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May 29, 1998

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. 94-1 (Price Cap Review)

Dear Ms. Salas:

At the request of Commission staff, the enclosed charts, which summarize the economic effects of hypothetical alternative approaches that could be considered for the assessment and collection of contributions to support the universal service funds are submitted for the record in this proceeding to supplement the information provided by AT&T in ex partes filed on May 19 and 22, 1998 in this proceeding. We reiterate that there are a number of variables and approaches that could effect the size of the funds, the size of any line item charges, and the way in which those charges are recovered. We take no position on the alternatives that were requested, or on any of the scenarios analyzed previously at the Commission's request.

The first chart enclosed adds illustrative numbers to show how the per line assessment described in line 2 might be allocated among various services for alternatives that had been previously analyzed. Line 2 totals on this chart differ from line 2 totals on the charts attached to AT&T's prior submissions because they have been revised to include pagers and private lines. This chart also corrects a typographical error reflected in those previous charts, revising the estimated number of pagers from 45 to 54 million. The number

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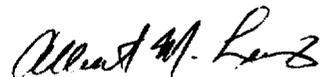
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was simply transposed in the original filings, but this did not affect the analysis because pagers were excluded. The second chart enclosed provides the same analysis for additional hypothetical approaches. Finally, also enclosed is an explanation for the source of the line count projections.

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,



Enclosure

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

Line-based Recovery of USF

S&L/RHC funding per quarter
25M 25.5M 26M 26.5M

1 All S&L/RHC per all lines	\$ 0.60	\$ 0.63	\$ 0.67	\$ 0.76
2 Total USF (S&L,RHC,HCF,LL) per line	\$ 1.25	\$ 1.28	\$ 1.32	\$ 1.41
<u>Illustrative class of service rates equivalent to line 2*:</u>				
Residence	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Business	\$ 2.49	\$ 2.61	\$ 2.79	\$ 3.16
Wireless	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Pagers	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Private Line	\$ 2.49	\$ 2.61	\$ 2.79	\$ 3.16
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 292M (includes residence & business plus wireless: 53M, pagers: 54M, Private Line 7M)
- (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.

* I.e., these rates only represent a family of hypothetical rates that would produce revenue recovery equivalent to line 2; numerous other combinations are also possible.

Revised to include pagers and private lines

Line-based Recovery of USF



1. All S&L/RHC per all lines	\$ 0.17	\$ 0.29	\$ 0.40	\$ 0.51
2. Total USF (S&L,RHC,HCF,LL) per line	\$ 0.82	\$ 0.94	\$ 1.05	\$ 1.16
2a. Illustrative class of service rates equivalent to line 2*				
Residence	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Business	\$ 0.63	\$ 1.12	\$ 1.62	\$ 2.11
Wireless	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Pagers	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50
Private Line	\$ 0.63	\$ 1.12	\$ 1.62	\$ 2.11
3. Current revenue-based assessment				
A. IXC Residence S&L/RHC per residence line	\$ 0.08	\$ 0.14	\$ 0.19	\$ 0.25
B. IXC Residence USF (S&L,RHC,HCF,LL) per residence line	\$ 0.68	\$ 0.74	\$ 0.79	\$ 0.85
4. ILEC flowback of USF in access per line (all lines)	\$ 0.24	\$ 0.32	\$ 0.39	\$ 0.46
5. Total (3B + 4)	\$ 0.92	\$ 1.06	\$ 1.18	\$ 1.31

Notes

(1),(2) Lines equal 292M (includes residence & business plus wireless: 53M, pagers: 54M, Private Line 7M)

(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.

* I.e., these rates only represent a family of hypothetical rates that would produce revenue recovery equivalent to line 2; numerous other combinations are also possible.

Line Count Projections

Residence Lines

Projection of residence line counts for second half 1998 of 118M are developed using 1997 ARMIS¹ 43-08 residence line counts of 106.3. These counts are then expanded to USTA reporting² and to total Industry³ using factors. The factor for ARMIS reporting to USTA reporting is 1.073 and the factor for USTA reporting to industry is 1.015. Applying these factors produces an EOY 1997 line count of 115.8. This count was projected to the second half of 1998 using an annual growth rate of 4% for half a year.

Total Lines (residence and business)

Projection of total line counts of 178M for second half of 1998 are developed using average 1996 price cap lines of 147.6M from the 1/1/98 access reform TRP filings and expanding to industry using a factor of 1.074. The resulting count of 158.5 is then projected to second half of 1998 assuming a growth rate of 3.86% for 1.25 years.

Wireless subscriber

Wireless subscribers of 53M are estimated using EOY 1996 count of 44M from CTIA semi-annual survey and growing that count at a rate of 13% for 1.5 years (Sanity Check: As of 5/27/98 CTIA web page, WOW-COM.com estimates there are 59.6M wireless subscribers "today")

Pagers

Pagers of 54M are estimated using 1997 counts of 49M from the TIAP study (as originally reported by Donaldson Lufkin & Jenrette and The Strategis Group). This starting point is then grown at a rate of 17% for 0.5 years (Prior years growth rates were 21% and 19%)

Private Lines

Private Lines of 7M are estimated using 1997 Year end counts from ARMIS 43-04 of 6.7M, grown by an annual rate of 10% for half a year.

¹ 120 companies with over \$100M in annual revenue.

² 547 companies responding to annual USTA survey.

³ Over 1400 Telephone Companies