



GTE Service Corporation  
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Washington, DC 20036  
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MAY 1 1997

May 1, 1997

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

**EX PARTE: Access Reform (CC Docket 96-262), Price Caps (CC Docket 94-1),  
Transport Rate Structure (CC Docket 91-213), Universal Service (CC  
Docket 96-45)**

Dear Mr. Caton:

Please associate the attached letter regarding GTE's response to Commission staff requests for details related to proposed access reform pricing scenarios and GTE's proposal for an Interim Funding Plan for interstate universal service costs with the attached dockets. In accordance with Section 1.1206(b)(1) of the Commission's Rules, two copies of this notice are being filed with the Secretary.

Please call me at (202)463-5293 if you have any questions.

Sincerely,

W. Scott Randolph  
Director - Regulatory Matters

Attachments

May 1, 1997



GTE Service Corporation  
1850 M Street, N.W., Suite 1200  
Washington, DC 20036  
202 463-5200

Mr. Gregory Rosston  
Office of Plans and Policy  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

**Re: Access Reform (CC Docket 96-262), Price Caps (CC Docket 94-1),  
Transport Rate Structure (CC Docket 91-213), Universal Service (CC Docket  
96-45)**

Dear Mr. Rosston:

In our telephone conversation of April 17, 1997, you had requested that GTE provide estimated access charge prices based on certain assumptions regarding new access charge structures and universal service funding. Attached are the results of this analysis for the total GTE system, assuming the following:

An interstate universal service fund of \$4.5B beginning in 1998 and increasing to \$7B in 1999. USF assessments in 1999 would be based on a \$1 "non-bypassable" charge levied on all lines, except primary residential and single line business, with the balance assessed on the basis of a carrier's relative interstate retail revenues.

Re-allocation of 30% of the TIC to other rate elements. Revenue affects of annual PCI reductions are first targeted to the residual TIC in the flat rate pool until it equals zero.

Creation of a "flat-rate pool consisting of 70% of the TIC, line port costs (assumed to be 30% of local switching), CCL and SLC revenues, and net universal service receipts. Recovery of this pool is accomplished through a combination of SLCs and Presubscribed Line ("PSL") Charges based on specific rate caps. Higher rate caps are reflected for multi-line business and second residential lines and reflect the \$1 per line USF assessment.

Costs not recovered through SLC or PSL charges are added to current per minute of use rates with the bulk of the recovery on originating access.

Rates are estimated through the year 2002, based on growth rate assumptions you provided and a productivity factor of 5.3%. Demand stimulation (or repression) and other competitive impacts are not reflected. Estimated prices are based on current revenues and do not reflect the difference between existing PCI and API values (e.g., "headroom").

As you can see, per minute switching charges could be expected to decline to \$0.0115 by the year 2002 while most SLC charges increase to either the cap or full cost. In earlier years, PSL charges applicable to multi-line business and second-line residential customers would increase significantly before declining to more reasonable levels by the year 2002.

We are encouraged that at least a portion of the pricing scenario you have described (i.e., the \$1 USF charge) directly links the assessment of a per line charge to universal service cost recovery. Indeed, GTE has long advocated, and the 1996 Act requires, that any universal

Mr. Gregory Rosston  
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service recovery mechanism be explicit and competitively neutral. While the \$1 USF charge attempts to meet this requirement, it is deficient in that it is not applied to primary residential and single line business lines as well. Any per line charge which encompasses the recovery of interstate common line costs essentially subsidizes the preservation of universal service and, in accordance with the 1996 Act, should be explicitly assessed to all lines, not just those associated with a LEC's local service. Thus, creating a charge assessed only to presubscribed lines would maintain the implicit subsidy currently reflected in today's CCL charge.

Further, by pricing an averaged multi-line PSL charge higher than a single line PSL, the Commission would perpetuate, if not increase, implicit subsidies in a manner decidedly not competitively neutral. Implicit subsidies, in both the SLC and PSL multiline business rates, would provide multi-line customers little choice but to abandon ILEC services in favor of alternative service providers or, alternatively, absorb higher costs for their telecommunications services.

