BELLSOUTH

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May 6, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Re: CC Docket No. 96-45

Dear Ms. Salas:

Today, Dennis Weller and Scott Randolph representing GTE and Pete Martin and the undersigned representing BellSouth met with Larry Strickling, Yog Varma, Jane Jackson and Katherine Schroder of the Common Carrier Bureau and Bill Rogerson of the Office of Plans and Policy. During this meeting, GTE and BellSouth discussed two universal service proposals developed by Dr. Rogerson and also the Joint Board's recommended decision.

The attached material formed the basis of this discussion. Please call me if you have any questions.

Yours truly,

WW Jordan

William W. Jordan
Vice President – Federal Regulatory

Attachment
cc: Larry Strickling
Yog Varma
Jane Jackson
Katherine Schroder
Bill Rogerson

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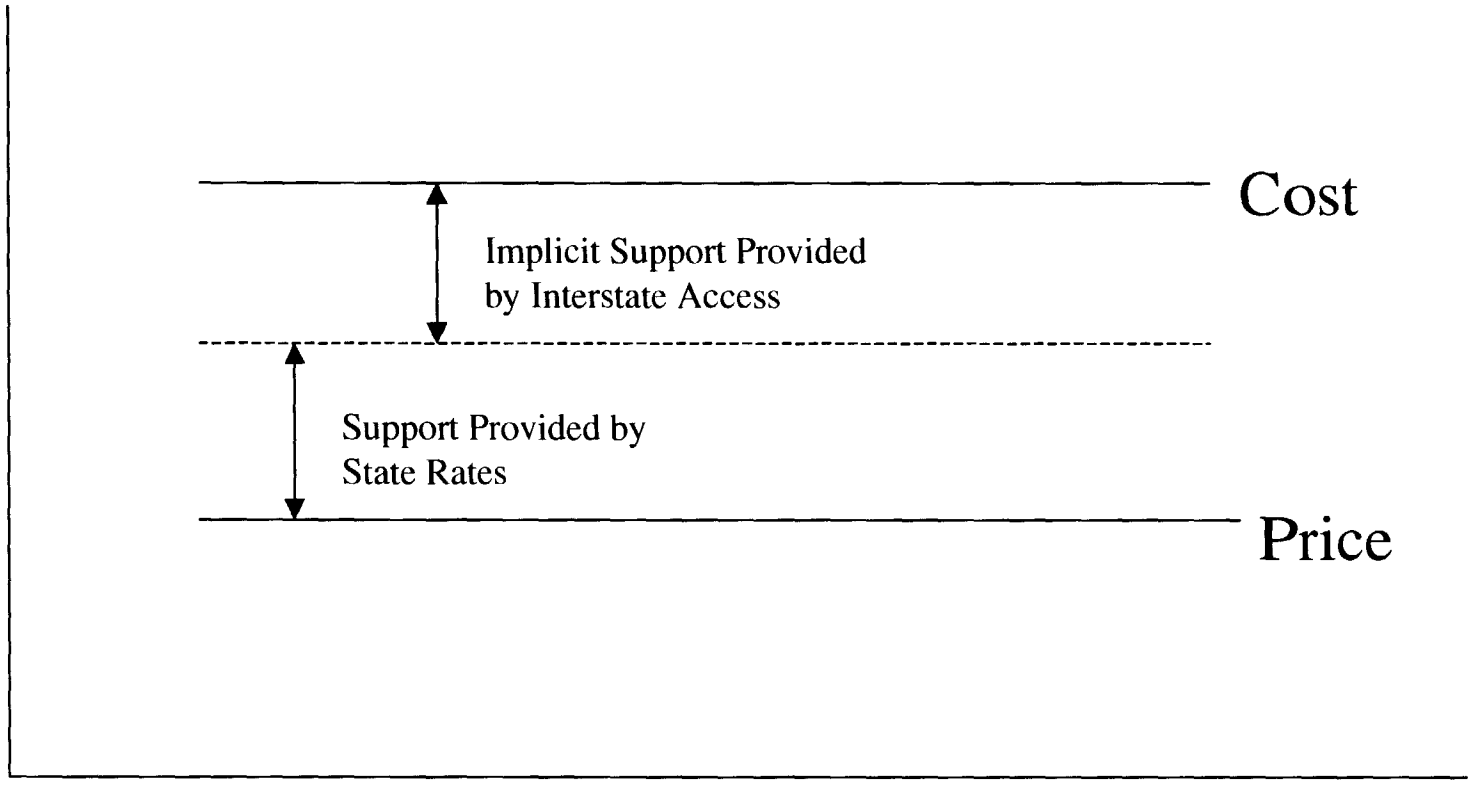
List A B C D E

