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Robert W. Haga  
Director - Government Relations

RECEIVED

OCT 30 1997

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

October 30, 1997

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

Re: Notice of Ex Parte Presentation, In the Matter of the  
Universal Service Joint Board, **CC Docket No. 96-45**

Dear Mr. Caton:

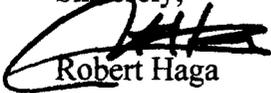
On October 29, 1997, NECA representatives Jeff Dupree, Director - Separations and Access Costs, and myself met with Lisa Gelb, Lisa Boehley, and Katie King of the Universal Service Branch, and Steve Burnett of the Accounting and Audits Division.

NECA reviewed the current methods for calculating Dial Equipment Minutes (DEM) and Long Term Support (LTS), how the new Universal Service support mechanisms will work, and discussed how NECA calculated the Unseparated Local Switching Revenue Requirement (ULSRR) for use in determining the Local Switching Support Amounts for its Traffic Sensitive Pool companies. The attached handout was used during the meeting. NECA stated that the process outlined in the handout provides the most accurate methodology to calculate the ULSRR.

We also reviewed the NECA pooling process and the true-up methodologies used by the pooling companies. We stated that a true-up mechanism is necessary to maintain the accuracy and integrity of the Local Switching Support and Long Term Support payments from the Universal Service Fund. We proposed that projected Local Switching Support be reconciled with actual local switching costs within fifteen months from the end of the study period, and that the 1998 LTS projections be reconciled with actual Long Term Support requirements within fifteen months from the end of the 1997 study period.

In accordance with Commission rules I am submitting two copies of this notice to the Office of the Secretary. Please acknowledge receipt hereof by affixing a notation on a duplicate copy of this letter furnished herewith for such purposes and remitting same to the bearer.

Sincerely,

  
Robert Haga

Attachment

cc: Lisa Gelb  
Lisa Boehley  
Katie King  
Steve Burnett

No. of Copies rec'd of 2  
List ABCDE



100 South Jefferson Road  
Whippany, New Jersey 07981  
201/884-8000

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October 29, 1997

Steve Burnett  
Accounting & Audits Division  
Federal Communications Commission

**SUBJECT: Items Included in NECA's Unseparated Local Switching Revenue Requirement Calculation**

As requested, attached is a list of the accounts and cost items proposed by NECA to calculate the unseparated local switching revenue requirement for use in determining the Local Switching Support Amounts for its Traffic Sensitive Pool companies. In addition, the basis for allocating the total account amounts for each item to the Central Office Equipment Category 3 (local switching) level is shown. NECA proposes to use this calculation of the unseparated local switching revenue requirement pending further Commission release of an Order or rule.

Please contact me on (973) 884-8083 if you have any questions.

A handwritten signature in black ink, appearing to read "Jeffrey E. Dupree", is written over the typed name.

Jeffrey E. Dupree  
Director - Separations & Access Charges

Attachment

## Unseparated Local Switching Revenue Requirements

Account		Basis for Allocating Costs
Telecommunications Plant in Service (TPIS)	2001	studies
Central Office Equipment	2210, 2220, 2230	studies
COE Category 3 (local switching)	2210 Cat 3	studies
Cable & Wire Facilities Equip.	2410	studies (used for factor purposes only)
Information Orig/Term Equip.	2310	studies (used for factor purposes only)
General Support Facilities	2110	COE 3/(COE+CWF+IOT)
Amortizable Tangible Assets	2680	COE 3/(COE+CWF+IOT)
Intangibles	2690	COE 3/(COE+CWF+IOT)
Telecommunications Plant - Other	2002, 2003, 2005	COE 3/TPIS
Rural Telephone Bank (RTB) Stock	1402	COE 3/TPIS
Materials & Supplies	1220	COE 3/TPIS
Cash Working Capital		COE 3/TPIS
Accumulated Depreciation	3100	(COE 3/COE Switching) x Acct 3100-Switching + (COE 3/TPIS) x Acct 3100-Support Assets
Net Deferred Income Taxes	4100, 4340	COE 3/TPIS
Accumulated Amortization	3400, 3500, 3600	COE 3/TPIS
General Support Expense	6120	COE 3/(COE+CWF+IOT)
Network Support Expense	6110	COE 3/TPIS
Central Office Expense	6210, 6220, 6230	COE 3/Total COE
Other Property Plant & Equipment Expense	6510	COE 3/TPIS
Network Operations Expense	6530	COE 3/TPIS
Customer Operations Expense	6610, 6620	COE 3/TPIS
Services Expense	6620	COE 3/TPIS
Corporate Operations Expense	6710, 6720	COE 3 expense as % of Big 3 Expense
Operating Taxes	7230, 7240	COE 3/TPIS
Federal Investment Tax Credits	7210, 7250	COE 3/TPIS
Depreciation & Amortization Expense	6560	(COE 3/COE Switching) x Acct 6560-Switching + (COE 3/TPIS) x Acct 6560-Support Assets
Non-Operating Income & Expense	7300	COE 3/TPIS
Interest & Related Items	7500	COE 3/TPIS
Allow. for Funds Used During Construction	7340	COE 3/TPIS
Other Non-current Assets	1410	COE 3/TPIS
Other Jurisdictional Assets, Liabilities	1500, 4370	COE 3/TPIS
Customer Deposits	4040	COE 3/TPIS
Other Long-term Liabilities	4310	COE 3/TPIS
Deferred Maintenance & Retirements	1438	COE 3/TPIS
Average Net Investment		calculated
Return on Investment		calculated
Federal Income Tax		calculated
Expenses & Other Taxes		calculated
Revenue Requirement		calculated