

ORIGINAL



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July 10, 1998

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

Ex Parte: Federal-State Joint Board on Universal Service, CC Docket No. 96-45

Dear Ms. Salas,

Today, representatives of GTE met with Emily Hoffnar and Chuck Keller to discuss GTE's universal service funding proposals as submitted in comments in the proceeding indicated above. The attached charts were used in the discussion.

If you have any questions regarding this filing, please call me at (202) 463-5293.

Sincerely,

W. Scott Randolph
Director - Regulatory Matters

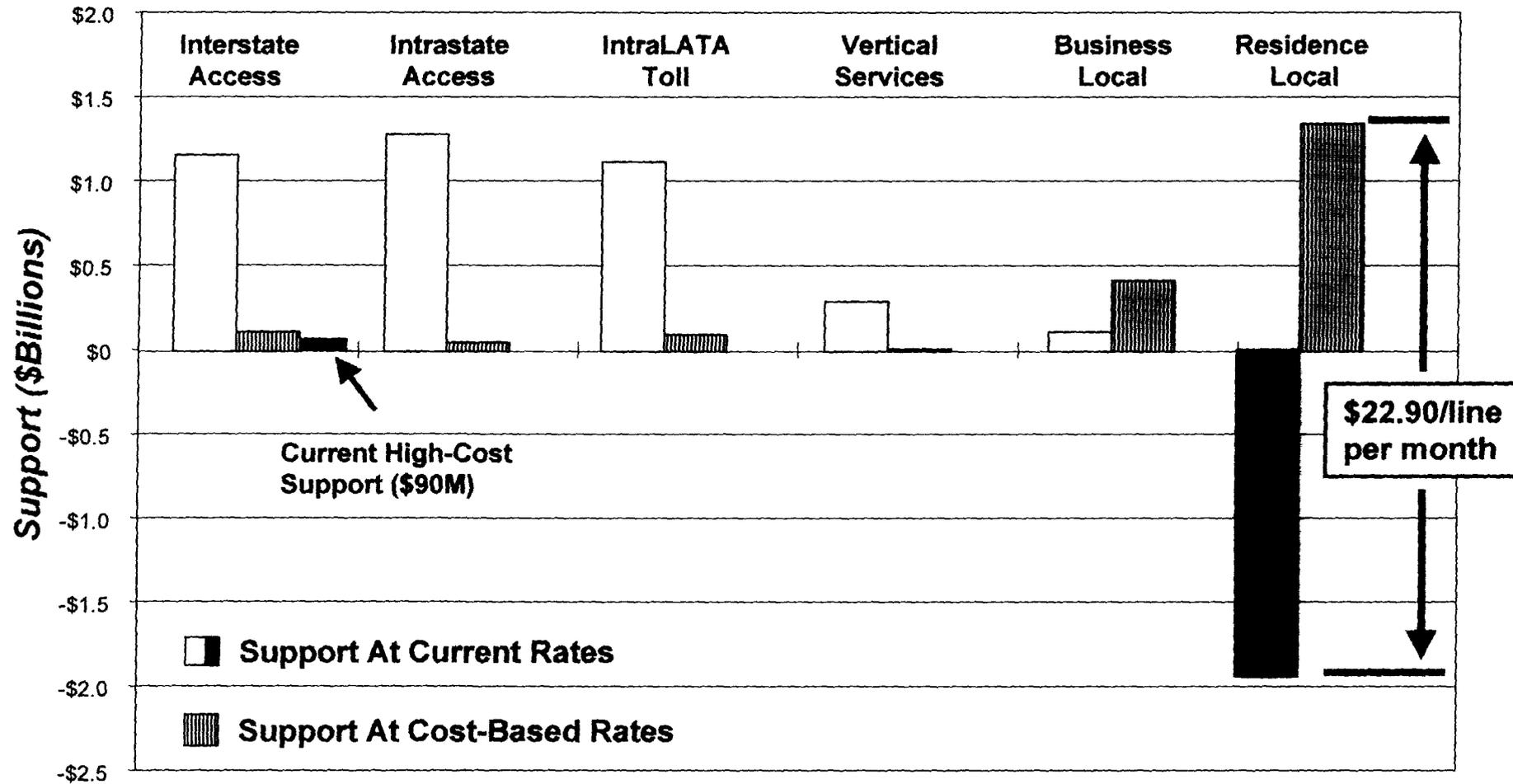
Attachment

cc: Emily Hoffnar
Chuck Keller

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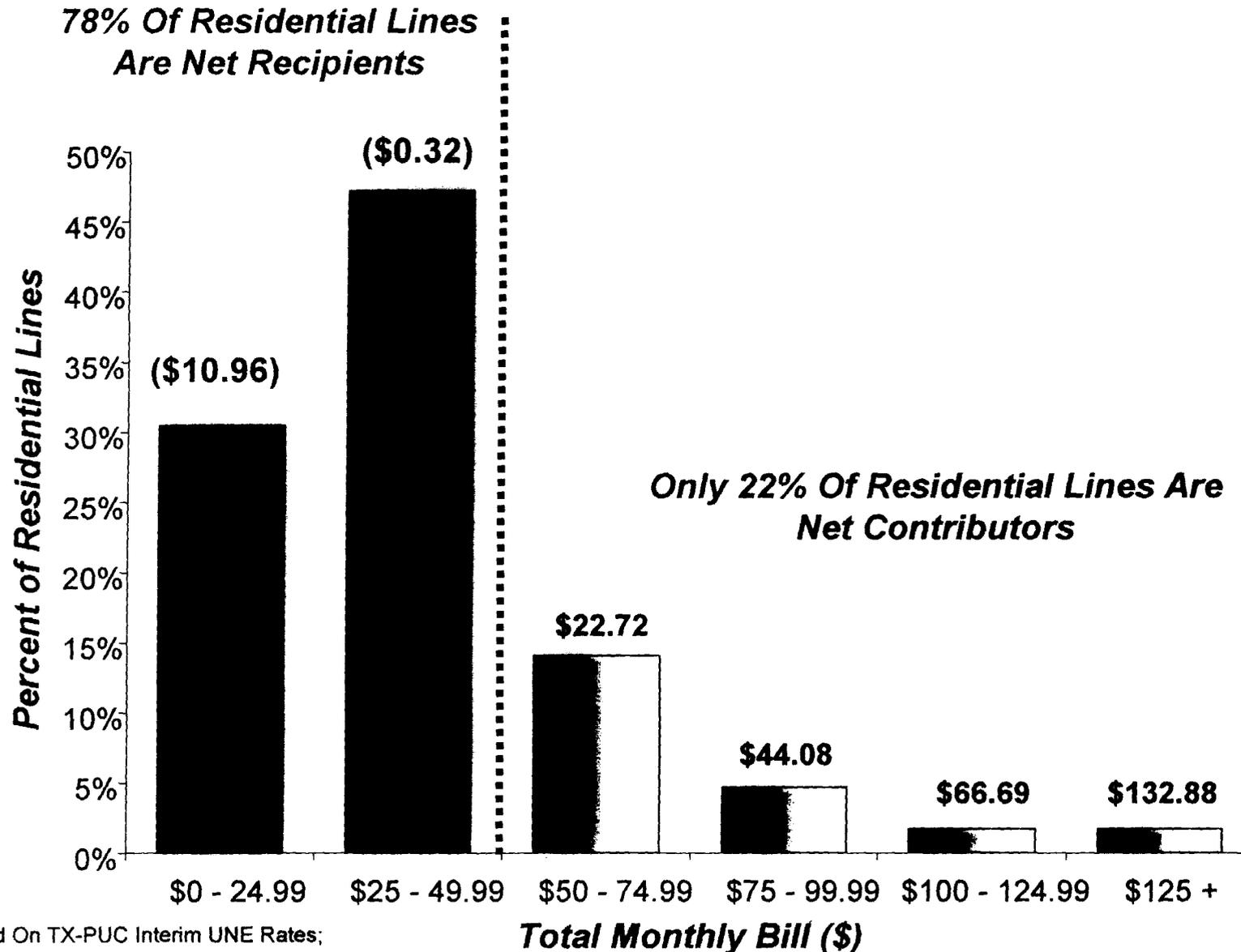
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GTE's Universal Service Support By Service



