

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the Matter of

Federal-State Joint Board on  
Universal Service

CC Docket No. 96-45

**REPLY COMMENTS OF VERIZON<sup>1</sup>**

In response to the Common Carrier Bureau's Public Notice to refresh the record,<sup>2</sup> several parties filed comments requesting that the Commission address issues that they had raised previously in petitions for reconsideration of the Commission's First Report and Order<sup>3</sup> and in other pleadings. Verizon supports the request of the United States Telephone Association for Commission action on its request for clarification that (1) customers receiving discounted services under the schools and libraries program should be accountable for record-keeping and proper allocation of universal service benefits; and (2) schools, libraries and rural health care customers should remain responsible for all charges incurred, regardless of the expectation of receiving universal service benefits, particularly where a provider is unable to receive full reimbursement from the fund. So long as the Commission's rules make service providers

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<sup>1</sup> The Verizon telephone companies ("Verizon") are the affiliated local telephone companies of Verizon Communications Corp. These companies are listed in Attachment A.

<sup>2</sup> Public Notice, "Parties Asked to Refresh the Record Regarding Reconsideration of Rules Adopted in the 1997 Universal Service First Report and Order," CC Docket No. 96-45, DA 01-1647 (Comm. Car. Bur., rel. July 11, 2001).

<sup>3</sup> *Federal-State Joint Board on Universal Service, First Report and Order*, 12 FCC Rcd 8776 (1997).

responsible for repayment of funds disbursed to customers for services that are not eligible for support, it is imperative that the Commission provide clarification of the right of service providers to be made whole.

While the commenters are entitled to pursue issues that are still pending, Verizon notes that some of these requests have either already been ruled upon by the Commission or are the subject of further rulemaking proceedings. Accordingly, they need not be addressed on reconsideration of the First Report and Order.

For instance, the U.S. Catholic Conference seeks a ruling on its petition for reconsideration of the First Report and Order to clarify the manner by which eligible telecommunications carriers must advertise the availability of Lifeline services. *See* U.S. Catholic Conference at 6-7. In particular, the U.S. Catholic Conference wants the Commission to require advertising in broadcast media, in addition to written publications. However, the Commission ruled on this issue in the *Tribal Lands Order*, where it declined to adopt specific, uniform methods by which eligible carriers must advertise the availability of Lifeline support. *See Federal-State Joint Board on Universal Service; Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas, Twelfth Report and Order*, 15 FCC Rcd 12208, ¶¶ 78-80 (2000) (“*Tribal Lands Order*”). The Commission made it clear that this ruling was not limited to carriers serving Tribal Lands. *See id.*, ¶ 78. Therefore, this issue is no longer open, despite the fact that the Commission did not mention specifically the U.S. Catholic Conference’s petition for reconsideration when it made this decision. If the U.S. Catholic Conference disagreed with this ruling, it should have filed a petition for reconsideration of the *Tribal Lands Order*. Adding a requirement to advertise over broadcast media would

substantially increase the expense of offering Lifeline service and should not be imposed as a blanket requirement, since there are other effective means of disseminating this information.

Similarly, the Rural Telephone Coalition continues to seek a ruling on its request to eliminate the so-called “parent trap” rule, which limits the amount of support that a carrier can obtain for exchanges purchased from another carrier to the amount of support that would have been received by the selling carrier. *See* Rural Telephone Coalition at 2-3. However, as noted in the Rural Telephone Coalition’s comments, the Commission amended this rule in the Rural Task Force Order, where it provided additional “safety valve” support for acquired exchanges. *See Federal-State Joint Board on Universal Service; Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Fourteenth Report And Order, Twenty-Second Order On Reconsideration, and Further Notice Of Proposed Rulemaking In CC Docket No. 96-45, and Report And Order In CC Docket No. 00-256. FCC 01-157, ¶¶ 144-47 (rel. May 23, 2001)* (“Rural Task Force Order”). Consequently, the issues raised in the Rural Telephone Coalition’s Petition for Reconsideration of the First Report and Order concerning the “parent trap” rule have already been addressed.<sup>4</sup> The “safety valve” is a reasonable means of providing additional support to acquired exchanges in rural areas without causing undue growth in the overall size of the fund. Total elimination of the “parent trap” rule could cause runaway growth in the fund by encouraging sales that would be premised on higher demands for high cost support.

