

EX PARTE OR LATE FILED



Albert M. Lewis, Esq.  
Federal Government Affairs  
Vice President

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April 1, 1998

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APR - 1 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas, Secretary  
Federal Communications Commission  
Office of the Secretary  
1919 M. Street, NW Room 200  
Washington, DC 20554

Re: Ex parte - CC Docket No. 96-45 - (Report to Congress)

Dear Ms. Salas:

On March 31, 1998, Joel Lubin, of AT&T, and I met with Michael Riordan and Patrick DeGraba of the Office of Plans and Policy, and Donald Stockdale of the Common Carrier Bureau. During the discussion, AT&T reviewed its position, as described by Mr. Lubin during his testimony at the en banc hearing on March 6, 1998. In particular, AT&T reviewed its proposal that the Commission delay the implementation of the cost proxy methodology for determining high cost support for the Major LECs, but not that it delay the adoption of a proxy cost model, at least until these companies have opened their markets to robust local competition. AT&T also reviewed the impact of Universal Service and Access Reform on the interexchange industry using the material contained in the enclosed ex parte submission.

Two copies of this Notice are being submitted to the Secretary of the Commission in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Very truly yours,

*Albert M. Lewis*

Enclosure

cc: Mr. M. Riordan  
Mr. P. DeGraba  
Mr. D. Stockdale

No. of Copies rec'd  
List A B C D E

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Brian W. Masterson  
Government Affairs Director

MAR 24 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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1120 20th. St. NW  
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March 24, 1998

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, Room 222  
Washington, DC 20554

Re: Ex Parte Access Charge Reform CC Docket 96-262

Dear Ms Salas:

On March 23, 1998 Joel Lubin, and Paul Malandrakis of AT&T and I met with R. Lerner, J. Scott, and C. Barnekov, of the Competitive Pricing Division of the Common Carrier Bureau. AT&T discussed the impacts of Universal Service and Access Reform on the interexchange industry beginning July 1, 1998. AT&T quantified the impacts of several scenarios as detailed in the attached charts.

Further, AT&T advocated that the Commission, on July 1, 1998, set the LEC Interstate Price Cap Productivity Factor at 9.3% on a going forward basis and re-initialize interstate access prices from July 1, 1995 using the same factor. AT&T estimates that the amount of the July 1, 1998 access reduction for Price Cap companies resulting from the revised productivity factor and the re-initialization to be approximately \$3.6 billion.

In accordance with Section 1.1206(a)(1) of the Commission's rules, two (2) copies of this notice are being submitted to the Secretary of the FCC today.

Sincerely,

A handwritten signature in cursive script that reads "Brian W. Masterson".

Brian W. Masterson

Attachment  
cc: R. Lerner  
C. Barnekov  
J. Scott

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Brian W. Masterson  
Government Affairs Director

MAR 24 1998

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1120 20th. St. NW  
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March 24, 1998

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, Room 222  
Washington, DC 20554

Re: Ex Parte Price Cap Performance Review for Local Exchange Carriers CC Docket 94-1

Dear Ms Salas:

On March 23, 1998 Joel Lubin, and Paul Malandrakis of AT&T and I met with R. Lerner, J. Scott, and C. Bamekov, of the Competitive Pricing Division of the Common Carrier Bureau. AT&T discussed the impacts of Universal Service and Access Reform on the interexchange industry beginning July 1, 1998. AT&T quantified the impacts of several scenarios as detailed in the attached charts.

Further, AT&T advocated that the Commission, on July 1, 1998, set the LEC Interstate Price Cap Productivity Factor at 9.3% on a going forward basis and re-initialize interstate access prices from July 1, 1995 using the same factor. AT&T estimates that the amount of the July 1, 1998 access reduction for Price Cap companies resulting from the revised productivity factor and the re-initialization to be approximately \$3.6 billion.

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March 24, 1998

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M Street, Room 222  
Washington, DC 20554

Re: Ex Parte Federal State Joint Board on Universal Service CC Docket 96-45

Dear Ms Salas:

On March 23, 1998 Joel Lubin, and Paul Malandrakis of AT&T and I met with R. Lerner, J. Scott, and C. Barnekov, of the Competitive Pricing Division of the Common Carrier Bureau. AT&T discussed the impacts of Universal Service and Access Reform on the interexchange industry beginning July 1, 1998. AT&T quantified the impacts of several scenarios as detailed in the attached charts.

Further, AT&T advocated that the Commission, on July 1, 1998, set the LEC Interstate Price Cap Productivity Factor at 9.3% on a going forward basis and re-initialize interstate access prices from July 1, 1995 using the same factor. AT&T estimates that the amount of the July 1, 1998 access reduction for Price Cap companies resulting from the revised productivity factor and the re-initialization to be approximately \$3.6 billion.