* Interstate contribution excludes EUCL charges

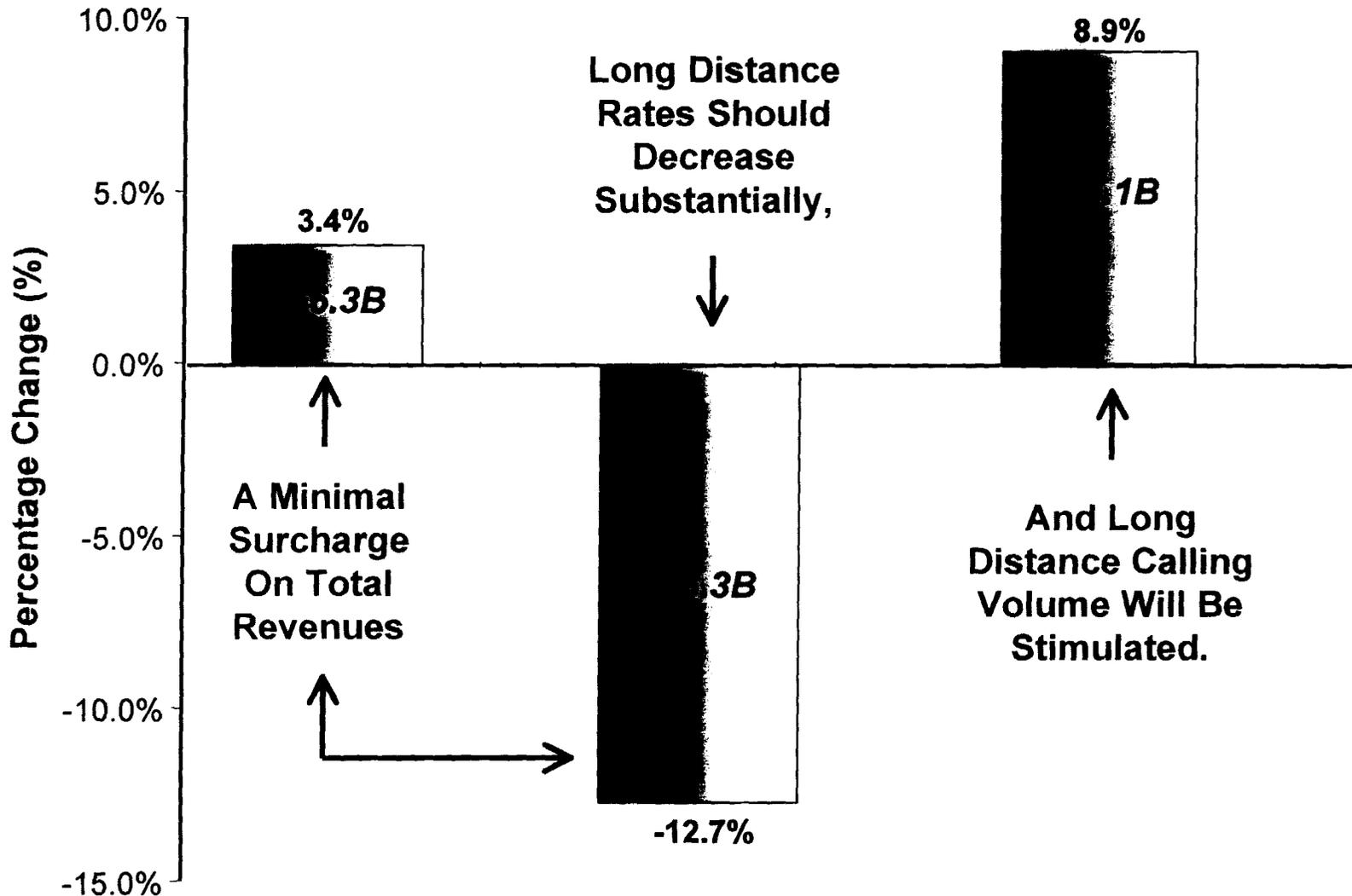
Contribution By GTE's Texas Residential Segments



* Costs Based On TX-PUC Interim UNE Rates;

Total Bill Includes Local, EUCL, Access, Toll, And Vertical Services.

What Is The Impact Of A \$6.3 Billion Interstate Fund?

