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May 22, 1998

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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 (Universal Service)

Dear Ms. Salas:

Today, Joel Lubin, of AT&T, and I met with Jim Schlichting of the Common Carrier Bureau. At the request of the Bureau, we met to discuss hypothetical alternative approaches that could be considered for the assessment and collection of contributions to support the universal service funds. During our discussion, we reviewed the economic implications of various alternatives as summarized in the enclosed chart. We reiterated that there are a number of variables and approaches that could effect the size of the fund, the size of any line item charges, and the way in which those charges are recovered. We took no position on the alternatives that were discussed.

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Two copies of this Notice are being submitted to the Secretary of the Commission in accordance with Section 1.1206(a)(2) of the Commission's Rules.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Albert M. Lenz".

Enclosure

cc: Mr. T. Power
Mr. J. Casserly
Mr. K. Martin
Mr. K. Dixon
Mr. P. Gallant
Mr. J. Schlichting
Ms. R. Milkman
Ms. L. Gelb
Mr. R. Lerner
Ms. V. Yates
Ms. M. Waksman
Mr. B. Wimmer

Line-based Recovery of USF

	S&L/RHC funding per quarter			
	\$525M	\$550M	\$587M	\$662M
1 All S&L/RHC per all lines	\$ 0.76	\$ 0.79	\$ 0.85	\$ 0.96
2 Total USF (S&L,RHC,HCF,LL) per line	\$ 1.55	\$ 1.59	\$ 1.64	\$ 1.75
3 Current revenue-based assessment				
A. IXC Residence S&L/RHC per residence line	\$ 0.29	\$ 0.30	\$ 0.32	\$ 0.36
B. IXC Residence USF (S&L,RHC,HCF,LL) per residence line	\$ 0.89	\$ 0.90	\$ 0.92	\$ 0.96
4 ILEC flowback of USF in access per line (all lines)	\$ 0.51	\$ 0.53	\$ 0.56	\$ 0.61
5 Total (3B + 4)	\$ 1.40	\$ 1.43	\$ 1.48	\$ 1.57

Notes

- (1),(2) Lines equal 231M (includes wireless; excludes pagers of approximately 45M)
- (3) Residence lines for second half of 1998 projected to be 118M
- (4) Residence and business lines for second half of 1998 projected to be 178M
- (5) Lifeline lines of 6 to 7M included in above line estimates.