To the extent that the Commission decides to adopt an interim universal service plan, one which does not fully account for all universal service costs, GTE suggests an alternative approach. Attached is a letter from Geoffrey C. Gould, Vice President - Government and Federal Regulatory Affairs, addressed to Chairman Hundt which outlines an interim proposal to fund (1) interstate common line costs not recovered directly from subscribers, (ii) other interstate universal-service related costs now recovered through usage sensitive charges to IXCs, and (iii) existing explicit universal service funding elements, such as Lifeline, Link-up, and current high cost support. We urge you to consider a competitively neutral universal service plan that provides for explicit and sufficient universal service support, even if limited to interstate costs, as shown in the Interim Funding Proposal attached to this letter.

Please call me at 463-5293 if you have any questions.

Sincerely,



W. Scott Randolph  
Director - Regulatory Matters

Attachments

c: Patrick DeGraba  
John Garcia  
Jim Schlichting

1 **FCC Access Reform/USF Proposal**

| 2  |  |                 |                  |   |                 |                 |                 |
|----|--|-----------------|------------------|---|-----------------|-----------------|-----------------|
| 3  | <b>ASSUMPTIONS</b>                     |                 |                  |   |                 |                 |                 |
| 4  |  | <u>1997</u>     | <u>1998</u>      | <u>1999</u>   | <u>2000</u>     | <u>2001</u>     | <u>2002</u>     |
| 5  | Growth                                 |                 |                  |   |                 |                 |                 |
| 6  | SL Bus/SL Res                          | 1.30%           | 1.30%            | 1.10%   | 1.10%           | 1.10%           | 1.10%           |
| 7  | ML Bus                                 | 5.67%           | 5.67%            | 5.00%   | 5.00%           | 5.00%           | 5.00%           |
| 8  | Secondary Res                          | 11.90%          | 11.90%           | 13.00%  | 11.00%          | 11.00%          | 10.00%          |
| 9  |  |                 |                  |   |                 |                 |                 |
| 10 | Access MOUs (Industry)                 |                 | 504,000,000,000  | 547,000,000,000   | 591,000,000,000 | 635,000,000,000 | 681,000,000,000 |
| 11 |  |                 | 8.53%            | 8.53%   | 8.04%           | 7.45%           | 7.24%           |
| 12 | Rates (Industry)                       |                 |                  |   |                 |                 |                 |
| 13 | Composite Access                       |                 | \$0.02400        | \$0.02300   | \$0.02200       | \$0.02100       | \$0.02000       |
| 14 | Bus LD                                 |                 | \$0.12000        | \$0.12000   | \$0.12000       | \$0.12000       | \$0.12000       |
| 15 | Res LD                                 |                 | \$0.17000        | \$0.17000   | \$0.17000       | \$0.17000       | \$0.17000       |
| 16 |  |                 |                  |   |                 |                 |                 |
| 17 | <b>RULES (Caps)</b>                    | <u>1997</u>     | <u>1998</u>      | <u>1999</u>   | <u>2000</u>     | <u>2001</u>     | <u>2002</u>     |
| 18 |  |                 |                  |   |                 |                 |                 |
| 19 | Primary Res                            |                 |                  |   |                 |                 |                 |
| 20 | SLC                                    | \$3.50          | \$3.50           | \$3.50  | \$3.50          | \$3.50          | \$3.50          |
| 21 | PIC Initial year \$0.75                | \$0.00          | \$0.75           | \$1.26  | \$1.78          | \$2.29          | \$2.80          |
| 22 | 2nd yr incr of \$0.50/yr + inflation   |                 |                  |   |                 |                 |                 |
| 23 |  |                 |                  |   |                 |                 |                 |
| 24 | Second Res                             |                 |                  |   |                 |                 |                 |
| 25 | SLC 2nd yr incr of \$1.00/yr + inflati | \$3.50          | \$5.00           | \$6.03  | \$7.05          | \$8.08          | \$9.11          |
| 26 | Cap @ \$9.50 or rev req                |                 |                  |   |                 |                 |                 |
| 27 | PIC Initial year \$1.50                | \$0.00          | \$1.50           | \$1.53  | \$2.55          | \$3.58          | \$4.61          |
| 28 | 2nd yr incr of \$1.00/yr + inflation   |                 |                  |   |                 |                 |                 |
| 29 | USF Surcharge                          |                 |                  | \$1.00  | \$1.00          | \$1.00          | \$1.00          |
| 30 |  |                 |                  |   |                 |                 |                 |
| 31 | SL Bus                                 |                 |                  |   |                 |                 |                 |
| 32 | SLC                                    | \$3.50          | \$3.50           | \$3.50  | \$3.50          | \$3.50          | \$3.50          |
| 33 | PIC Initial year \$0.75                | \$0.00          | \$0.75           | \$1.26  | \$1.78          | \$2.29          | \$2.80          |
| 34 | 2nd yr incr of \$0.50/yr + inflation   |                 |                  |   |                 |                 |                 |
| 35 |  |                 |                  |   |                 |                 |                 |
| 36 | ML Bus                                 |                 |                  |   |                 |                 |                 |
| 37 | SLC \$9.50 or rev req cap + inflation  | \$6.00          | \$9.50           | \$9.76  | \$10.02         | \$10.29         | \$10.57         |
| 38 | PIC Initial year \$4.50                | \$0.00          | \$4.50           | \$5.04  | \$6.58          | \$8.12          | \$9.66          |
| 39 | 2nd yr incr of \$1.50/yr + inflation   |                 |                  |   |                 |                 |                 |
| 40 | USF Surcharge                          |                 |                  | \$1.00  | \$1.00          | \$1.00          | \$1.00          |
| 41 |  |                 |                  |   |                 |                 |                 |
| 42 | Inflation                              | 2.70%           |                  |   |                 |                 |                 |
| 43 |  |                 |                  |   |                 |                 |                 |
| 44 | <b>FUND</b>                            |                 |                  |   |                 |                 |                 |
| 45 | Current+Educ+Healthcare                | \$4,500,000,000 | 1st year (1998)  |   |                 |                 |                 |
| 46 | New USF Fund                           | \$7,000,000,000 | 2nd year (1999+) |   |                 |                 |                 |
| 47 |  |                 |                  |   |                 |                 |                 |
| 48 | <b>FUND RECOVERY</b>                   |                 |                  |   |                 |                 |                 |
| 49 | Begins 1999                            |                 |                  |   |                 |                 |                 |
| 50 |  |                 |                  |   |                 |                 |                 |
| 51 | Initial                                |                 |                  |   |                 |                 |                 |
| 52 | USF surcharge                          |                 | \$1.00           | per line - all multiple line customers (incl. wireless) |                 |                 |                 |
| 53 | Residual                               |                 |                  |   |                 |                 |                 |
| 54 | I/S Retail Revenues                    |                 |                  |   |                 |                 |                 |

