

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the Matter of

Federal-State Joint Board on Universal  
Service

CC Docket No. 96-45

**COMMENTS OF VERIZON<sup>1</sup> ON  
UPDATING LINE COUNTS**

The Commission should not make any further updates to the line counts in its forward-looking cost model until it provides sufficient data on the record to give the public a meaningful opportunity to comment. The Public Notice<sup>2</sup> asks for comments on whether zeroing-out special access lines in the cost model or making other changes in how these lines are updated would make the model more accurate. The Bureau should be commended for recognizing this as an area where the model may need to be modified. However, the Commission has not made sufficient information available to the public to allow interested parties to assess the impact of the proposed changes in dealing with special access or to propose any alternatives.

As Verizon and others have pointed out, continuing to update line counts in the forward-looking cost model without fixing the improper method of counting demand for high capacity special access services artificially reduces the cost per-line produced by the Commission's model,

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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> *See* Public Notice, *Wireline Competition Bureau Seeks Further Comment On Updating Line Counts Used In Calculating High-Cost Support For Non-Rural Carriers*, DA 03-2469 (rel. July 24, 2003).

and results in corresponding reductions in the amount of support that the non-rural carriers receive. The growth in demand for high capacity services drives down the per-line costs produced by the Commission's model, because the model converts fiber-based high capacity special access facilities into copper loops and then calculates an inflated number of DS0-equivalent lines. For this reason, the supposed "growth" in lines that is driving the changes in high-cost support is not actual growth in basic exchange copper loops but a fictitious growth due to the way that special access lines are counted.

The Public Notice describes how the model incorrectly incorporates the costs and demand for high capacity special access services by converting them into voice-grade equivalents. *See* Public Notice, fn. 5. For example, although DS3 services are provided over fiber-based facilities, the model uses the same copper-based outside plant facilities to serve DS3 demand that it constructs to provide ordinary voice-grade local exchange services. It assumes that 91.75 percent of the 672 DS0 equivalent circuits on a DS3 service are served over four-wire DS1 facilities (each providing 24 DS0 equivalents) and that the remaining 8.25 percent are served over individual two-wire copper DS0 circuits. This produces a total of 107 copper pairs per DS3 service.<sup>3</sup> The model then divides the 107 copper pairs by 672 DS0 equivalents on a DS3 service to produce a cost per line that is a small fraction of the cost per line for an ordinary POTS line. Similarly, it uses two copper pairs to serve each DS1 service, but then divides these costs by 24 DS0 equivalents to produce a cost per line that is significantly below the cost of a POTS line. This

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<sup>3</sup> (.9175 X 672 = 616.6/24 DS0s per DS1 = 25.7 DS1s X 2 pairs/DS1 = 51 copper pairs) plus (.0825 X 672 = 55.4 DS0s X 1 pair/DS0 = 56 copper pairs).

method of accounting for high capacity special access services reduces the average cost per line and therefore understates the cost of providing local exchange service in high cost areas.

The problem is exacerbated by the fact that demand for high capacity special access services are growing at the same time that demand for POTS lines is declining. The total number of DS0 equivalent lines is increasing not due to any actual increase in the number of copper loops, but due to the method of counting high capacity demand in terms of DS0 equivalents. For this reason, the annual line count updates have been reducing the amounts of support to high cost states, and further updates are likely to make the situation worse.

There are several alternatives to resolve this problem and to improve the stability of the model. The most difficult would be to change the model platform to overlay a fiber-based network to serve high capacity special access demand rather than continue to rely on an unrealistic copper network. *See* BellSouth Reply Comments, CC Docket Nos. 96-45 and 97-160, at 4 (filed Mar. 12, 2003). Alternatively, as noted in the Public Notice, the Commission could remove all special access demand, or at least DS3 special access demand, from the model. This would help stop the trend towards declining per-line costs that is being driven by the growth in special access. However, it is impossible for interested parties to determine the impact of such changes, because the information on the Commission's web site is insufficient to run the latest version of the model to remove special access demand. While each local exchange carrier can run the model with its own data, and while the state commissions may be able to examine the effect of special access using demand data they may have for their own states, they cannot determine the total impact on high cost support without information about line counts in other areas. Without such information, the parties cannot determine whether simple fixes to special access demand

would produce reasonable results or whether more fundamental changes to the model platform are required.

Since disclosure of each carrier's demand by wire center would raise confidentiality concerns, the Commission should instead publish the results of the model with and without special access demand so that the parties can determine whether the results are reasonable. Each party could then run further iterations using additional data they may have in their own areas, if necessary. The Commission should also show the changes from year to year resulting from updates to line counts so that the parties can determine whether removal of special access stops the trend of declining support. The Commission should provide these results with (1) all special access demand removed; and (2) only DS3 special access demand removed.

The Commission should not make further updates to the line counts until it provides these data on the record and provides interested parties with a meaningful opportunity for analysis and comment. As Verizon showed in its petition for reconsideration of the Delphi language order, the various line count updates, input corrections, and model changes have produced a declining level of high cost support without any conscious policy decision by the Commission that less high costs support is needed. *See* Verizon Petition For Reconsideration, CC Docket No. 96-45, at 5 (filed Mar. 12, 2003). Increasingly, the model has become a "black box" that defies efforts by the parties to understand the reasons for these changes. 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, ¶ 250 (1997).

The Commission should not ask for comments when no one outside the Commission can see the results of the changes that are being considered.

### **Conclusion**

For the foregoing reasons, the Commission should not make any further updates to the line counts until it publishes the results of the model without special access demand and provides a further opportunity for public comment.

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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.