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March 7, 1997

**Mr. William F. Caton**  
Acting Secretary  
Federal Communications Commission  
1919 M Street, NW, Room 222  
Washington, D. C. 20554

**RECEIVED**  
**MAR - 7 1997**  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Re: Ex Parte Meeting - CC Docket 96-45 and CC Docket 96-262

Dear Mr. Caton:

On Friday, March 7, 1997, Mr. J. Lubin and I met with Ms. M. Ginsburg, Ms. J. Poltronieri and Ms. S. Whitesell, of the Common Carrier Bureau's Accounting and Audits Division, to discuss AT&T's views and previously stated positions in the above referenced proceedings. The attachments were used as the basis of the discussion.

In accordance with Section 1.1206(a)(1) of the Commission's Rules, two (2) copies of this Notice are being filed with the Secretary of the FCC.

Sincerely,

**Attachments**

cc: **Ms. Ginsburg**  
**Ms. Poltronieri**  
**Ms. Whitesell**

## UNIVERSAL SERVICE

### Universal Service Principles (*Section 254*)

- Universal service subsidies should be based on same TELRIC standard as unbundled network elements
- All telecommunications service providers contribute to universal service support in an equitable and nondiscriminatory manner
- Universal service support should be explicit and sufficient for intended purpose
- Any carrier designated as eligible would be entitled to universal service support
  - Competitive LECs (CLECs) who buy/lease unbundled network elements from Incumbent LECs (ILECs) should be eligible

USE LARGE LEC ACCESS RATES AS BENCHMARKS FOR  
SETTING RATES FOR SMALL RURAL CARRIERS

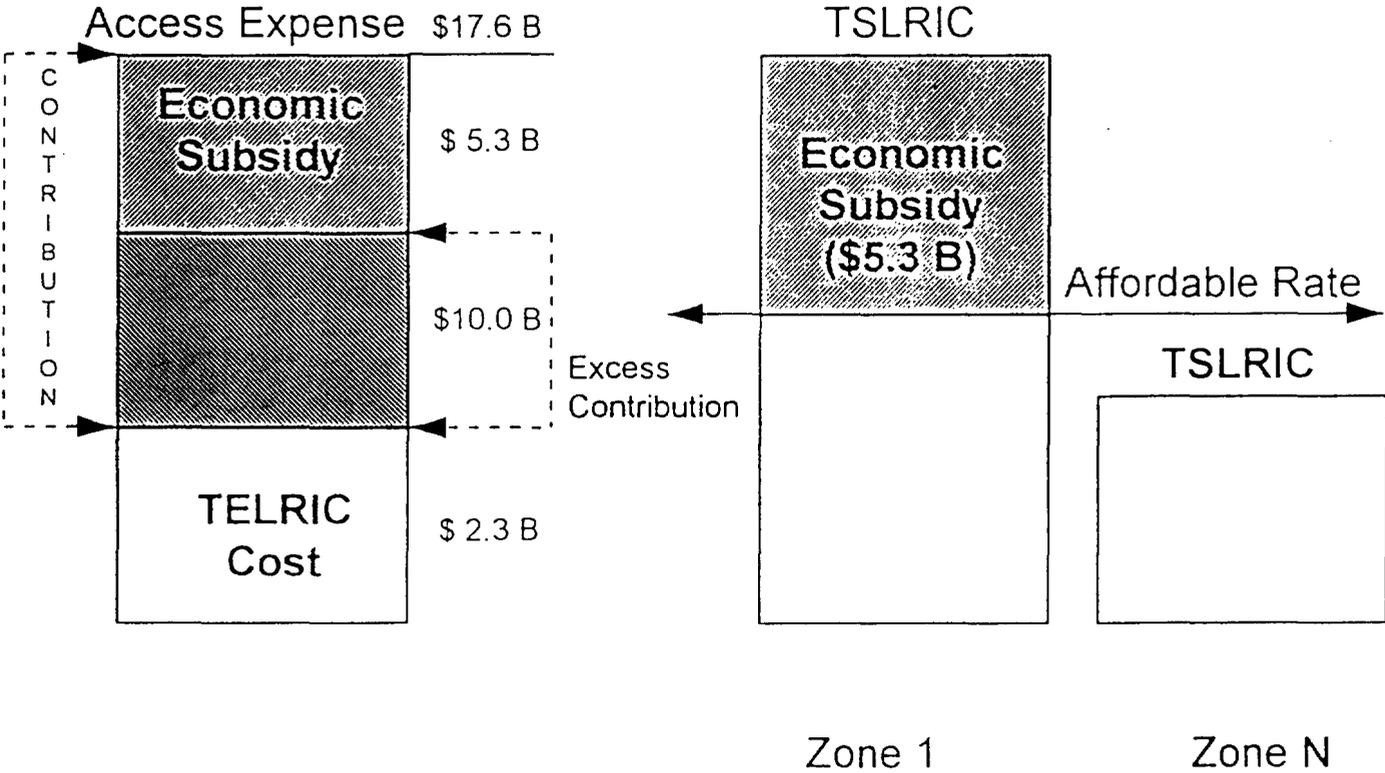
When calculating the new universal service fund for small rural LECs...