55  
56 ACCESS CHARGES  
57 TIC  
58 Reassign TIC elements 30% assume for modeling  
59 Residual to flat rate recovery pool 70% assume for modeling  
60  
61 Flat Rate Recovery Pool  
62 Residual TIC 70%  
63 CCL less USF receipts  
64 SLC  
65 Line ports 30% local switching  
66 USF  
67  
68 Recovery  
69 Fiat charges in order of precedence  
70 Primary Res  
71 SL Bus  
72 Second Res  
73 ML Bus  
74  
75 Revenue req to SLCs in order  
76 PSL charges in order  
77 Originating access surcharge  
78 Current rate less TIC/line ports/CCL  
79 Up to orig access rate @ 7/97 level  
80 Terminating access surcharge  
81 Current rate less TIC/line ports/CCL  
82 Up to term access rate @ 7/97 level  
83  
84

85 BASELINE RESULTS

|  | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| 86 No change to x factor                 |             |             |             |             |             |             |
| 87 Headroom ignored                      |             |             |             |             |             |             |
| 88 ****FCC RESULTS****                   |             |             |             |             |             |             |
| 89 ML Bus SLC                            |             |             |             |             |             | \$8.20      |
| 90 ML Bus PIC                            |             | \$4.50      | \$3.30      | \$1.20      | \$1.00      | \$1.00      |
| 91 Originating Composite Access          |             | \$0.030     | \$0.015     | \$0.010     | \$0.010     | \$0.010     |
| 92                                       |             |             |             |             |             |             |
| 93                                       |             |             |             |             |             |             |
| 94                                       |             |             |             |             |             |             |
| 95 **** GTE RESULTS ****                 |             |             |             |             |             |             |
| 96                                       |             |             |             |             |             |             |
| 97 Pri Res SLC                           |             | \$3.50      | \$3.50      | \$3.50      | \$3.50      | \$3.50      |
| 98 SL Bus SLC                            |             | \$3.50      | \$3.50      | \$3.50      | \$3.50      | \$3.50      |
| 99 Sec Res SLC                           |             | \$5.00      | \$6.03      | \$7.05      | \$7.58      | \$7.79      |
| ## ML Bus SLC                            |             | \$7.00      | \$7.19      | \$7.38      | \$7.58      | \$7.79      |
| ## Pri Res PIC                           |             | \$0.75      | \$1.26      | \$1.78      | \$2.96      | \$2.63      |
| ## SL Bus PIC                            |             | \$0.75      | \$1.26      | \$1.78      | \$0.00      | \$0.00      |
| ## Sec Res PIC (incl. \$1 USF Surcharge) |             | \$1.50      | \$2.53      | \$3.55      | \$1.00      | \$1.00      |
| ## ML Bus PIC (incl. \$1 USF Surcharge)  |             | \$4.50      | \$6.04      | \$3.98      | \$1.00      | \$1.00      |
| ## Composite Access (incl surchg)        | \$0.0372    | \$0.0288    | \$0.0140    | \$0.0124    | \$0.0119    | \$0.0115    |