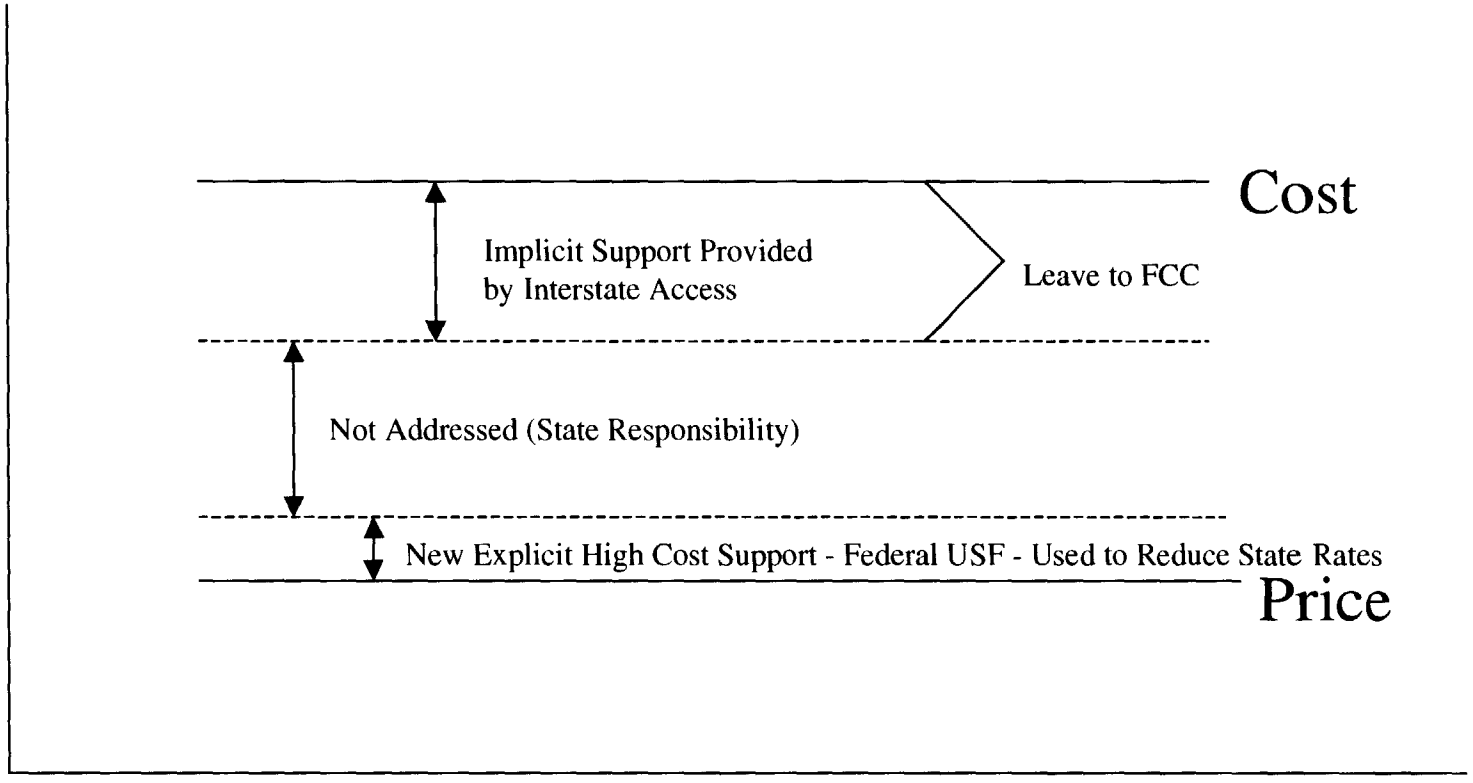
Analysis of Federal Universal Service Proposals