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Brian W. Masterson

Attachment

cc: R. Lerner  
C. Barnekov  
J. Scott

Scenario Summary (\$Millions)			
	Base Case	Flat 3 and 4 Qtr	Switched @ 0
<b>Second Quarter</b>			
Schools	325	325	325
Rural Health Care	25	25	25
Total Socials	350	350	350
<b>Assumptions for 3rd and 4th Quarters:</b>			
Socials 3Q	725	350	561
Socials 4Q	725	350	561
<b>Results</b>			
Per Minute Access Charges	(145)	(661)	(379)
US Direct	607	23	366
Net Switched	492	(671)	0
US Private Line	86	3	52
Net Industry	578	(668)	52

# Impacts of Universal Service/Access Reform on Interexchange Industry

Base Case

1-Jul-98

## Per Minute Access Charges

PICCs	(30)
SLCs	(15)
LTS & DEM	
Flowback	582
Other	
P-cap	(681)

Total Per Minute Access **(145)**

PICCs 30

## Universal Service

USF Assessment - Switched\* 607

Total Universal Service **607**

Net Switched **492**

USF Assessment - Private Line\* 86

Net Industry\*\* **578**

\*Reflects revised USAC rates for 2nd Quarter and Industry revenue base published on 2/11/98

\*\*Effect of price caps on special access not included due to potential offset by headroom

1998 USF Assessment by quarter\*

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
High Cost Fund	434.1	431.1	434.1	434.1	1,733.4
Low Income	125.3	125.3	136.0	136.0	522.6
Schools and Libraries	300.0	325.0	625.0	625.0	1,875.0
Rural Health Care Providers	25.0	25.0	100.0	100.0	250.0
<b>Interstate only Assessment Rate</b>	<b>3.20%</b>	<b>3.15%</b>	<b>3.23%</b>	<b>3.23%</b>	
Funding	559.4	556.4	570.1	570.1	2,256
Revenues	17,501	17,652	17,652	17,652	70,455
<b>Total Rev. Assessment Rate</b>	<b>0.72%</b>	<b>0.76%</b>	<b>1.57%</b>	<b>1.57%</b>	
Funding	325	350	725	725	2,125
Revenues	44,914	46,093	46,093	46,093	183,192
<b>Interstate combined rate:</b>	<b>3.92%</b>	<b>3.91%</b>	<b>4.80%</b>	<b>4.80%</b>	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
Total of All Funds	884.4	906.4	1,295.1	1,295.1	4,381.0
IXC Assessment	590.3	598.4	767.6	767.6	2,723.7
IXC-direct socials	137.0	147.6	305.6	305.6	
IXC- direct High costs/Low Income	453.2	450.8	461.9	461.9	
IXC Share + Flowback	785.7	803.0	1,117.3	1,117.3	3,823.3

\*Revised to reflect 2nd quarter USAC revenues and contribution factors. Hence, flowback shown for 2Qtr is what it should have been as opposed to what was available for the LEC 1/1 filings

# Impacts of Universal Service/Access Reform on Interexchange Industry

Flat 3 and 4 Qtr

1-Jul-98

## Per Minute Access Charges

PICCs	33
SLCs	(15)
LTS & DEM	
Flowback	3
Other	
P-cap	(681)

Total Per Minute Access **(661)**

PICCs (33)

## Universal Service

USF Assessment - Switched\* 23

Total Universal Service **23**

Net Switched **(671)**

USF Assessment - Private Line\* 3

Net Industry\*\* **(668)**

\*Reflects revised USAC rates for 2nd Quarter and Industry revenue base published on 2/11/98

\*\*Effect of price caps on special access not included due to potential offset by headroom

1998 USF Assessment by quarter\*

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
High Cost Fund	434.1	431.1	434.1	434.1	1,733.4
Low Income	125.3	125.3	125.3	125.3	501.2
Schools and Libraries	300.0	325.0	325.0	325.0	1,275.0
Rural Health Care Providers	25.0	25.0	25.0	25.0	100.0
Interstate only Assessment Rate	3.20%	3.15%	3.17%	3.17%	
Funding	559.4	556.4	559.4	559.4	2,235
Revenues	17,501	17,652	17,652	17,652	70,455
Total Rev. Assessment Rate	0.72%	0.76%	0.76%	0.76%	
Funding	325	350	350	350	1,375
Revenues	44,914	46,093	46,093	46,093	183,192
<del>Interstate combined rate:</del>	<del>3.92%</del>	<del>3.91%</del>	<del>3.93%</del>	<del>3.93%</del>	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
Total of All Funds	884.4	906.4	909.4	909.4	3,609.6
IXC Assessment	590.3	598.4	600.8	600.8	2,390.2
IXC-direct socials	137.0	147.6	147.6	147.6	
IXC- direct High costs/Low Income	453.2	450.8	453.2	453.2	
IXC Share + Flowback	785.7	803.0	805.8	805.8	3,200.3

\*Revised to reflect 2nd quarter USAC revenues and contribution factors. Hence, flowback shown for 2Qtr is what it should have been as opposed to what was available for the LEC 1/1 filings

**Impacts of Universal Service/Access Reform  
on Interexchange Industry**

Switched @ 0

0

1-Jul-98

**Per Minute Access Charges**

PICCs	(13)
SLCs	(15)
LTS & DEM	
Flowback	331
Other	
P-cap	(681)

**Total Per Minute Access (378)**

PICCs 13

**Universal Service**

USF Assessment - Switched\* 365

**Total Universal Service 365**

**Net Switched (0)**

USF Assessment - Private Line\* 52

**Net Industry\*\* 52**

\*Reflects revised USAC rates for 2ndQuarter and Industry revenue base published on 2/11/98

\*\*Effect of price caps on special access not included.

