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June 14, 2001

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, S.W.
Washington, DC 20554

Re: CC Docket No. 96-45 ✓

Dear Ms. Salas:

On January 26, 2001, Sprint Corporation filed a petition for reconsideration of the Common Carrier Bureau's December 8, 2000 Order in which the Bureau requires line count data to be updated in calculating non-rural carriers high cost support but omits to update location data. BellSouth filed comments in support of Sprints petition. As BellSouth pointed out in its comments, updating only the line counts would have the effect of artificially decreasing the cost per line. If the Commission fails to act favorably upon Sprint's petition, the result will be a model that calculates per-line costs of universal service less accurately than would result if all of Sprint's proposed updates were made.

Despite the obvious nexus between line count data and location data, AT&T opposes the Sprint petition. Sprint, in its reply, disposes of AT&T's arguments. Nevertheless, of concern to BellSouth is AT&T's improper comparison of BellSouth's Loop Cost Model with that of the Synthesis Model. The purpose of both models is to estimate a cost per loop. AT&T improperly selects intermediate statistics from the models and portrays differences as a demonstration that "problems" with customer location data can result in an overstatement of costs.

The fundamental flaw in AT&T's argument is that it ignores the reality that the output of a cost model is dependent on thousands of inputs and produces nearly as many output statistics. To select just one output statistic from each model (which may not be comparable in any event) has no meaning. To compare model results requires knowledge and analysis of a multitude of factors such as the models inputs, engineering approach,

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modeling assumptions, the number of drop feet installed by both models, the number of distribution terminals installed, the number of feeder-distribution interfaces installed, and the number of DLCs installed. Plant statistics such as the one referenced by AT&T - the number of route feet in the network, represent only one type of variable that is relevant to a cost model's results. The size of each plant component, *i.e.*, cable, drop and terminals, are relevant. Likewise the engineering algorithms and customer locations all are relevant in comparing cost models. It is only from an analysis of all of these elements that some comparative conclusion could be reached regarding a cost model. In addition, one must exercise caution when comparing components and outputs of the model. The analyst must verify that the component being analyzed is actually comparable. For instance, we are not sure the BSTLM's route mileage is developed or measures the same items as the HCPM's route distance.

A better measure than just concentrating on one intermediate output of the models is to look at the final per-loop investment results of the two models. Indeed, looking at the average investment produced by different models represents a analysis of the most meaningful statistic, is probably the most comparable, and reflects how all the piece parts of each model interact. For example, in Florida, the state commission adopted the BCPM model with a set of public inputs for determination of universal service funding. The result of the BCPM for BST in Florida is an average loop investment of \$892. The BellSouth Loop model as filed by BST in its recent Florida UNE docket produced an average investment of \$852. When this model was run with comparable inputs to the Florida approved inputs for the BCPM, the BellSouth Loop model produced an average loop investment of \$832. All of these results appear consistent until we compare to the HCPM output. The FCC's HCPM run for BST Florida produces an average loop investment of only \$633. Quite the opposite one would expect based on AT&T's comparison of route mileage.

Clearly, AT&T's analysis reveals the danger in attempting to use one intermediate result (*i.e.*, total network route distance) to make comparisons of alternative models. The HCPM model produces "two times the amount of route distance" but results in an average loop investment that is 20-30% less than the other models. What conclusion can be drawn? Simply, in comparing models, one must understand the basis for the variables that are compared and cannot simply focus on one intermediate statistic to draw any type of solid conclusion regarding the output of the model.

The issue in the Sprint petition is whether it is appropriate to update only one factor, line counts, in the HCPM model without concomitantly updating customer location data. As Sprint has shown, to only update one factor distorts the integrity of the HCPM model. In addition, AT&T's arguments erroneously imply that the Synthesis Model already overstates costs since it apparently produces more route distance than the

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BellSouth loop model and that any update of customer and road data would exacerbate this cost overstatement. Clearly, AT&T is wrong on two points. First of all, as noted above, one cannot assume that simply because the Synthesis Model appears to produce more route distance than another model that it is overstating costs per line. Second, regardless of AT&T's concern with the Synthesis Model, the Commission should not update line counts in the model while intentionally avoiding an update of roads and customer locations. Such an action would be completely arbitrary with the known result of producing a cost per line less accurate than doing no updates at all.

Please call me if you have any questions.

Yours truly,

A handwritten signature in cursive script that reads "W W Jordan".

William W. Jordan
Vice President - Federal Regulatory

cc: Katherine Schroder
Eric Einhorn
Katie King