Joint Ex Parte Contact
BellSouth/GTE
May 6, 1999

The Current Situation



The Joint Board's Recommended Approach



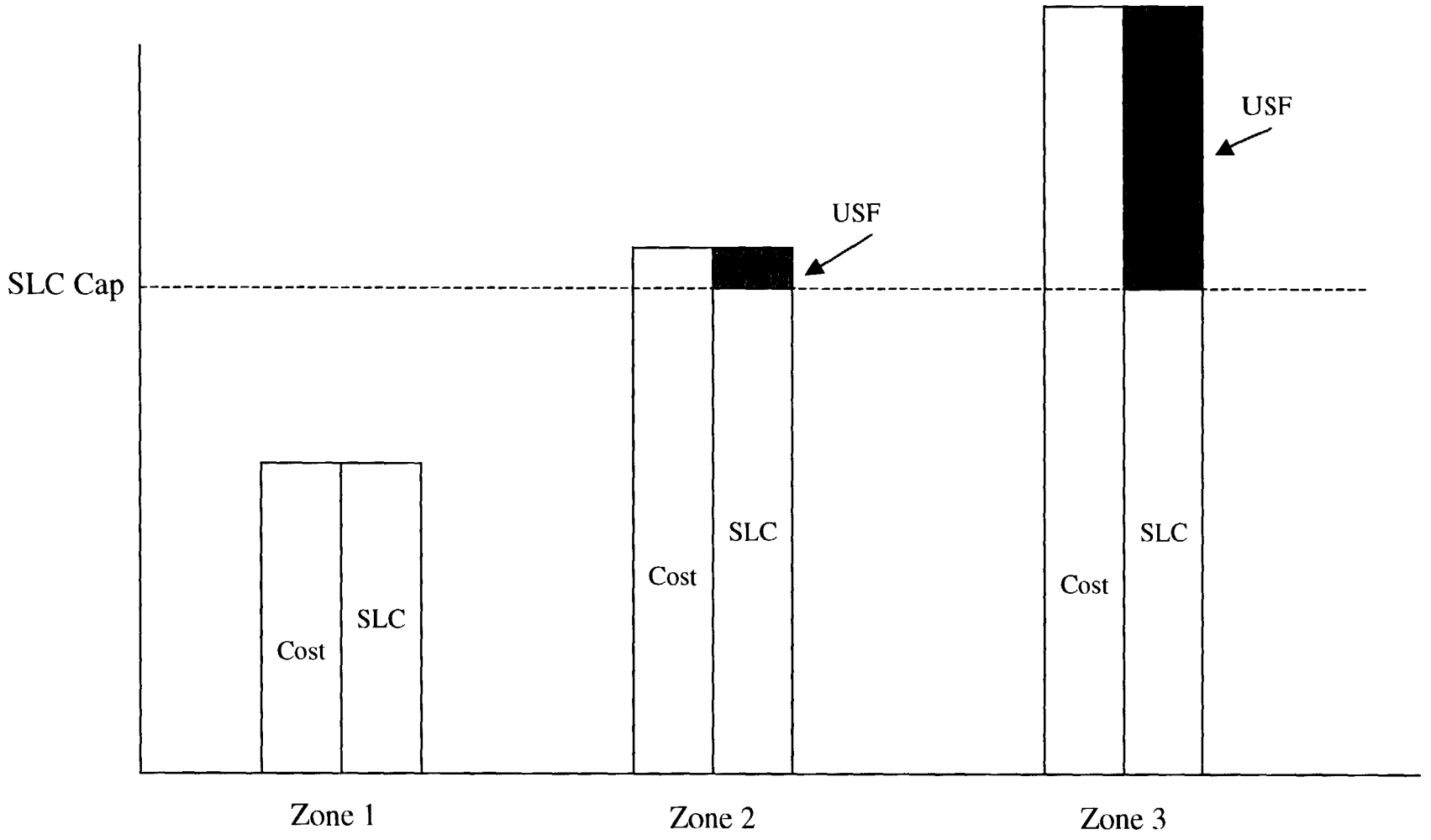
Observations on New Explicit High Cost Support Federal USF - Joint Board Recommendation

- Independent of Interstate Access
- Uses a cost benchmark rather than a revenue benchmark
  - Cost benchmark is acceptable for this purpose
- Support provided at the study area level
  - A method to deaverage the support to the wire center level must be part of the final order
  - Equal support throughout a study area will only encourage residential cherry picking
- Cap on loop investment should be used to prevent overly high support in very rural areas
  - Could be tied to wireless technology alternatives

Review of Original Rogerson Proposal
Federal USF and Access Reform are Interrelated