Geoffrey C. Gould  
Vice President  
Government & Federal  
Regulatory Affairs



**GTE Corporation**

1850 M Street, N.W. Suite 1200  
Washington, D.C. 20036-5801  
202 463-5208  
202 463-5279 - fax

April 25, 1997

The Honorable Reed E. Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

**Ex Parte: Access Reform (CC Docket 96-262), Universal Service (CC Docket 96-45)**

Dear Chairman Hundt:

Congress directed the Commission as part of the Telecommunications Act of 1996 (1996 Act) to adopt policies that are pro-competitive but that also preserve and advance universal service. Congress recognized that to promote fair competition, it would be necessary to rely on explicit, competitively neutral mechanisms to support universal service rather than on the implicit support mechanisms that have existed to date. In addition, although the 1996 Act does not require the Commission to reform its access charge regime, the Commission has properly recognized that interstate access charges contain implicit subsidy flows that may not be compatible with the universal service provisions of the 1996 Act.

As the Commission implements the 1996 Act's paradigm for local exchange competition, it must replace existing hidden support for costs related to universal service with the explicit and sufficient support required by the 1996 Act.<sup>1</sup> Otherwise, the Commission's regulations would distort competition, particularly for attractive business customers. Thus, GTE herein proposes an Interim Funding Plan to fund (i) interstate loop (common line) costs not recovered directly from subscribers, (ii) other interstate universal service-related costs now recovered through usage sensitive switched access charges from interexchange carriers (IXCs), and (iii) existing explicit universal service funding elements (Lifeline, Link-up,

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<sup>1</sup> Implicit hidden support results when the price for a service is set at a level that more than recovers the full cost (direct plus reasonable share of common cost) of that service, in order to price another at a level that does not recover the full cost. Thus, a hidden subsidy flows from one service to another.

DEM Weighting, and current high-cost loop support).<sup>2</sup> All telecommunications providers would contribute to funding these costs on the basis of their share of retail interstate revenues.

Because the 1996 Act requires funding to be explicit, the Commission must eliminate implicit support for universal service within interstate prices. Today, for example, ILECs in many cases do not recover the interstate costs of residential loops on an economically efficient, flat-rated basis directly from the users of the loops. Instead, because residential SLCs are capped, multi-line businesses and IXCs support residential loop costs through higher business SLCs and the residually priced Carrier Common Line Charge (CCLC), respectively. Thus, both the bifurcated SLC and the CCLC provide implicit universal service support for residential service.

Several parties recently have presented proposals to the Commission that attempt to address both funding for universal service and the introduction of a more rational access charge pricing structure.<sup>3</sup> GTE urges the Commission to reject any proposal to replace the CCLC with an increased multi-line SLC and a pre-subscribed line (PSL) charge paid by IXCs. Contrary to both the 1996 Act and the Joint Board's recommendations, this approach would maintain, and in many cases increase, the amount of implicit universal service subsidy from some customers and would create a distorted market environment in which genuine competition could not exist.

The SLC today is based on average loop costs. Multi-line loop costs are, overall, less than average because multi-line loops generally are located in more densely populated areas, have a lower than average loop length, and in many cases employ loop technology that provides a large volume of loops to a single location at a very low cost. Thus, the current multi-line SLC recovers a greater percentage of the interstate allocated costs of the loop than the residential and single line business SLCs. An increased multi-line SLC would only add to the disparity in the percentage of cost recovered.

