

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

In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	
	)	
NPCR, Inc. d/b/a Nextel Partners	)	
	)	
Petition for Designation as an	)	
Eligible Telecommunications Carrier	)	
In Alabama, Florida, Georgia,	)	
Pennsylvania, Tennessee, and Virginia	)	
	)	
In the Matter of	)	
	)	
Federal-State Joint Board on	)	CC Docket No. 96-45
Universal Service	)	
	)	
Nextel Partners of Upstate New York, Inc.	)	
d/b/a Nextel Partners	)	
	)	
Petition for Designation as an	)	
Eligible Telecommunications Carrier	)	
In the State of New York	)	

**REPLY COMMENTS OF VERIZON IN SUPPORT OF APPLICATION FOR  
REVIEW FILED BY THE RURAL LOCAL EXCHANGE CARRIERS<sup>1</sup>**

The Commission should direct the Bureau to defer acting on petitions for eligible telecommunications carrier (“ETC”) status pending the outcome of a final decision on the current portability proceeding.<sup>2</sup> It also should grant the application for review, and

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<sup>1</sup> The Verizon telephone companies (“Verizon”) are the local exchange carriers affiliated with Verizon Communications Inc., and are listed in Attachment A.

<sup>2</sup> See *Federal-State Joint Board on Universal Service*, Notice of Proposed Rulemaking, 19 FCC Rcd 10800 (2004).

reverse recent Bureau orders granting ETC status to Nextel and other carriers.<sup>3</sup>

Although competitive ETCs claim that they still represent only a small portion of high cost funding, their numbers are growing dramatically. In 1999, competitive ETCs were receiving \$535,000 per year, or .03% of high cost support; by 2003, they were receiving \$131 million (4%), and as of the middle of 2004, they had received almost that much (\$119 million) in the first half of the year alone, and accounted for 7% of funding.<sup>4</sup> Annualized, that represents a 55% increase in funding to competitive ETCs between 2003 and 2004. Moreover, the potential for future growth is enormous. As of the fourth quarter, there are competitive ETCs operating in 516 rural high cost study areas, with another 266 study areas subject to future competitive ETC entry.<sup>5</sup>

The Bureau issued the instant order despite acknowledging the fact that many of the issues raised in the ETC designation petitions are being considered in the current

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<sup>3</sup> If the Commission grants this application for review, it should also review (and reverse) the Bureau order granting the petitions of Alltel to be designated as an ETC in various states. *See Federal-State Joint Board on Universal Service, ALLTEL Communications, Inc., Petitions for Designation as an Eligible Telecommunications Carrier in Alabama, Florida, Georgia, North Carolina, and Virginia*, Order, CC Docket No. 96-45, DA 04-3046 (rel. Sept. 24, 2004).

<sup>4</sup> *See Chart, "High Cost Support Mechanism: Disbursements to CETCs 1998 through 2Q2004," available at <http://www.universalservice.org/hc/download/pdf/HC%20Disbursements.pdf>.*

<sup>5</sup> Universal Service Administrative Company, *Federal Universal Service Support Mechanisms Fund Size Projections for the Fourth Quarter 2004*, at 6 and Appendices HC01, HC03, HC18, HC 19 and HC 20 (filed Aug. 2, 2004), *available at <http://www.universalservice.org/overview/filings/>.*

portability proceeding.<sup>6</sup> “The outcome of the rulemaking proceeding could potentially impact, among other things, continued ETC designations, the amount of support that Nextel and other competitive ETCs receive in the future, and local calling plan benchmarks.” *Id.*

Continuing to grant pending ETC petitions while the portability proceeding is underway threatens to harm or potentially prejudice some of the proposals raised in that proceeding. For example, Verizon has proposed that the Commission adopt a rebuttable presumption that there should be only one ETC per study area. *See* Verizon Comments, at 9-14. Some other commenters support a similar “benchmark” on the number of ETCs per study area.<sup>7</sup> Others have suggested the adoption of more stringent standards for designation of ETCs. *See, e.g.*, NECA Comments, at 18-19. If any of these suggestions are ultimately adopted by the Commission, it would have to revisit (and probably undo) the ETC designations that the Bureau is now granting. Alternatively, as more of these ETC petitions are granted, it may add pressure on the Commission to reject some or all of the proposals that are necessary to contain growth of the fund size.

The Bureau also did not adequately consider the impact that pending ETC designations would have on CALLS-based interstate access support.<sup>8</sup> As Verizon has pointed out in prior comments, the growing number of petitions for ETC designations in

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<sup>6</sup> *See Federal-State Joint Board on Universal Service; NPCR, Inc. d/b/a/ Nextel Partners Petitions for Designation as an Eligible Telecommunications Carrier in the States of Alabama, Florida, Georgia, Pennsylvania, Tennessee, and Virginia; Nextel Partners of Upstate New York, Inc. d/b/a Nextel Partners Petition for Designation as an Eligible Telecommunications Carrier in the State of New York, Order, DA 04-2667, ¶ 21 (rel. Aug. 25, 2004, amended by Erratum rel. Sept. 13, 2004) (“Nextel Order”).*

<sup>7</sup> *See, e.g.*, CenturyTel Comments, at 17-18.

<sup>8</sup> *See Nextel Order, ¶ 22.*

non-rural areas threatens to unravel the access charge reform established by the CALLS Order.<sup>9</sup> The Bureau's decision to ignore the impact on the CALLS fund was based, in part, on its noting that, "the CALLS plan was designed for a five-year period, which ends in 2005" and that "[a]s part of its consideration of the appropriate regulatory mechanism to replace the CALLS plan, the Commission can examine whether the interstate access support mechanism remains sufficient." *Nextel Order*, ¶ 22. Again, the Bureau's action in granting this and other petitions despite the impact on the CALLS plan adds further strain to the fund, and will perhaps prejudice the outcome of a future proceeding.

**Conclusion**

The Commission should grant the application for review, reverse this and other recent ETC designations, and direct the Bureau to defer consideration of other ETC petitions pending the outcome of the portability proceeding.

Respectfully submitted,



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<sup>9</sup> See *Access Charge Reform; Price Cap Performance Review for Local Exchange Carriers; Low-Volume Long Distance Users; Federal-State Joint Board on Universal Service*, 15 FCC Rcd 12962 (2000) ("CALLS Order"), *aff'd in part, rev'd and remanded in part sub nom. Texas Office of Public Utility Counsel v. FCC*, 265 F.3d 313 (5th Cir. 2001). See also *Verizon Opposition to Nextel Petition for ETC Status in Virginia*, CC Docket No. 96-45, at 1 and attachment at 5-8 (filed July 14, 2003).

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 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.