the Commission substitute

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, DC, Inc.; Bell Atlantic-West Virginia, Inc.; New York Telephone Company and New England Telephone and Telegraph Company.

this filing for the filing made on February 7, 2000.

Respectfully submitted,

/S/

By: _____

Of Counsel
Michael E. Glover

Joseph DiBella
1320 North Court House Road
Eighth Floor
Arlington, VA 22201
(703) 974-6350

Attorney for the Bell Atlantic
telephone companies

Dated: February 8, 2000

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of

Federal-State Joint Board on
Universal Service

Forward-Looking Mechanism
For High Cost Support for
Non-Rural LECs

CC Docket No. 96-45

CC Docket No. 97-160

**OPPOSITION OF BELL ATLANTIC¹ TO
AT&T'S PETITION FOR RECONSIDERATION**

The Commission should deny AT&T's petition for reconsideration, which simply repeats arguments that the Commission considered, and specifically rejected, in the 10th Report and Order.² The Commission properly found that AT&T's proposed inputs to the proxy cost model were not supported by the record and failed to meet the requirements the Commission established in the Universal Service Order.³ AT&T's arguments gain no weight through repetition.

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, DC, Inc.; Bell Atlantic-West Virginia, Inc.; New York Telephone Company and New England Telephone and Telegraph Company.

² Federal-State Joint Board on Universal Service, Forward-Looking Mechanism for High Cost Support For Non-Rural LECs, CC Docket Nos. 96-45, 97-160, 10th Report and Order, FCC 99-304 (rel. Nov. 2, 1999) ("10th Report and Order").

³ Universal Service Order, 12 FCC Rcd 8776 (1997) ("Universal Service Order").

In contrast, GTE's petition for reconsideration presents additional expert analysis and information to demonstrate that the Commission's input values systematically understate the costs of providing universal service. Accordingly, GTE's petition should be granted.

I. AT&T Offers No New Information To Show The Parties Had An Opportunity To Review And Comment On PNR's "Geocode" Data.

AT&T argues (at 5-8) that the Commission should not have rejected the "geocode" data on customer locations in PNR's database. There is nothing new here. AT&T does not dispute the Commission's finding that PNR has refused to provide its database to interested parties, even under a protective agreement. This violated one of the Commission's key requirements for a proxy cost model – that "the model and all underlying data, formulae, computations, and software associated with the model must be available to all interested parties for review and comment. 10th Report and Order, ¶ 38, *citing* Universal Service Order, ¶ 250. Any person who wanted to test the accuracy of PNR's database had to travel to its location in Pennsylvania and use PNR's computers to look at the database there. Considering the magnitude of the database and the long run-time of the Commission's proxy model, this made any serious evaluation of the accuracy of the database impossible.

AT&T argues (at 6) that a party could validate the accuracy of the PNR database simply by comparing a customer location in the PNR database to an actual customer location. Clearly, such individual comparisons would prove nothing regarding a model that applies to approximately 153 million lines nationwide. The entire database would

have to be compared to the data in other customer location databases to develop a meaningful evaluation of its accuracy. Such an evaluation could not be conducted with the limited resources that a person could bring to PNR's offices in Pennsylvania.

AT&T also argues (at 7) that the parties had greater access to PNR geocode data than to the Census Bureau data that PNR used in its "road surrogate" algorithm, which the Commission adopted to approximate customer locations. However, PNR uses the Census Bureau data only to calculate road segments, not customer locations. There is little controversy over the locations of roads, which are represented in numerous map databases. However, to date there is still *no* reliable source of data representing the geocode locations of customers using telephone service. Since PNR refused to provide its database to third parties for testing, there is no way of determining the correlation between that database and actual customer locations.

AT&T argues (at 7-8) that the Commission should reconsider the road surrogate method as well, complaining that it tends to overstate loop lengths by ignoring the tendency of customers to locate in clusters rather than uniformly along roads, as is assumed in the road surrogate algorithm. However, as the Commission has already pointed out, AT&T's argument rests entirely on a comparison between the results of the road surrogate method and the results using the PNR geocode data. *See* 10th Report and Order, ¶ 46. This comparison proves nothing, as there is no basis in the record for assuming that the PNR data are accurate. While it is true that the road surrogate method does not represent actual customer locations, no reliable evidence indicates that the road surrogate method tends to overstate loop lengths. In fact, that method could just as easily

underestimate loop lengths. With no facts pointing in either direction, it would be totally arbitrary to adopt the downward adjustment proposed by AT&T.