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<sup>4</sup> On July 17, 2001, NCTA filed a petition for reconsideration of the safety valve rule. However, this does not revive the Rural Telephone Coalition’s argument that the “parent trap” rule should be eliminated entirely, which the Commission has rejected.

The Rural Telephone Coalition also seeks (at 3-5) to pursue the issue raised in its Petition for Reconsideration concerning the ability of competitive local exchange carriers to receive high cost support based on incumbent local exchange company costs, which may exceed the competitive local exchange carriers' own costs. However, as they note, the Commission dealt with this issue indirectly in the Rural Task Force Order, where the Commission disaggregated high cost support below the study area level. In addition, members of the Rural Telephone Coalition raised this issue in response to the Commission's Further Notice of Proposed Rulemaking in the Rural Task Force Order. *See* Rural Telephone Coalition at 4-5. While Verizon agrees that competitive local exchange carriers should not receive per-line support that exceeds their own costs, this issue should be addressed in further notice, rather than in reconsideration of the First Report and Order. Finally, the Rural Telephone Coalition seeks (at 6-7) to pursue its objection to the "cap" on the size of the high cost fund that the Commission adopted in the First Report and Order. However, the Commission addressed this issue in the Rural Task Force Order, where it modified the indexed cap with a "rural growth factor." The Commission correctly found that it should not eliminate the cap entirely, as the cap prevents "excessive and erratic growth in the high-cost loop fund, while ensuring that rural telephone companies are able to provide supported services at affordable and reasonably comparable rates." Rural Task Force Order, ¶ 42. Consequently, the issues raised in the Rural Telephone Coalition's petition for reconsideration have already been addressed.

AT&T wants the Commission to address the issues in its petition for reconsideration of the First Report and Order concerning competitive neutrality of the assessment and recovery of universal service fund contributions. *See* AT&T at 2-3. However, the Commission partly addressed these issues in its order that reduced the interval between the accrual of revenues by

carriers and the assessment of contributions based on those revenues from 12 months to an average of 6 months. *See Federal-State Joint Board on Universal Service, Petition for Reconsideration filed by AT&T, Report and Order and Order on Reconsideration, 16 FCC Rcd 5748 (2001).* In addition, the Commission recently issued a notice of proposed rulemaking in which it requested comments on changes to the assessment and recovery mechanisms. *See Federal-State Joint Board on Universal Service, Notice of Proposed Rulemaking, 16 FCC Rcd 9892 (2001).* AT&T filed comments in that proceeding raising all of the arguments noted in its comments here concerning pass-through of universal service contributions, elimination of the “lag” between accrual and assessment of contributions, and flat-rate assessment on end users. *See* AT&T Comments, filed June 25, 2001. Verizon opposed AT&T’s proposals, which would shift the bulk of the universal service contribution to providers of intrastate services, in violation of section 254(d) of the Act. *See* Verizon Reply Comments, filed July 9, 2001. These issues should be addressed in the Notice of Proposed Rulemaking, not on reconsideration of the First Report and Order.

## Conclusion

The Commission should not address issues raised in petitions for reconsideration of the First Report and Order that have already been addressed or are the subject of pending further proceedings in the universal service docket.

Respectfully submitted,

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THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc. These are:

Contel of the South, Inc. d/b/a Verizon Mid-States  
GTE Midwest Incorporated d/b/a Verizon Midwest  
GTE Southwest Incorporated d/b/a Verizon Southwest  
The Micronesian Telecommunications Corporation  
Verizon California Inc.  
Verizon Delaware Inc.  
Verizon Florida Inc.  
Verizon Hawaii Inc.  
Verizon Maryland Inc.  
Verizon New England Inc.  
Verizon New Jersey Inc.  
Verizon New York Inc.  
Verizon North Inc.  
Verizon Northwest Inc.  
Verizon Pennsylvania Inc.  
Verizon South Inc.  
Verizon Virginia Inc.  
Verizon Washington, DC Inc.  
Verizon West Coast Inc.  
Verizon West Virginia Inc.