Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of Federal-State Joint Board on Universal Service	CC Docket No. 96-45

PETITION FOR RECONSIDERATION

Pursuant to section 1.106 of the Commission's rules, 47 C.F.R.§ 1.106, Verizon[1] hereby petitions for reconsideration of the Wireline Competition Bureau's *Delphi Language Order.*[2] In that order, the Bureau converted a portion of the universal service forward-looking cost model to the Delphi computer language and incorporated two "technical improvements" in the model platform. Despite seeking the assistance of the Bureau staff, Verizon has not been able to replicate the per-line costs in the *Delphi Language Order* using the data available on the model from the Commission's web site. In addition, Verizon has not been able to validate the Bureau's finding that the change in the Delphi language alone did not have a significant effect on the cost estimates generated by the model. The Commission's web site does not provide the tools needed to isolate individual changes or to run sensitivity analyses of various changes. Given the fact that the cumulative effect of the changes in the *Delphi Language Order*, together with the Bureau's proposed updates of line counts and other inputs, are likely to produce significant reductions in

[1] The Verizon telephone companies ("Verizon") are the affiliated local telephone companies of Verizon Communications Corp. These companies are listed in Attachment A.

[2] ***See*** *Federal-State Joint Board on Universal Service*, Order, CC Docket No. 96-45, DA 03-24 (rel. Jan. 7, 2003) ("*Delphi Language Order*"). The order was published in the Federal Register on February 10, 2003. ***See*** 68 FR 6646.

high cost support for many states, these changes should not be implemented until the Bureau has provided interested parties with a meaningful opportunity to understand and comment on them.

In its June 20, 2001 Public Notice, the Bureau proposed to use a version of the forward-looking cost model coded in the Delphi computer language in place of the previous version, which used the Turbo-Pascal language.[3] In the *Delphi Language Order*, the Bureau adopted that change, finding (at ¶ 7) that it would allow the Commission and interested parties to better understand and follow the logic of the model. The Bureau did not find that this change would have any impact on the model's outputs. The Bureau also adopted two "technical improvements" to the model platform that it had not previously discussed; (1) a reduction in grid size that placed drop terminals closer to customer locations; and (2) corrections to the input values for drop terminals, manholes, and service area interfaces. ***See*** *Delphi Language Order*, ¶¶ 10-11. The Bureau found that the first of these technical changes resulted in an overall reduction in distribution and cable costs, while the second resulted in higher costs in certain wire centers. The Bureau found that these two changes had a minor impact on the nationwide cost per line, but that the average cost per line increased in states with wire centers containing higher density zones and decreased in states with lower density zones. Because these changes would impact the amount of high cost support that a state would receive, the Bureau deferred calculating high cost support

[3] ***See*** *Common Carrier Bureau Seeks Comment on Translation of Cost Model to Delphi Computer Language and Announces Posting of Updated Cost Model*, CC Docket No. 96-45, Public Notice, 16 FCC Rcd 12630 (2001).

using the Delphi version of the cost model pending the Commission's order in the remand from the 10th Circuit Court of Appeals of the *Ninth Report and Order*.[4]

The Bureau should reconsider the *Delphi Language Order* and defer incorporation of these changes in the model until it has given interested parties a reasonable opportunity to analyze the model and comment on the Bureau's findings. Despite having sought the assistance of the Bureau staff, Verizon has not been able to confirm these findings by running the model on the Commission's web site, and it has not been able to conduct sensitivity analyses for each of the changes. A simple change in the type of computer language used for a particular module should not cause any change in support levels, but it is not possible to confirm this. The Bureau staff has been very helpful in trying to assist Verizon in its effort to reproduce the state-by-state changes in cost per line shown in Attachment A of the order, but even with their help Verizon has not been able to replicate the Bureau's calculations. Even if it could, the results of the model would provide no insight into the impact of each change, as the only data available are the cumulative effect of all of the changes.