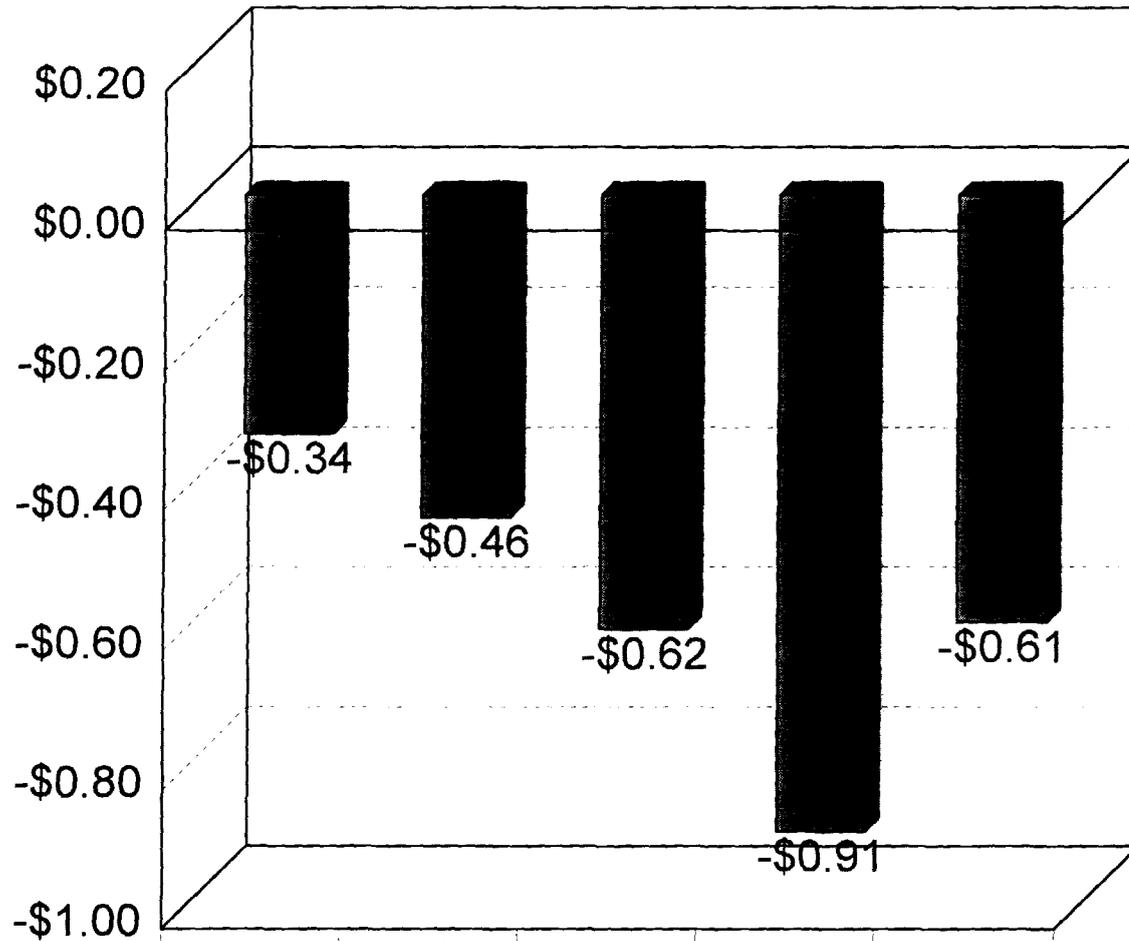


* Assumes total telecommunications revenues of \$190B; average access common line rate of 2.2 ¢/min; cost-based access rate of 0.8 cents; average toll revenue 18¢/min.; ratio of access to toll minutes 2 to1; toll price elasticity of demand equals -0.7; total access min. for non-rural companies of 450B based on 1998 price cap TRP filings.

Net Customer Bill Impact By Household Income



On Average,
Customers In All
Income Segments
Would Benefit From
A 3.4% Federal USF
Surcharge That
Produces \$6.3B In
Interstate Toll
Reductions



	Less than \$10,000	\$10,000 - \$29,999	\$30,000 - \$59,999	\$60,000 +	Average Customer
Average Local & Long Distance Bill Before Surcharge	\$47.65	\$51.10	\$58.36	\$68.14	\$57.09
Average Local & Long Distance Bill After Surcharge	\$47.31	\$50.65	\$57.75	\$67.23	\$56.48
Net Impact	-\$0.34	-\$0.46	-\$0.62	-\$0.91	-\$0.61

* Customer bill data from PNR Bill Harvest III. Average state and local taxes of 5% and federal excise tax of 3% assumed; \$6.3B interstate access reduction calculated to produce a 12.7% decrease in interstate toll rates (see previous slide). Aggregate state-interstate toll revenue mix assumed 69% interstate, 31% state, so reduction of total toll bill = 12.7% * 69% = 8.8%.