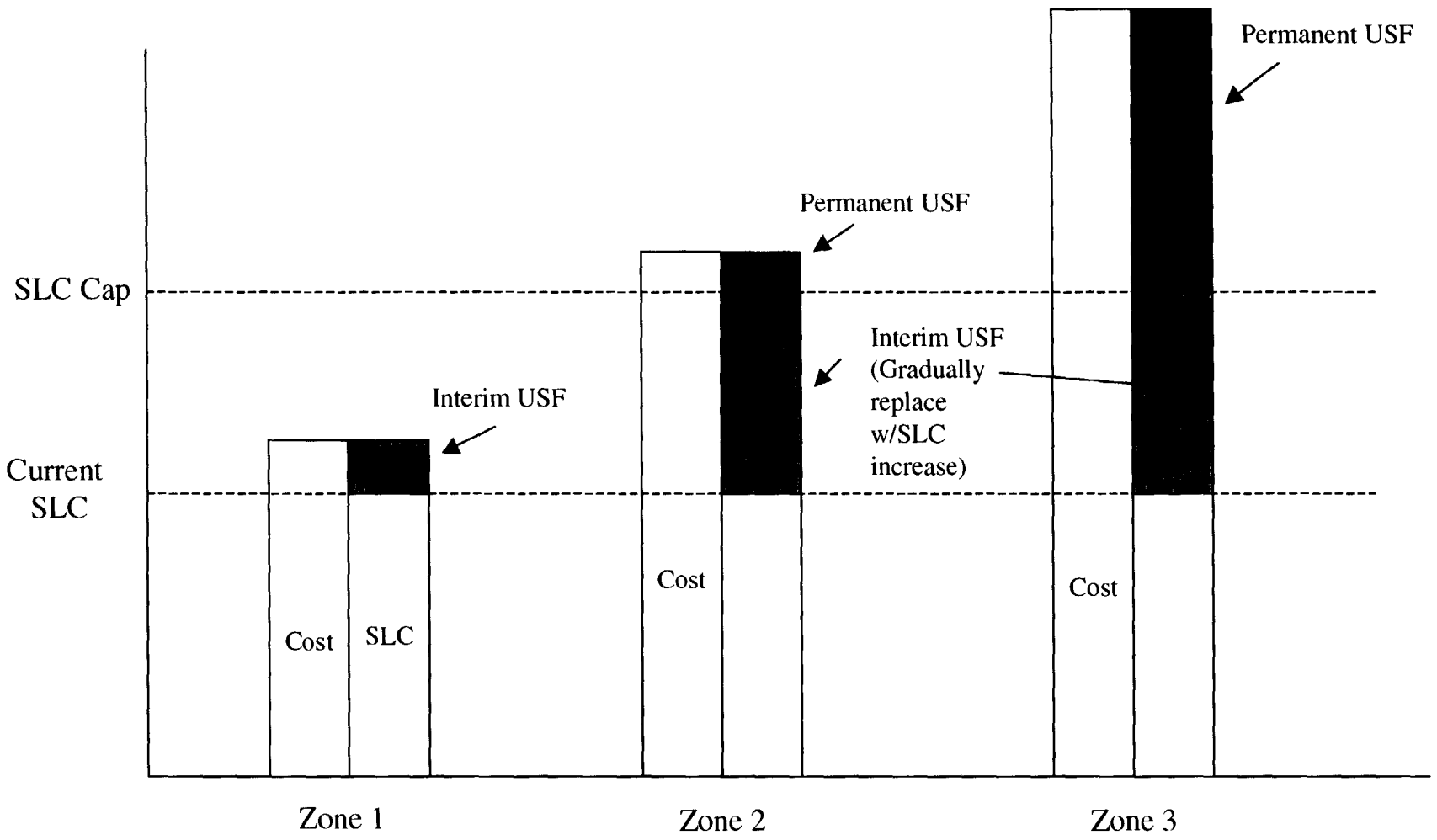
- Subscriber line charges should be deaveraged, and USF should pay for any costs above the SLC caps.
- Use current common line revenues (SLC + PICC + CCL) to initially determine average loop costs.
  - Use a cost model to deaverage current common line revenues by area.
- USF assessments must be explicitly recovered.

Original Rogerson Proposal - Deaveraging Plan for SLCs and USF



Illustrative - For Discussion Purposes Only

Original Rogerson Proposal - Deaveraging Plan for SLCs and USF With Both Interim and Permanent USF