II. AT&T Misinterprets The Basis For The Commission's Distribution Plant Mix Factors.

AT&T argues (at 9-10) that the Commission's input factors for the percentages of aerial, underground, and buried distribution plant are unsupported, because they are inconsistent with the percentages reported by BellSouth. According to AT&T, the Commission's input factors must have been based on BellSouth's data, since AT&T contends that there are no other data on this subject in the record.

AT&T suffers from a misconception. The Commission did not rely on BellSouth's data, it rejected it. As the Commission explained, it could not use BellSouth's data, because the Commission decided not to adopt company-specific input values, and because BellSouth's data were not representative of the actual plant mix in the rest of the nation. *See* 10th Report and Order, ¶ 238.

The Commission's input values were based on its examination of the default values proposed by the sponsors of the HAI and BCPM models. *See id.*, ¶¶ 228, 236. The Commission rejected the HAI values (which AT&T had advocated), because its high percentages of aerial plant in the highest density zones included riser cable (cable inside high rise buildings) and "block cable" attached to buildings. This was inconsistent with the model platform, which does not treat riser cable or block cable as aerial plant. The Commission also found the HAI assumption that there is little underground plant, and none in the six lowest zones, not to be credible. Consequently, the Commission found that

input values more closely aligned with those proposed by the BCPM's sponsors to be more reasonable as nationwide default values for all companies. While AT&T may disagree with these judgments, it offers no hard evidence that they are wrong, nor does it offer any evidence that its own alternative is more accurate.

III. The Commission Correctly Rejected AT&T/MCI's Distorted Comparison Of Digital Line Carrier Costs.

AT&T argues (at 11-13) that the Commission's input values for digital line carrier equipment are overstated. In the 10th Report and Order, the Commission rejected an AT&T/MCI exhibit that purported to show that the costs of digital line carrier equipment in the contract data previously submitted by the local exchange carriers were consistent with lower input values proposed by AT&T/MCI. *See* 10th Report and Order, ¶ 278. The Commission agreed with Bell Atlantic that the AT&T/MCI exhibit included only the costs of "common" equipment for digital line carrier systems (such as cabinets, common multiplexers, and channel bank equipment), and that it did not include the costs of "line" equipment (such as line cards used in the central office and in remote terminals). *See id.* According to AT&T, the Commission ignored a line in its exhibit that listed the cost of a "4-Line POTS Card" for a digital line carrier system.

AT&T's argument has no merit. The AT&T/MCI exhibit did not compare the proposed cost for a "4-Line POTS Card" to the line card costs in the local exchange carriers' contract data. Without such a comparison, AT&T's exhibit does nothing to support its contention that AT&T's proposed input values for digital line carrier equipment are consistent with the local exchange carriers' contract data. In addition, the

“4-Line POTS Card” only represents the line card at the remote terminal in a digital line carrier system – it does not include the cost of the line equipment in the central office. Therefore, the exhibit provides no evidence of the total costs of digital line carrier equipment. The Commission correctly gave no weight to AT&T’s selective and misleading comparison of digital line carrier costs.

IV. There Is No Basis For A Downward Adjustment In Switching Costs.

AT&T argues (at 14-15) that the Commission should have reduced the switch cost inputs to reflect the lower costs of terminating digital, rather than analog, lines. Specifically, AT&T argues that the model assumes 40 percent digital lines, while the historical data used to develop the switch cost curve incorporated 18 percent digital lines.

This is exactly the same argument that the Commission considered, and rejected, in the 10th Report and Order (*see* ¶¶ 325-327). The Commission disagreed with AT&T’s argument that it was possible to derive the historical percentage of digital lines from the local exchange carriers’ depreciation reports. Since the data that the Commission used to develop the switch cost curve included the costs of both analog and digital line terminations, and since there was no basis in the record for assuming that the percentage of digital lines in the historical data was lower than the percentage in the model, the further reduction in switch costs proposed by AT&T would have double-counted the savings from digital terminations.

