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Federal Communications Commission  
Office of Secretary

**VIA COURIER**

William F. Caton, Secretary  
Federal Communications Commission  
1919 M Street  
Washington, D.C. 20554

**Re: Notice of Ex Parte Contact by WorldCom in CC Docket 96-45**

Dear Mr. Caton:

In accordance with § 1.1206(a)(2) of the Commission's Rules, I am filing this letter as notice that the attached document, Assignment of Universal Service Support (High-Cost and Low Income Support) by Nine-Digit Zip Code, was provided to Pamela Gallant, Richard Smith and Lisa Boehley in the universal service branch. The document was prepared in response to Staff's questions raised during our meeting on February 19 where we discussed WorldCom's proposed use of zip codes to identify households eligible to receive universal service support. An ex parte notice describing that meeting was filed previously with the Commission.

If you have any questions or need additional information, please call me at 424-7872.

Sincerely,



Mark Sievers

cc: Pamela Gallant (2100 M Street, 8th Floor)  
Lisa Boehley (2100 M Street, 8th Floor)  
Richard Smith (2100 M Street, 8th Floor)  
David N. Porter  
Catherine K. Sloan

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**ASSIGNMENT OF UNIVERSAL SERVICE SUPPORT  
(HIGH-COST AND LOW INCOME SUPPORT)  
BY NINE-DIGIT ZIP CODE**

February 27, 1997

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In its universal service comments,<sup>1/</sup> MFS Communications Company, Inc. ("MFS"), now a wholly owned subsidiary of WorldCom, Inc., suggested that the Commission use 9-digit zip codes as a mechanism to assign universal service support to customers -- specifically support for both customers living in high-cost service areas and customers eligible for low income support. This paper provides additional details regarding the proposal.

**OUTLINE OF MFS'S ZIP CODE PROPOSAL**

- ▶ The universal service administrator should create and maintain a database organized by nine-digit zip codes (as augmented and described below) to identify end users eligible to receive universal service support (high-cost support and/or low income support) and the serving carriers through which this support would be delivered. The general purposes of creating and using such a database is to:
  - (1) create a simple mechanism that is not intrusive or otherwise requires carriers to solicit and maintain information about customers' incomes and to facilitate gathering of input from social service agencies;
  - (2) create a simple means of uniquely identifying customers that relies on data commonly gathered and maintained by carriers and other agencies (e.g., social service agencies that might determine eligibility for low income support);

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<sup>1/</sup> *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Comments filed on Dec. 19, 1996.

- (3) create a simple mechanism to ensure that customers do not receive inappropriate or duplicate levels of support -- specifically, minimize the incidence of (a) high-income individuals receiving high-cost support for a second residence maintained in a resort area, (b) individuals receiving support for several services provided by different carriers, and (c) individuals eligible for low-income support receiving low-income support for multiple lines or multiple services;
  - (4) create a simple mechanism for tracking and disbursing universal service support actually provided to end-users and carriers; and,
  - (5) create an administrative system that is simple to maintain and fully supportive of other universal service and legislative objectives including targeted support and cost-based pricing.
- ▶ The database would show the amount and type of support available for a specific household, as well as the carrier selected by the household to provide the supported service. The database would consist of an individual record for each household eligible to receive universal service support (high-cost support and/or low income support).
    - ▶ The administrator could periodically (probably monthly) provide carriers with a listing of eligible end-users that carriers would match against their billing databases. Carriers would then explicitly reflect the appropriate amount of support on eligible end-users' bills and would draw from the universal service pool based on the number of eligible end-users they serve and the amount of support associated with those customers.
    - ▶ Alternatively, carriers could submit claims for universal service support simply by providing the universal service administrator with an electronic listing of their customers by nine-digit zip code (augmented as described below) drawn from their billing records. The administrator could determine the amounts to be disbursed to end-users by each carrier simply by matching their list of customer zip codes against the database of eligible zip codes.
  - ▶ By building a database using nine-digit zip codes, the administrator would create a customer-specific, combined low-income/high-cost support universal service database rather than maintain separate databases. If census blocks or wire centers are used to identify and determine high-cost service areas, the administrator could easily map high-cost census blocks or wire centers with the appropriate nine-digit zip codes. This would eliminate the need for carriers to create and maintain records by census block.