Creating a PSL charge would maintain the implicit subsidy currently in the CCLC. By pricing the residual, averaged multi-line PSL higher than the single-line PSL, the Commission would perpetuate, if not increase, implicit subsidies in a manner decidedly not

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<sup>2</sup> This proposal is "interim" because it addresses only certain implicit subsidies in interstate prices.

<sup>3</sup> GTE supports, for example, the Southwestern Bell/BellSouth/Pacific Bell proposal that CCLC costs be recognized for what they are -- universal service support -- and therefore recovered from a universal service fund. Such an arrangement would be an important part of an interim universal service plan if the Commission decides to limit its initial decision to an interstate plan.

competitively neutral. In both the cases of the SLC and the PSL, the implicit subsidies remaining in ILEC business rates would provide multi-line customers little real choice but to abandon ILEC services in favor of alternative service providers. Not only would this distort business competition as a result of regulatory fiat rather than market incentives, it also would erode universal service support as business customers migrated to other service providers.

Because funding universal service through an increased multi-line SLC and PSL charge would thwart Congress's universal service objectives and distort competition, GTE recommends the following Interim Funding Plan that is based entirely on the funds contained in the current interstate universal service "system."

1. An interim, interstate universal service fund would be established. This Interim Fund would include: the existing High Cost Fund; current Long Term Support; current DEM Weighting Support; Lifeline and Link-up funding; Line-Port costs (estimated at 30% of existing Local Switching costs;) and Common Line costs (comprised of the current Carrier Common Line revenues and ILEC contributions to the Interim Fund.)
2. All interstate telecommunications providers would contribute to the Interim Fund based on each provider's share of total interstate retail revenues.
3. ILECs' share of interstate retail revenues would be based on their interstate subscriber line charge revenues.

While no "new" support would be needed for this Interim Funding Plan, ILEC contributions to the Interim Fund would be included in the Fund itself. ILECs are likely to be prohibited from assessing surcharges on interstate retail customers to recoup the costs inherent in the contributions to the Interim Fund. No other carriers will be similarly constrained by regulation. The total amount of costs recovered from interstate, end user SLC charges and from the new Interim Fund would not exceed the amount of implicit universal service support today contained in access charges or contemplated by the Commission's new access charge plan.

The following chart illustrates the effect of GTE's Interim Funding Plan. A spreadsheet from which this summary was derived also is attached. While IXC and ILEC costs and revenues, respectively, change only by the amount ILECs contribute to the Interim Fund, universal service-related access costs are recovered in a manner which doesn't exacerbate the significant, implicit subsidy burden already borne by large business customers, as would large differentials in multi-line subscriber line charges and presubscribed line charges. Moreover, while IXCs alone will enjoy the benefits of per minute of use rate reductions, other non-IXCs will share the burden of contributing to the Interim Fund.

The Honorable Reed E. Hundt  
April 25, 1997  
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| (\$000s)   | Current             | GTE Proposal        | Difference        |
|--|---------------------|---------------------|-------------------|
| <b>ILEC Revenues</b>   |                     |                     |                   |
| Per MOU Rates  | \$12,183,911        | \$7,286,351         | -\$4,897,561      |
| USF  | \$1,715,817         | \$6,493,206         | \$4,777,389       |
| SLC  | \$7,174,513         | \$7,174,513         | \$0               |
| <b>Total</b>   | <b>\$21,074,241</b> | <b>\$20,954,069</b> | <b>-\$120,172</b> |
| <b>IXC Costs (Overstated by amount of non-IXC USF contributions)</b> |                     |                     |                   |
| Per MOU Rates  | \$12,183,911        | \$7,286,351         | -\$4,897,561      |
| - TS Rate  | \$0.0299            | \$0.0179            | -\$0.0120         |
| USF  | \$1,715,817         | \$6,493,206         | \$4,777,389       |
| <b>Total</b>   | <b>\$13,899,728</b> | <b>\$13,779,556</b> | <b>-\$120,172</b> |

GTE urges the Commission to adopt a competitively neutral universal service plan that provides for explicit and sufficient universal service support, even if limited to interstate costs, as is the Interim Funding Proposal contained in this letter. Any universal service funding mechanism that continues to rely on implicit support and/or increases reliance upon implicit support cannot foster the genuinely competitive environment intended by Congress.