1998 USF Assessment by quarter\*

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
High Cost Fund	434.1	431.1	434.1	434.1	1,733.4
Low Income	125.3	125.3	136.0	136.0	522.6
Schools and Libraries	300.0	325.0	461.4	461.4	1,547.7
Rural Health Care Providers	25.0	25.0	100.0	100.0	250.0
Interstate only Assessment Rate	3.20%	3.15%	3.23%	3.23%	
Funding	559.4	556.4	570.1	570.1	2,256
Revenues	17,501	17,652	17,652	17,652	70,455
Total Rev. Assessment Rate	0.72%	0.76%	1.22%	1.22%	
Funding	325	350	561.3614	561.3614	1,798
Revenues	44,914	46,093	46,093	46,093	183,192
<del>Interstate combined rate</del>	<del>3.92%</del>	<del>3.91%</del>	<del>4.45%</del>	<del>4.45%</del>	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
Total of All Funds	884.4	906.4	1,131.5	1,131.5	4,053.7
IXC Assessment	590.3	598.4	698.6	698.6	2,585.7
IXC-direct socials	137.0	147.6	236.7	236.7	
IXC- direct High costs/Low Income	453.2	450.8	461.9	461.9	
IXC Share + Flowback	785.7	803.0	985.8	985.8	3,560.2

\*Revised to reflect 2nd quarter USAC revenues and contribution factors. Hence, flowback shown for 2Qtr is what it should have been as opposed to what was available for the LEC 1/1 filings

# Impacts of Universal Service/Access Reform on Interexchange Industry

Flat 3 and 4 Qtr  
Price Cap Reinitialization

1-Jul-98

## Per Minute Access Charges

PICCs	635
SLCs	65
LTS & DEM	
Flowback	3
Other	
P-cap	(3,157)

Total Per Minute Access **(2,453)**

PICCs (635)

## Universal Service

USF Assessment - Switched\* 23

Total Universal Service **23**

Net Switched **(3,066)**

USF Assessment - Private Line\* 3

Net Industry\*\* **(3,063)**

\*Reflects revised USAC rates for 2ndQuarter and Industry revenue base published on 2/11/98

\*\*Effect of price caps on special access not included

1998 USF Assessment by quarter

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
High Cost Fund	434.1	431.1	434.1	434.1	1,733.4
Low Income	125.3	125.3	125.3	125.3	501.2
Schools and Libraries	300.0	325.0	325.0	325.0	1,275.0
Rural Health Care Providers	25.0	25.0	25.0	25.0	100.0
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Funding	559.4	556.4	559.4	559.4	2,235
Revenues	17,501	17,652	17,652	17,652	70,455
Total Rev. Assessment Rate	0.72%	0.76%	0.76%	0.76%	
Funding	325	350	350	350	1,375
Revenues	44,914	46,093	46,093	46,093	183,192
<del>Interstate combined rate</del>	<del>3.92%</del>	<del>3.91%</del>	<del>3.93%</del>	<del>3.93%</del>	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
Total of All Funds	884.4	906.4	909.4	909.4	3,609.6
IXC Assessment	590.3	598.4	600.8	600.8	2,390.2
IXC-direct socials	137.0	147.6	147.6	147.6	
IXC- direct High costs/Low Income	453.2	450.8	453.2	453.2	
IXC Share + Flowback	785.7	803.0	805.8	805.8	3,200.3

\*Revised to reflect 2nd quarter USAC revenues and contribution factors. Hence, flowback shown for 2Qtr is what it should have been as opposed to what was available for the LEC 1/1 filings

	<u>LEC</u>	<u>IX</u> <u>INDUSTRY</u>	<u>FLOWBACK*</u>
Schools/Libraries Rural Health Care Combined	41.1%	42.2%	38.2%
		<div style="border: 1px solid black; width: 100%; height: 100%; position: relative;"> <span style="position: absolute; bottom: 5px; right: 5px;">80.4%</span> </div>	
HCF (Interstate)	13.7%	81.0%	12.7%
		<div style="border: 1px solid black; width: 100%; height: 100%; position: relative;"> <span style="position: absolute; bottom: 5px; right: 5px;">93.7%</span> </div>	

NOTE: 2nd quarter USAC revenues effective 4/1/98

\* Assumed 93% Flowback

REINITIALIZATION OF LEC PRICE CAP PRODUCTIVITY FACTORS  
TO INTERSTATE LEVELS

ANNUAL TARIFF FILING	REINITIALIZE TO 9.30% (\$millions)
1995	(\$1,003)
1996	(\$639)
1997	(\$642)
1998*	(\$1,358)
TOTAL	(\$3,641)

NOTE: Reinitialization totals based on 1996 Base Year Revenues

\* Assume 1998 Annual Filing made with specified X factor.