- ▶ The nine-digit zip code on a customer's billing address (not the service address) should be used as the basis for assigning support to individual customers. By using the customer's billing address, the Commission minimizes (but would not completely eliminate) the likelihood of providing high-cost support to high-income individuals who maintain a recreational residence in resort or vacation areas since such customers likely would have such bills sent to their principle residence.
- ▶ Nine-digit zip codes identify small geographic areas. Specifically, nine-digit zip codes (XXXXX-XXXX, or Zip + 4) are organized as follows: (1) the first digit identifies one of 9 national zip code areas; (2) the second digit identifies a state within the area; (3) the third digit identifies areas within a state; (4) the fourth and fifth digits identifies the local delivery area within the areas; (5) the sixth and seventh digits identify a sector, which may be several blocks, a group of streets, high-rise building or small geographic area; and, (6) the last two digits identify a segment within the sector. nine-digit zip codes identify a small mail delivery "segment" which may be a single household, one floor in an office building or one side of a street between two cross-streets.
- ▶ For some customers, the nine-digit zip code will be insufficient to uniquely identify a specific household. Therefore, the record also should include the customer's last name and street address (including apartment number).<sup>2/</sup> All of these items are today included in carriers' billing records and could be easily matched against the administrator's database. Carriers have an economic incentive to use nine-digit zip codes because the US Postal Service discounts postage for mailers who use such zip codes.
- ▶ Phone numbers cannot be used to identify customers because a single customer may have multiple phone numbers (e.g., cellular service, POTS service, and a second FAX/modem line).
- ▶ Social security numbers should not be used to identify customers because they may not be used by carriers as a normal part of a customer's billing record and/or would require carriers to request and maintain additional customer information. Also, social security numbers are not easily matched with high-cost service areas.

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<sup>2/</sup> Use of mailing address in providing universal service support will help reduce fraud as the carrier has an economic incentive to deliver bills to the correct address and the post office is keenly interested in preventing postal fraud.

- ▶ As an alternative to using names and addresses to identify households, specific household identification also could be drawn from E911 databases that already exist in many locations.
- ▶ Each record would identify the amount of support (high cost and/or low income support) for which a customer was eligible as well as the carrier selected by the end-user to provide the supported service (e.g., using CIC codes to identify the carrier). In that way, the administrator could ensure that specific customers do not receive support for multiple services or carriers.
  - ▶ To ensure that customers do not chum among service providers to receive duplicate period support payments, high-cost payments could be made to the customer's carrier of record as of a specific date each month, or the record could specify when the last payment was made and not allow another payment until the next period. Unlike the long distance experience, customer chum caused by customers seeking universal service support is unlikely to be significant because of the relatively high transaction costs associated with changing local service providers and the anticipated relatively low universal service support.
  - ▶ End-users should be encouraged to declare a universal service carrier, but acknowledging current market shares, the default should be to the incumbent wireline provider. When customers change their service provider or add service, carriers can ask customers to designate the new provider as the customer's universal service carrier, and communicate that information to the universal service administrator.
  - ▶ The universal service administrator would populate the amounts any customer was eligible for based on the Commission's determination of the appropriate level of low-income support and the high-cost support levels appropriate for any nine-digit zip code. Carriers would not set the amount of support.
  - ▶ The amount of support ultimately received by eligible customers should be easily and explicitly reflected on their bills. The universal service administrator could easily audit billing records to confirm that carriers actually have reflected the appropriate level(s) of support on customers' bills.
  - ▶ Structuring universal service support around zip-codes ensures that support is based on the number of supported customers served by each carrier rather than providing support to carriers based on their reported costs or revenue requirements or market share.

- ▶ Using a database structured around zip codes facilitates receiving information from social service agencies. For example, if the Commission decides that all customers who receive food stamps should be eligible for low-income support, as suggested by the Joint Board,<sup>3/</sup> social service agencies that administer food stamps in a particular state would simply provide the universal service administrator with a list of addresses including nine-digit zip codes of the households that receive food stamps. That list could be used to define who was eligible for low income assistance.
  
- ▶ The specification and development of the database should be assigned to the universal service administrator who should be directed to solicit industry input much like the various technical industry forums develop specifications in other areas.

#### **SUGGESTED RECORD LAYOUT**

<b>FIELD</b>	<b>DESCRIPTION</b>
<b>1</b>	Customer's nine-digit zip code shown on billing address
<b>2</b>	Customer's last name shown on billing address
<b>3</b>	Customer's street address shown on billing address
<b>4</b>	CIC code for carrier that provides high-cost service (blank if billing address is ineligible for high-cost support)
<b>5</b>	Amount of high-cost support provided to customer (\$0 if none)
<b>6</b>	CIC code for carrier that provides low-income support (blank if customer is ineligible for low income support)
<b>7</b>	Amount of low income support provided to customer (\$0 if none)

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<sup>3/</sup> *In the Matter of Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, FCC 96J-3, Recommended Decision, at ¶ 412, released Nov. 8, 1996.