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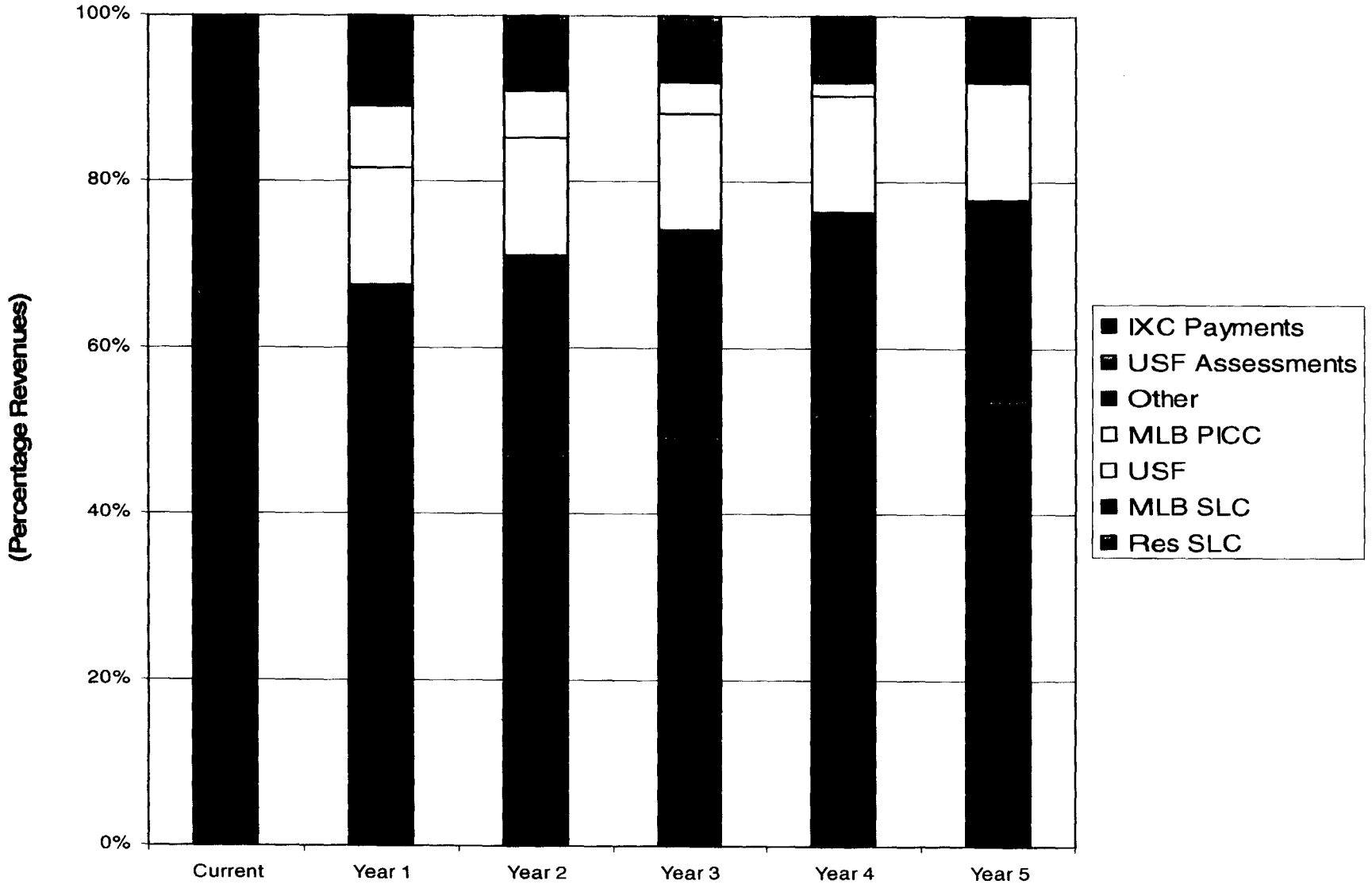
Original Rogerson Proposal Priceout



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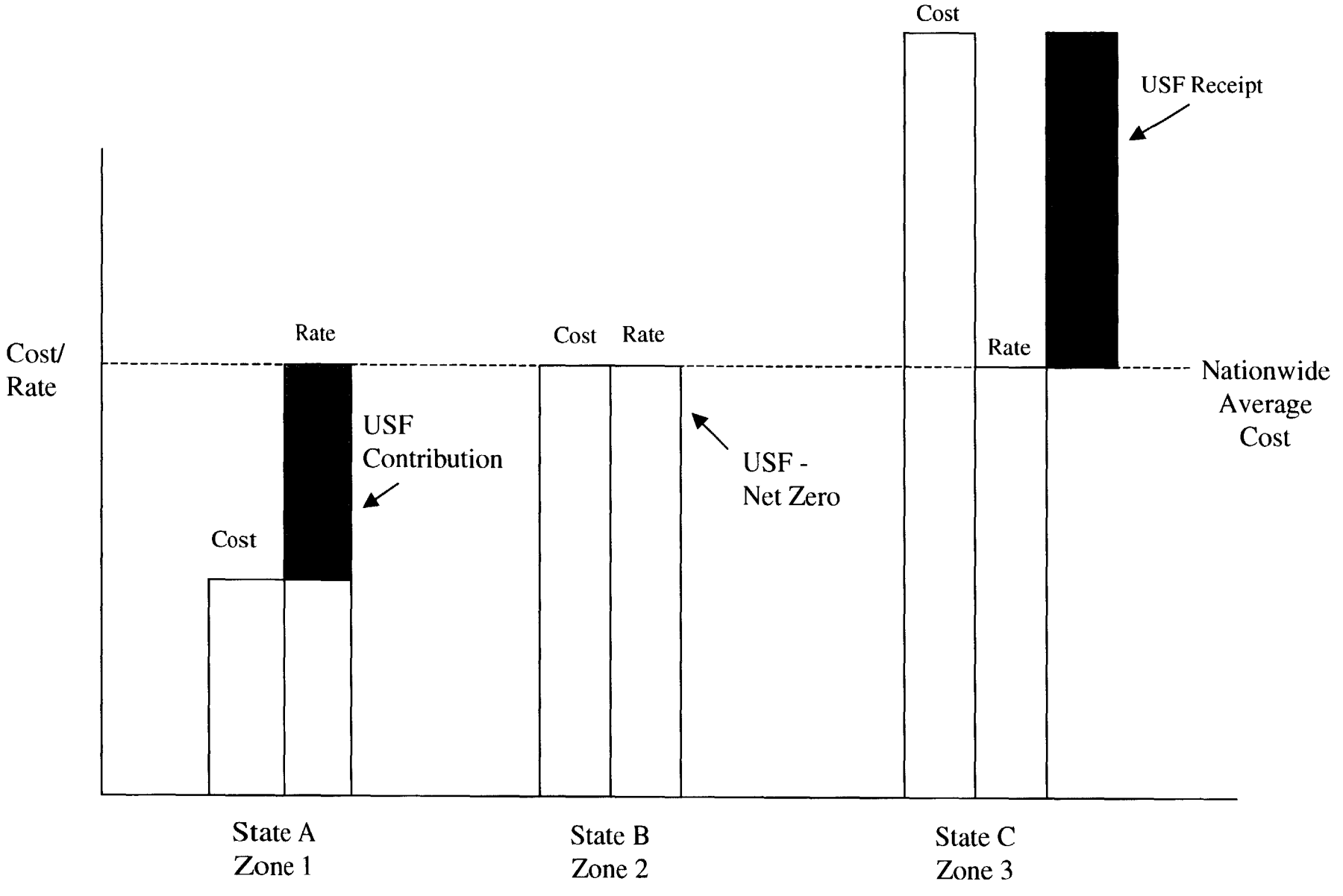
Rogerson's Alternative Approach to Universal Service Funding

