

MAY 19 1999

**USAC**  
UNIVERSAL SERVICE  
ADMINISTRATIVE CO.Federal Communications Commission  
Office of Secretary2120 L Street, N.W., Suite 600  
Washington, D.C. 20037  
Voice: (202) 776-0200 Fax: (202) 776-0080Robert Haga  
Secretary & Treasurer  
[rhaga@universalservice.org](mailto:rhaga@universalservice.org)

May 7, 1999

Ms. Irene Flannery  
Chief, Accounting Policy Division  
Common Carrier Bureau  
Federal Communications Commission  
445 12th Street, S.W.  
Washington, D.C. 20554In re: Ex Parte Presentation in Changes to the Board of  
Directors of the National Exchange Carrier  
Association, **CC Docket No. 97-21**, and Federal-  
State Joint Board on Universal Service, **CC Docket  
No. 96-45**; Clarification of Section 54.301

Dear Ms. Flannery:

USAC seeks to clarify its understanding of Section 54.301 of the Commission's rules. At its April 19, 1999 meeting, USAC's High Cost and Low Income Committee authorized the corporation to seek clarification of Section 54.301 as it relates to the Local Switching Support true-up mechanism for incumbent local exchange carriers and the calculation of the final support amount, in situations where the carrier's line count (i.e., USF loops) crosses one of the local switching support weighting thresholds.

Section 54.301(a)(2)(ii) requires that if the number of a study area's access lines increases such that, under Section 36.125(f), the weighted interstate Dial Equipment Minutes (DEM) factor for 1997 or any successive year would be reduced, that lower weighted interstate DEM factor shall be applied to the carrier's 1996 unweighted interstate DEM factor to derive a new local switching support factor. USAC wishes to clarify that the lower weighting factor would only be applied on a prospective basis from the point in time that the carrier's line count crosses the threshold, and not applied retroactively to the beginning of the calendar year.

For example, if a company had an access line count of 19,000 at the start of the year and at the start of December crossed the 20,000 line threshold, the carrier's local switching support factor for the year would be based on eleven months at the higher weighting factor (i.e., based on a line count less than 20,000) and one month at the lower weighting factor. In this example, the lower weighting factor is applied on a prospective basis.

USAC also seeks clarification regarding the appropriate local switching support calculation for a carrier whose access line count decreases and crosses from a band with a lower weighting factor into

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one with a higher weighting factor. The rule language appears to contemplate only positive growth in study area access line counts.

Per Section 54.301(e)(1), local exchange carriers must provide information for use in the true up of 1998 Local Switching Support amounts by December 1999. Carriers are currently in the process of finalizing their 1998 cost studies and have raised these issues with the corporation. We appreciate the Commission's attention to clarifying the operation of this section of its rules.

Please contact us if there are any questions regarding our request, or if there is anything further we can do for you. In accordance with Commission rules I am submitting two copies of this notice to the Office of the Secretary in each docket. Receipt will be acknowledged by affixing a notation on a duplicate copy of this letter furnished for such purposes and remitting same to the bearer.

Sincerely,



Robert Haga

cc: Craig Brown  
Tom Power  
Linda Kinney  
Kyle Dixon  
Kevin Martin  
Sarah Whitesell  
FCC Secretary Magalie Roman Salas