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EX PARTE OR LATE FILED

April 24, 1998

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

RECEIVED  
APR 27 1998  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: Ex Parte

Price Cap Performance Review for Local Exchange Carriers CC Docket 94-1  
Federal State Joint Board on Universal Service CC Docket 96-45  
Access Charge Reform CC Docket 96-262

Dear Ms Salas:

On April 24, 1998 Paul Malandrakis, Bob Linticum, Dick Potter 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 Price Caps, 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.

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,

*Brian W. Masterson*

Brian W. Masterson

Attachment

cc: R. Lerner  
C. Barnekov  
J. Scott

O+Z

<b>Scenario Summary (\$Millions)</b>			
	<b>Base Case</b>	<b>Flat 3 and 4 Qtr</b>	<b>Switched @ 0</b>
<b>Second Quarter</b>			
<b>Schools</b>	325	325	325
<b>Rural Health Care</b>	25	25	25
<b>Total Socials</b>	350	350	350
<b>Assumptions for 3rd and 4th quarters:</b>			
<b>Socials 3Q</b>	725	350	561
<b>Socials 4Q</b>	725	350	561
<b>Results</b>			
<b>Per Minute Access Charges</b>	(90)	(580)	(303)
<b>USF Direct</b>	607	23	365
<b>Net Switched</b>	493	(671)	0
<b>USF Private Line</b>	86	3	52
<b>Net Industry</b>	530	(716)	3

# Impacts of Universal Service/Access Reform on Interexchange Industry

Base Case

1-Jul-98

## Per Minute Access Charges

PICCs	24
SLCs	(20)
Flowback	582
P-cap	(676)
<b>Total Per Minute Access</b>	<b>(90)</b>

**PICCs** (24)

## Universal Service

USF Assessment - Switched*	607
<b>Total Universal Service</b>	<b>607</b>

**Net Switched** 493

USF Assessment - Private Line	86
P-cap	(48)
<b>Net Industry</b>	<b>530</b>

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

**Base Case**

**1998 USF Assessment by quarter\***

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
<b>High Cost Fund</b>	434.1	431.1	434.1	434.1	1,733.4
<b>Low Income</b>	125.3	125.3	136.0	136.0	522.6
<b>Schools and Libraries</b>	300.0	325.0	625.0	625.0	1,875.0
<b>Rural Health Care Providers</b>	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>	
<b>Funding</b>	<b>559.4</b>	<b>556.4</b>	<b>570.1</b>	<b>570.1</b>	<b>2,256</b>
<b>Revenues</b>	<b>17,501</b>	<b>17,652</b>	<b>17,652</b>	<b>17,652</b>	<b>70,455</b>
<b>Total Rev. Assessment Rate</b>	<b>0.72%</b>	<b>0.76%</b>	<b>1.57%</b>	<b>1.57%</b>	
<b>Funding</b>	<b>325</b>	<b>350</b>	<b>725</b>	<b>725</b>	<b>2,125</b>
<b>Revenues</b>	<b>44,914</b>	<b>46,093</b>	<b>46,093</b>	<b>46,093</b>	<b>183,192</b>
<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
<b>Total of All Funds</b>	884.4	906.4	1,295.1	1,295.1	4,381.0
<b>IXC Assessment</b>	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	
<b>IXC Share + Flowback</b>	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 USF 3 and 4 Qtr**

1-Jul-98

**Per Minute Access Charges**

PICCs	113
SLCs	(20)
Flowback	3
P-cap	(676)
<b>Total Per Minute Access</b>	<b>(580)</b>

**PICCs** (113)

**Universal Service**

USF Assessment - Switched*	23
<b>Total Universal Service</b>	<b>23</b>

**Net Switched** **(671)**

USF Assessment - Private Line	3
P-cap	(48)

**Net Industry** **(716)**

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

**Flat USF 3 and 4 Qtr**

**1998 USF Assessment by quarter\***

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
<b>High Cost Fund</b>	434.1	431.1	434.1	434.1	1,733.4
<b>Low Income</b>	125.3	125.3	125.3	125.3	501.2
<b>Schools and Libraries</b>	300.0	325.0	325.0	325.0	1,275.0
<b>Rural Health Care Providers</b>	25.0	25.0	25.0	25.0	100.0

<b>Interstate only Assessment Rate</b>	<b>3.20%</b>	<b>3.15%</b>	<b>3.17%</b>	<b>3.17%</b>	
<b>Funding</b>	<b>559.4</b>	<b>556.4</b>	<b>559.4</b>	<b>559.4</b>	<b>2,235</b>
<b>Revenues</b>	<b>17,501</b>	<b>17,652</b>	<b>17,652</b>	<b>17,652</b>	<b>70,455</b>
<b>Total Rev. Assessment Rate</b>	<b>0.72%</b>	<b>0.76%</b>	<b>0.76%</b>	<b>0.76%</b>	
<b>Funding</b>	<b>325</b>	<b>350</b>	<b>350</b>	<b>350</b>	<b>1,375</b>
<b>Revenues</b>	<b>44,914</b>	<b>46,093</b>	<b>46,093</b>	<b>46,093</b>	<b>183,192</b>
<b>Interstate combined rate</b>	<b>3.92%</b>	<b>3.91%</b>	<b>3.93%</b>	<b>3.93%</b>	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
<b>Total of All Funds</b>	884.4	906.4	909.4	909.4	3,609.6
<b>IXC Assessment</b>	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**