Sincerely,



GEOFFREY C. GOULD  
Vice President - Government and  
Federal Regulatory Affairs

c: Commissioner Rachelle B. Chong  
Commissioner Susan Ness  
Commissioner James H. Quello  
Mr. James Colthap  
Mr. Daniel Gonzalez  
Mr. James Casserly  
Mr. Thomas Boasberg  
Ms. Regina Keeney  
Mr. A Richard Metzger, Jr.  
Ms. Kathleen B. Levitz  
Mr. John Nakahata  
Mr. Joseph Farrell  
Mr. James D. Schlicting  
Mr. Richard K. Welch

**GTE Interim Fund Proposal**

|    |  |                     |                     |
|----|--|---------------------|---------------------|
| 1  |  |                     |                     |
| 2  |  |                     |                     |
| 3  | <b>Current Per MOU Access Revenues</b> | Tier 1 and NECA     |                     |
| 4  | LS                                     | \$4,548,355         |                     |
| 5  | CCL                                    | \$3,533,054         |                     |
| 6  | TIC                                    | \$2,738,567         |                     |
| 7  | IS                                     | \$119,838           |                     |
| 8  | SW Trans                               | \$1,244,097         |                     |
| 9  | <b>Total</b>                           | <b>\$12,183,911</b> |                     |
| 10 |  |                     |                     |
| 11 | <b>SLC Revenues</b>                    | <b>\$7,174,513</b>  |                     |
| 12 |  |                     |                     |
| 13 | <b>Interim Fund</b>                    |                     |                     |
| 14 | USF                                    | \$775,000           |                     |
| 15 | LTS                                    | \$410,000           |                     |
| 16 | DEM                                    | \$375,000           |                     |
| 17 | Lifeline                               | \$137,295           |                     |
| 18 | Linkup                                 | \$18,522            |                     |
| 19 | CCL                                    | \$3,533,054         |                     |
| 20 | LinePort                               | \$1,364,507         | line 4 * .3         |
| 21 | <b>Subtotal</b>                        | <b>\$6,613,378</b>  |                     |
| 22 | ILEC Funding                           | \$891,483           | @13.48%             |
| 23 | <b>Total Fund</b>                      | <b>\$7,504,861</b>  |                     |
| 24 |  |                     |                     |
| 25 | <b>USF Funding Obligations</b>         |                     |                     |
| 26 | ILEC Funding                           | \$1,011,655         | line 23 * .1348     |
| 27 | Other Funding                          | \$6,493,206         | line 23 * (1-.1348) |
| 28 |  |                     |                     |
| 29 | <b>Future Per MOU Access Revenues</b>  |                     |                     |
| 30 | LS                                     | \$3,183,849         | line 4 * .7         |
| 31 | CCL                                    | \$0                 |                     |
| 32 | TIC                                    | \$1,916,997         | line 6 * .7         |
| 33 | IS                                     | \$119,838           |                     |
| 34 | SW Trans                               | \$2,065,667         | line 8+line 6*.3    |
| 35 | <b>Total</b>                           | <b>\$7,286,351</b>  |                     |

|  | (\$000s) | Current             | GTE Proposal        | Difference        |
|--|----------|---------------------|---------------------|-------------------|
| <b>ILEC Revenues</b>   |          |                     |                     |                   |
| Per MOU Rates  |          | \$12,183,911        | \$7,286,351         | -\$4,897,561      |
| USF  |          | \$1,715,817         | \$6,493,206         | \$4,777,389       |
| SLC  |          | \$7,174,513         | \$7,174,513         | \$0               |
| <b>Total</b>   |          | <b>\$21,074,241</b> | <b>\$20,954,069</b> | <b>-\$120,172</b> |
| <b>IXC Costs (Overstated by amount of non-IXC USF contributions)</b> |          |                     |                     |                   |
| Per MOU Rates  |          | \$12,183,911        | \$7,286,351         | -\$4,897,561      |
| - TS Rate  |          | \$0.0299            | \$0.0179            | -\$0.0120         |
| USF  |          | \$1,715,817         | \$6,493,206         | \$4,777,389       |
| <b>Total</b>   |          | <b>\$13,899,728</b> | <b>\$13,779,556</b> | <b>-\$120,172</b> |