- Have local providers fund federal USF through equivalent per line charges.
  - All ILECs would have equivalent SLC charges.
  - The SLC charge would cap out at nationwide common line cost per line.
  - CLECs would contribute to fund, and could be eligible to receive from fund.

Rogerson's Alternative Approach to USF



Note: Each state would have zones (at least 3) to deaverage USF contributions/receipts.

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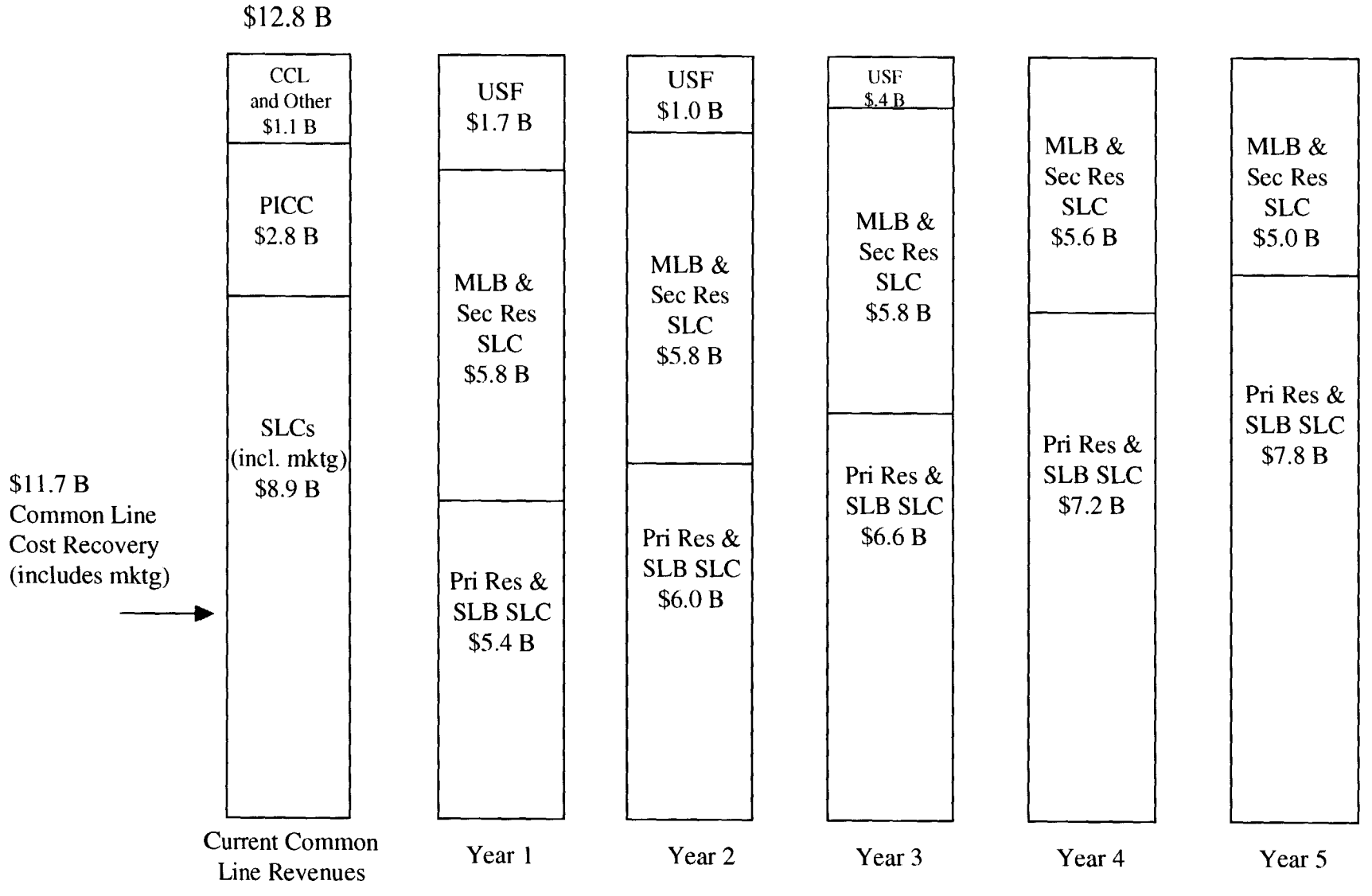
Priceout of Rogerson's Alternative USF Approach