- Access rates should be based on the rates of the large company in the state or region
- Any incremental subsidy required to meet the rural carrier's revenue needs should be provided through the new NUSF mechanism
- Subsidy need not be portable in small rural company territory initially

# Paradigm Change

Carrier Access

Basic Local Service  
(End User)



## Summary of Results (Hatfield Estimates)

	<u>RBOC</u>	<u>Large LECs</u>	<u>Total</u>	<u>Small Rural LECs</u>
<u>Access Difference</u>				
1 Current Access $\emptyset$ Rate per min.	2.70 cents	4.41 cents	3.06 cents	6.00 cents+
2 TELRIC Access Rate per min.	.40 cents	.40 cents	.40 cents	.40 cents
	Billions	Billions	Billions	Billions
3 Access Contribution: (L1 - L2) X min.	\$10.21	\$4.81	\$15.02	
<u>Economic Subsidy</u>				
4 National Fund	\$1.84	\$ 1.49	\$3.33	\$1.82*
5 State Fund	\$0.95	\$0.84	\$1.79	
6 Lifeline	\$0.12	\$0.02	\$0.14	
7 Subtotal ** (L4+L5+L6)	\$2.91	\$2.35	\$5.26	\$1.82
8 <u>Excess Contribution***</u> (L3-L7)	\$7.30	\$2.46	\$9.76	0

$\emptyset$  This represents the average interstate/intrastate access rate.

\* This includes the current HCF for small rural LECs.

\*\* Schools/Libraries would require additional funds to the USF.

\*\*\* This could be partly offset by applying TELRIC access prices to ESP.

## ACCESS REFORM

### REALLOCATION:

RETAIL EXPENSE..... \$ 840 million  
GSF and COMPUTER RELATED EXPENSES..... \$ 124 million

### REMOVING THE SLC CAP:

CCL REDUCTION..... \$ 640 million

### COST OF CAPITAL ADJUSTMENTS:

AT 11.25%..... \$ 1300 million  
AT 10.00%..... \$ 1900 million

### PRODUCTIVITY FACTOR :

INCREASE X-FACTOR TO 9.0%..... \$ 600 million

EQUAL ACCESS AND NETWORK RECONFIGURATION..... \$ 110 million

IMPACT OF ACCESS/UNIVERSAL SERVICE REFORM

<u>Access Impacts</u>	<u>Subscriber Line Charges</u>				<u>Carrier Charges</u>		<u>USF</u>	<u>Customer</u>
	<u>Residential</u>		<u>Business</u>		<u>Per Line</u>	<u>Usage</u>	<u>Impact</u>	<u>Impact</u>
	<u>Primary</u>	<u>2nd</u>	<u>Single</u>	<u>Multi</u>				

I. LEVEL:

- 1.-Business as usual
2. Overearnings
3. X Factor Adj.
4. EANR
5. GSF (billing)

II. STRUCTURE:

1. SLC
2. Per Line to Carrier
3. Retail Exp.  
Reallocation

III. USF:

1. Large LECs
2. Rural LECs
  - A. LTS
  - B. Dem
  - C. High Cost
  - D. Other
3. School/Lib
4. Rural Healthcare
5. Lifeline
6. TOTAL

IV. OVERALL  
STIMULATION

IV. TOTAL