The Bureau apparently is in possession of computer runs that it has used to assess the impact of these changes, but it has not shared these data with the public. This violates the core universal service principle that "[t]he cost study or model and all underlying data, formulae, computations, and software associated with the model must be available to all interested parties for review and comment." *Federal-State Joint Board on Universal Service*, 12 FCC Rcd 8776,

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[4] ***See*** id., ¶ 12; *Federal-State Joint Board on Universal Service*, Ninth Report and Order and Eighteenth Order on Reconsideration, 14 FCC Record 20432 (1999) ("*Ninth Report and Order*").

¶ 250 (1997). At the very least, the Bureau should provide on the Commission's web site the data it used to reach its findings about the impact of the changes in the model.

The inability of interested parties to confirm the accuracy of the findings in the *Delphi Language Order* and to explore the reasons for the changes in per-line costs is most disturbing because these changes would cause significant reductions in high-cost support in many states. Although the order states (at ¶ 11) that the nationwide average change is an increase of less than three cents per line, the changes for individual states are very significant. As the order notes, the statewide average cost per line increases in states containing higher density zones (which tend to be states with large urban areas and lower than average costs) and the statewide average cost per line decreases in states containing lower density zones (which tend to be rural states with higher than average costs). Consequently, per-line costs decline significantly in rural states like Vermont and Maine, while they increase somewhat in states like New York with large urban areas. ***See*** *Delphi Language Order*, Attachment A. Using the data in the order, Verizon estimates that the amounts of high cost support for the Verizon East states will decline significantly solely as a result of these technical changes, and that it will be eliminated entirely for Maine;

	2002 support	*2002 support with Delphi Order Changes*
Vermont	$9.2 million	$3.4 million
Maine	$5.4 million	none
West Virginia	$26.0 million	$22.8 million

These reductions are likely to be exacerbated by the Bureau's proposal to update the inputs to the universal service proxy cost model to include year 2001 line counts and ARMIS data on investment in general support facilities and switching costs.[5] In recent years, similar updates have caused significant reductions in the amounts of high-cost support for some states. For instance, in the Verizon East states, the support amounts have declined significantly since 2000;

	2000 support[6]	*2001 support*[7]	*2002 support*[8]
Vermont	$15.0 million	$10.0 million	$9.2 million
Maine	$10.7 million	$8.9 million	$5.4 million
West Virginia	$31.1 million	$26.2 million	$26.0 million

Like the reductions that are produced by the *Delphi Language Order*, these reductions were not the result of any policy changes or of a deliberate decision by the Commission that high-cost support should be phased down. In fact, the Commission did not anticipate that this would happen when it adopted the forward-looking cost model to determine high cost support. Rather, these changes were the effect of the model itself, which has a tendency to reduce the per-line

[5] ***See*** *Wireline Competition Bureau Seeks Comment on Updating Line Counts and Other Limited Information Used in Calculating High-Cost Universal Service Support for Non-Rural Carriers*, Public Notice, CC Docket No. 96-45, DA 03-25 (rel. Jan. 7, 2003).

[6] *Common Carrier Bureau Releases Estimated State-By-State Universal Service High-Cost Support Amounts for Non-Rural Carriers,* 15 FCC Rcd 10191 (2000).

[7] *Common Carrier Bureau Releases Estimated State-By-State High-Cost Universal Service Support Amounts for Non-Rural Carriers for 2001*, 15 FCC Rcd 24018 (2000).

[8] *Common Carrier Bureau Releases Estimated State-By-State High-Cost Universal Service Support Amounts for Non-Rural Carriers for 2002*, 16 FCC Rcd 22417 (2001).

costs over time by converting the increased demand for high-speed special access services into voice grade equivalencies, which lowers the average cost per line and which offsets the overall reduction in demand for voice grade residential service.

It is clear that the model needs more analysis before the Bureau allows it to continue to drive down support levels. The Bureau should not incorporate the changes in the *Delphi Language Order* or in the line count updates notice until it has placed sufficient information in the public record to enable interested parties to evaluate the latest changes and to propose methods that would produce more stable high cost support calculations.

Conclusion

For the foregoing reasons, the Bureau should reconsider the *Delphi Language Order* and it should defer calculating high cost support using the changes adopted in the order until it has provided interested parties with an opportunity to explore the reasons for the reductions in support that these changes would cause.

Respectfully submitted,

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ATTACHMENT A

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.