Note: Priceout of proposal is for price cap companies only. It is based on projected July, 1999 common line revenues.

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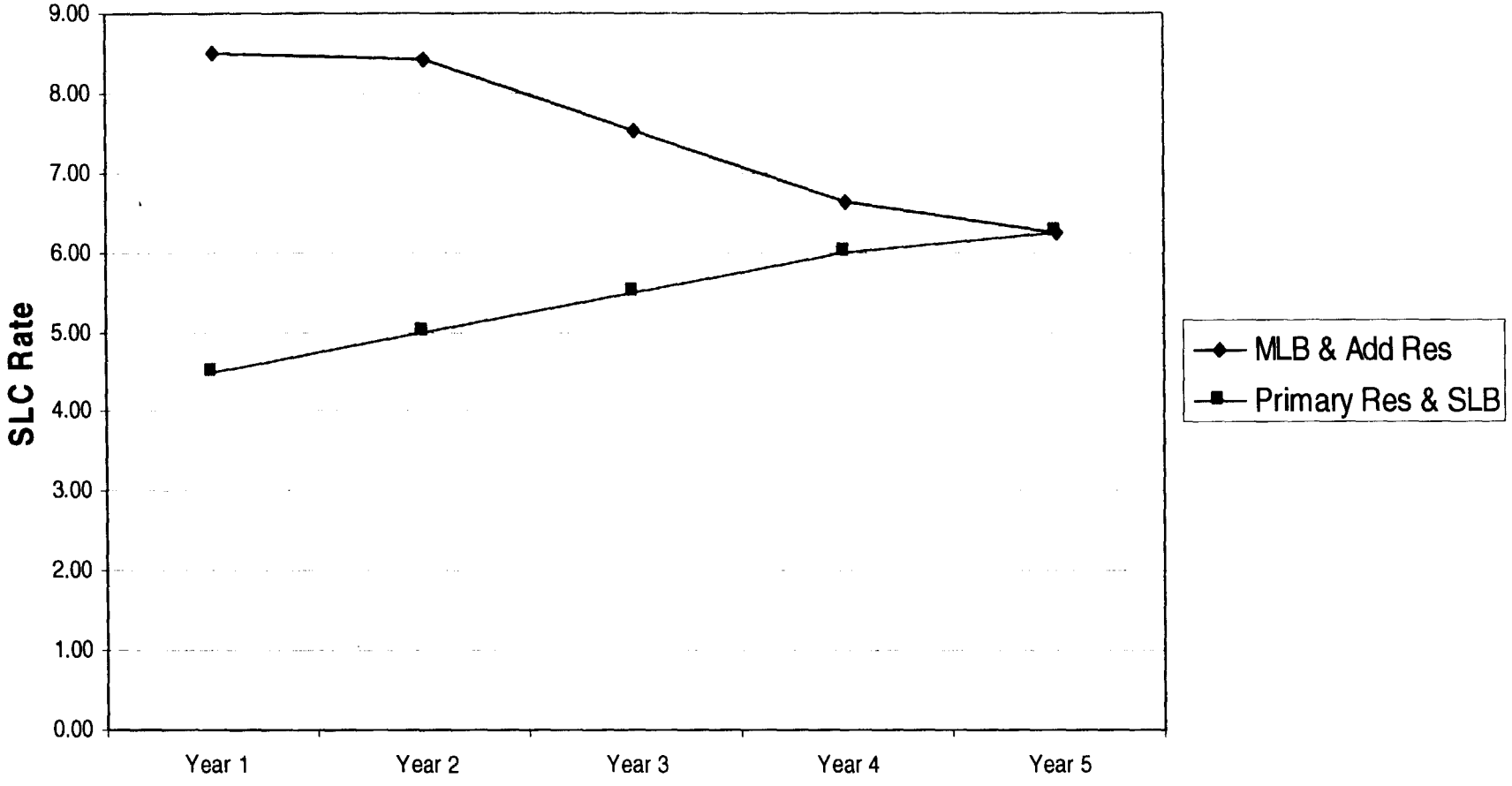
Priceout of Rogerson's Alternative USF Approach



