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

MAR 19 2002

In the Matter of	)	
	)	
Access Charge Reform	)	CC Docket No. 96-262
	)	
Price Cap Performance Review for Local Exchange Carriers	)	CC Docket No. 94-1
	)	
Low-Volume Long Distance Users	)	CC Docket No. 99-249
	)	
Federal State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	

REPLY COMMENTS OF AT&T CORP.

The comments overwhelmingly confirm that the Commission's adoption of a $650 million interstate access support fund in the *CALLS Order*[1] is reasonable and well-supported with record evidence. Most commenters expressly endorse $650 million as the appropriate size of the fund. *See, e.g.*, CALLS at 1 ("the "$650 million interstate access support fund was . . . justified based on a reasonable review of the studies cited in the record"); Verizon at 1 ("the $650 million support amount in the interstate access support mechanism . . . is supported by the studies of the implicit support for universal service in access charges"); SBC at 2 ("[t]he $650 million amount of support established by the Commission is reasonable"). And, as AT&T demonstrated in its opening comments (at 2-4), $650 million is the only figure that was supported in the record by cost study evidence that did not reflect fundamentally flawed assumptions. AT&T's evidence applied the Commission's own Synthesis Model – which the

[1] *Access Charge Reform, et al.*, CC Docket No. 96-262 et al., Sixth Report and Order, 15 FCC Rcd. 12962 (2000) ("*CALLS Order*"), *aff'd* in part, remanded in part *sub nom. Texas Office of Public Utility Counsel* v. *FCC*, 265 F.3d 313 (5th Cir. 2001) ("*TOPUC II*").

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Court recognized as appropriate grounds for relying on that study. *See id.* No commenter even attempts to justify any of the other studies that were before the Commission in 2000.[2] Thus, as the Court suggested and as the record overwhelmingly shows, the Commission has ample grounds for relying on the AT&T study as based on the Synthesis Model and rejecting all of the other 2000 studies as based on "unwarranted assumptions." *See TOPUC II*, 265 F.3d at 328; AT&T at 4-8.

Qwest stands alone in suggesting that the Commission should rely on yet another Qwest model to estimate interstate access support amounts. Qwest now argues that the fund should be $950 million (while expressly disavowing its earlier claim (as U S WEST) that the fund should be $1.2 billion) and has offered a new study to support its claim. Although Qwest agrees that the use of the Commission's Synthesis Model is appropriate for computing the size of the access support mechanism, Qwest's application of that cost model skews the results. In particular, Qwest's use of the Synthesis Model is fundamentally incompatible with the design of the model, and results in inflated support estimates.

Qwest's model inappropriately computes support amounts based on density zone data instead of wire center data. As AT&T noted (at 6-8), the Synthesis Model is not intended to compute accurate support amounts using data disaggregated below the wire center level (as is density zone data); that is one reason why the Commission uses only wire center data to compute intrastate support.[3] The results of Qwest's Synthesis Model runs are thus unreliable and cannot be credited in sizing the interstate access support mechanism. Qwest frankly concedes that when

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[2] Notably, *none* of the petitioners in the Fifth Circuit case even bothered to file comments.

[3] The Commission's implementation of the intrastate USF only generates wire center modules.

this error in its approach is corrected, its Synthesis Model estimate is very close to $650 million. *See* Qwest at 9 n.32. *See also TOPUC II*, 265 F.3d at 328 (acknowledging that the Commission need not determine a precise, "correct" figure).[4]

Moreover, Qwest appears to ignore the fact that the *CALLS Order* created a unified and harmonized structure between SLC deaveraging, UNE unbundling and interstate access support centering on the UNE zone (which reflects aggregated wire center data). That structure creates balanced incentives for all parties to seek reasonable disaggregation. Disassociating USF from the UNE zone would unbalance those incentives, and would permit, for example, Qwest to use a smaller unit of disaggregation for USF, but a larger unit for SLCs and UNEs. This creates opportunities for "gaming" that are not present in the current integrated structure of the CALLS plan.

Qwest's approach also reflects additional flaws of undisclosed magnitude. According to Qwest, only the highest-cost areas (which are the most rural areas) should be accounted for when using the Synthesis Model to compute interstate access support. Qwest, therefore, used only the more rural areas in computing its estimate of the size of the interstate access support mechanism. That approach plainly overstates the level of explicit support that is

[4] Moreover, the Qwest approach would be unworkable in practice. Each Qwest density zone is made up of "clusters" – *i.e.*, a small area made up of telephone customers. The telephone customers represented in the clusters, however, do not correspond to actual real-world locations. To the contrary, the number and location of customers within a cluster is based on surrogate data that only *estimate* the actual locations of real customers. Therefore, in order to implement Qwest's proposal, the Commission would have to develop an entirely new support methodology capable of mapping the surrogate customers in the Synthesis Model's clusters to actual customers. To even begin this task, the Commission would need to obtain customer address and geocode data from the incumbent LECs. However, the incumbent LECs – including Qwest – have clearly stated that they are unwilling to supply the Commission with that information. Qwest's novel application of the model, therefore, is not only methodologically unsound, it could not even be effectively implemented in a reasonable time or at reasonable expense.

required to replace existing implicit support levels. By excluding low-cost areas from its computations, Qwest's explicit interstate access support estimates do not account for the potential offsets between low-cost and high-cost areas and, therefore, overstate the amount of explicit support that is necessary to replace existing implicit support levels.

Presumably, if Qwest were to fix all of the problems with its methodology for estimating support amounts, it would find that the Commission's Synthesis Model fully supports an interstate access support mechanism of $650 million.[5]

[5] The scattered claims of other commenters can be easily rejected. Contrary to CPUC's claim (at 4), the Commission has an ample record for the re-adoption of its interim $650 million figure; there is no need to consolidate these proceedings with the proceedings on remand from the Tenth Circuit's decision in *Qwest Corp.* v. *FCC*, 258 F.3d 1191 (10th Cir. 2001). Similarly, CenturyTel's claims are more appropriately addressed in the FNPRM in the MAG docket, which seeks comment on incentive regulation for rate-of-return carriers and the "all-or-nothing" rule. *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, Second Report & Order and Further Notice of Proposed Rulemaking, FCC 01-303 (released November 8, 2001).

CONCLUSION

For the foregoing reasons, and for the reasons in AT&T's initial comments, the Commission should address the concerns of the United States Court of Appeals for the Fifth Circuit by explicitly relying on the Synthesis Model cost study submitted by AT&T to size the interstate access support mechanism at $650 million.

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February 4, 2002

CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of February, 2002, I caused true and correct copies of the forgoing Reply Comments of AT&T Corp. to be served on all parties by mailing, postage prepaid to their addresses listed on the attached service list.

Dated: February 4, 2002
Washington, D.C.

/s/ Peter M. Andros
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