AT&T’s petition adds nothing to this analysis. Accordingly, the Commission should find that there is no basis for reconsideration of its findings.

V. The Commission Correctly Relied On Existing Switch Deployment Data To Determine The Locations Of Host And Remote Switches.

AT&T is incorrect in arguing (at 15-16) that the Commission's decision to use the current locations of host and remote switches as inputs to the model was inconsistent with forward-looking cost principles. In the Universal Service Order, the Commission found that a forward-looking model should use the locations of existing local exchange carrier wire centers as the starting point. *See* Universal Service Order, ¶ 250. In the 10th Report and Order, the Commission found that the current locations of host and remote switches in the Local Exchange Carrier Routing Guide (“LERG”) are the best data in the record (indeed, the *only* data in the record) for determining whether a host or a remote switch should be placed in those wire centers. *See* 10th Report and Order, ¶ 323. Notably, neither AT&T, nor any other commenter, proposed an algorithm to determine whether a wire center should contain a stand-alone, host, or remote switch. *See* id.

AT&T argues (at 16) that assignment of host and remote switches to wire centers is inconsistent with the model's use of SONET rings for interoffice transport. However, AT&T's argument that placing host and remote switches on a SONET ring “is not a common practice” at the present time contradicts its own argument that the proxy model should be based on forward-looking cost principles. Moreover, its criticism would apply as well to AT&T's proposed switch input curve, which incorporates the costs of stand-alone, host and remote switches into a “blended” switch curve. Although AT&T's approach would not identify any particular wire center as having a host or remote switch, it assumes that such switches would be installed where it would be economical depending on the number of lines in a wire center. Since both the AT&T-sponsored model and the

Commission's model assume the use of SONET rings for interoffice transport together with a mix of stand-alone, host, and remote switches, AT&T cannot maintain that the Commission's use of SONET transport to connect host and remote switches is unreasonable.

VI. GTE's Petition Demonstrates That The Commission's Input Values Cause The Proxy Model To Systematically Understate The Costs Of Providing Universal Service.

In contrast to AT&T's simple repetition of arguments that the Commission has already considered, and rejected, GTE's petition provides additional expert analysis and points to specific errors and inconsistencies in the Commission's order. It demonstrates that the Commission's input values cause the proxy model to systematically understate the costs of providing service. *See* GTE, 8-25. In addition, GTE shows that no party had an adequate opportunity to comment on the Commission's proposed input values, because the Commission did not release a final version of its proxy model platform until *after* it issued the order adopting input values. *See id.*, 3-5. Consequently, the parties were unable to determine whether the input values produced reasonable results. The model and its inputs were a "black box" to which no one but the Commission had full access.

These concerns are not academic. Just recently, the Commission's staff discovered a computer programming error and transcription errors that required a new computer run, which resulted in significant changes in the levels of cost support in each state. *See* Public Notice, DA 00-110 (rel. Jan 20, 2000). Without public scrutiny, the Commission may be (and probably is) missing other serious errors in the model and its inputs.

The Commission should not treat the model as a “done deal” when it has never been fully exposed to public scrutiny. GTE is correct that the Commission has an obligation to make the model platform, together with all of its inputs and underlying data, available for further analysis and comments.

VII. Conclusion

The Commission should reject AT&T's petition for reconsideration, which simply repeats arguments that the Commission has already rejected, and for good reasons. In contrast, GTE's petition presents convincing arguments that the model actually understates the costs of providing universal service, and that no party was given an adequate opportunity to discover, and demonstrate to the Commission, all of the model's potential flaws.

Respectfully submitted,

/S/

By: _____

Joseph DiBella

1320 North Court House Road

Eighth Floor

Arlington, VA 22201

(703) 974-6350

Attorney for the Bell Atlantic
telephone companies

Of Counsel

Michael E. Glover

Dated: February 7, 2000