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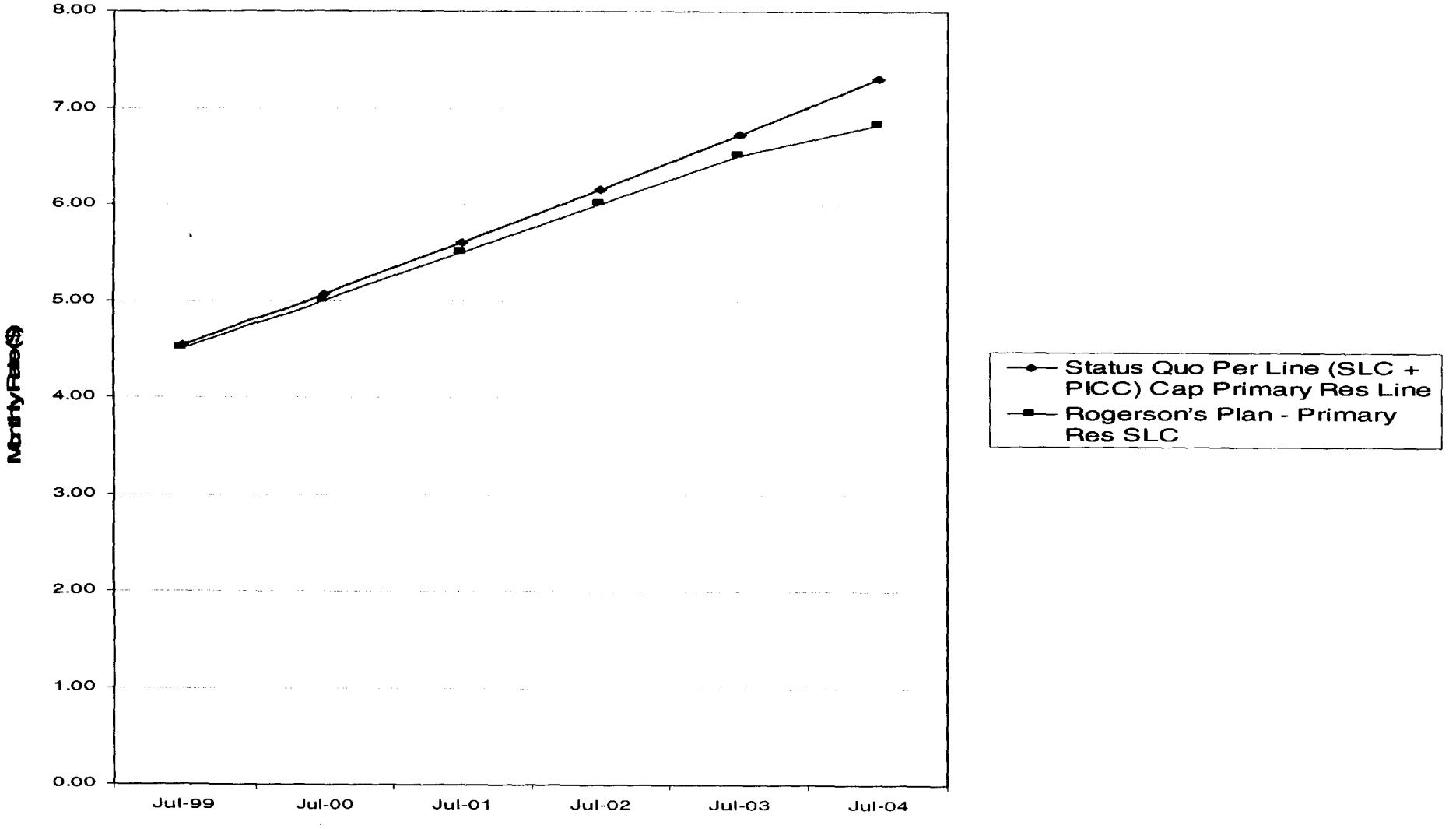
Comparison of Rogerson's Alternative Plan to the Status Quo Residential Per Line Charges



Note: Assumes implementation on 7/1/99.

Rogerson's Alternative Approach to Universal Service Funding

- Several issues would need to be addressed:
  - Does it meet requirements of 1996 Act?
  - Which providers would contribute to the fund? (e.g., when would wireless providers contribute?)
  - Which providers would be eligible to receive funding?

Federal USF Conclusions

- The Joint Board Recommendation regarding high cost funding to offset state rates can be implemented independent of action on access reform or USF decisions involving interstate access.
- Universal service must be reformed prior to or concurrent with access reform.
- Any universal service fund plan must meet the requirements of the Act.