**1-Jul-98**

**Per Minute Access Charges**

PICCs	62
SLCs	(20)
Flowback	331
P-cap	(676)
<b>Total Per Minute Access</b>	<b>(303)</b>

**PICCs** (62)

**Universal Service**

USF Assessment - Switched*	365
<b>Total Universal Service</b>	<b>365</b>

**Net Switched** **0**

USF Assessment - Private Line	52
P-cap	(48)
<b>Net Industry</b>	<b>3</b>

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

Switched @ 0

**1998 USF Assessment by quarter\***

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
<b>High Cost Fund</b>	434.1	431.1	434.1	434.1	1,733.4
<b>Low Income</b>	125.3	125.3	136.0	136.0	522.6
<b>Schools and Libraries</b>	300.0	325.0	461.2	461.2	1,547.4
<b>Rural Health Care Providers</b>	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>	
<b>Funding</b>	<b>559.4</b>	<b>556.4</b>	<b>570.1</b>	<b>570.1</b>	<b>2,256</b>
<b>Revenues</b>	<b>17,501</b>	<b>17,652</b>	<b>17,652</b>	<b>17,652</b>	<b>70,455</b>
<b>Total Rev. Assessment Rate</b>	<b>0.72%</b>	<b>0.76%</b>	<b>1.22%</b>	<b>1.22%</b>	
<b>Funding</b>	<b>325</b>	<b>350</b>	<b>561.1758</b>	<b>561.1758</b>	<b>1,797</b>
<b>Revenues</b>	<b>44,914</b>	<b>46,093</b>	<b>46,093</b>	<b>46,093</b>	<b>183,192</b>
<b>Interstate combined rate</b>	<b>3.92%</b>	<b>3.91%</b>	<b>4.45%</b>	<b>4.45%</b>	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
<b>Total of All Funds</b>	884.4	906.4	1,131.3	1,131.3	4,053.4
<b>IXC Assessment</b>	590.3	598.4	698.5	698.5	2,585.6
IXC-direct socials	137.0	147.6	236.6	236.6	
IXC- direct High costs/Low Income	453.2	450.8	461.9	461.9	
IXC Share + Flowback	785.7	803.0	985.6	985.6	3,559.9

\*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

**Flat USF 3 and 4 Qtr  
Reinitialization @ 9.3%**

**1998 USF Assessment by quarter\***

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
<b>High Cost Fund</b>	434.1	431.1	434.1	434.1	1,733.4
<b>Low Income</b>	125.3	125.3	125.3	125.3	501.2
<b>Schools and Libraries</b>	300.0	325.0	325.0	325.0	1,275.0
<b>Rural Health Care Providers</b>	25.0	25.0	25.0	25.0	100.0

<b>Interstate only Assessment Rate</b>	<b>3.20%</b>	<b>3.15%</b>	<b>3.17%</b>	<b>3.17%</b>	
<b>Funding</b>	<b>559.4</b>	<b>556.4</b>	<b>559.4</b>	<b>559.4</b>	<b>2,235</b>
<b>Revenues</b>	<b>17,501</b>	<b>17,652</b>	<b>17,652</b>	<b>17,652</b>	<b>70,455</b>
<b>Total Rev. Assessment Rate</b>	<b>0.72%</b>	<b>0.76%</b>	<b>0.76%</b>	<b>0.76%</b>	
<b>Funding</b>	<b>325</b>	<b>350</b>	<b>350</b>	<b>350</b>	<b>1,375</b>
<b>Revenues</b>	<b>44,914</b>	<b>46,093</b>	<b>46,093</b>	<b>46,093</b>	<b>183,192</b>
<b>Interstate combined rate</b>	<b>3.92%</b>	<b>3.91%</b>	<b>3.93%</b>	<b>3.93%</b>	

(Millions)	1 Quarter	2 Quarter	3 Quarter	4 Quarter	Total
<b>Total of All Funds</b>	884.4	906.4	909.4	909.4	3,609.6
<b>IXC Assessment</b>	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**

Flat USF 3 and 4 Qtr

Reinitialization @ 9.3%

1-Jul-98

**Per Minute Access Charges**

PICCs	501
SLCs	139
Flowback	3
P-cap	(3,178)
<b>Total Per Minute Access</b>	<b>(2,536)</b>

**PICCs** (501)

**Universal Service**

USF Assessment - Switched*	23
<b>Total Universal Service</b>	<b>23</b>

**Net Switched** (3,014)

USF Assessment - Private Line	3
P-cap	(463)
<b>Net Industry</b>	<b>(3,474)</b>

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