

ORIGINAL

**MCI WORLD COM**

1801 Pennsylvania Avenue, NW
Washington, DC 20006


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October 7, 1999

EX PARTE

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

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

CC Docket Nos. 96-262; 96-45

Dear Ms. Salas:

On October 6, 1999, Alan Buzacott, Chuck Goldfarb, and I met with Rich Lerner of the Common Carrier Bureau's Competitive Pricing Division to discuss the Commission's implementation of the decision by the Fifth Circuit Court of Appeals prohibiting the assessment on intrastate revenues of universal service contributions and prohibiting incumbent local exchange carriers (ILECs) from recovering in access charges their universal service contributions. Specifically, as detailed in the attached document, we discussed MCI WorldCom's estimates of the impact on an industry-wide basis of assessing universal service contributions on interstate revenues only. As the attached document also shows, we discussed three ways that the Commission could implement the Court's decision prohibiting ILECs from recovering in access charges their universal service contributions and MCI WorldCom's estimated, industry-wide impact of each. In accordance with section 1.1206(b)(2) of the Commission's rules, 47 C.F.R. § 1.1206(b)(2), an original and three copies of this memorandum and attachment are being filed with your office.

Sincerely,



Lori Wright
Senior Manager, Regulatory Affairs

cc: Rich Lerner

Change in S&L/Rural Contribution Base to Interstate-Only

Current

	<u>End User</u>	<u>IXC</u>	<u>LEC</u>	<u>Other</u>	<u>Total</u>
S&L/Rural	0	849	810	316	1,975
High Cost/Low Income	0	1,784	357	89	2,230
Total	0	2,633	1,166	405	4,205

S&L/Rural on Interstate Only

	<u>End User</u>	<u>IXC</u>	<u>LEC</u>	<u>Other</u>	<u>Total</u>
S&L/Rural	0	1,580	316	79	1,975
High Cost/Low Income	0	1,784	357	89	2,230
Total	0	3,364	673	168	4,205

Difference	0	731	(494)	(237)	0
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Assumptions:

total end user revenue share	43%	41%	16%	100%
interstate end user revenue share	80%	16%	4%	100%

LEC USF Recovery Scenarios

Current

	<u>End User</u>	<u>IXC</u>	<u>LEC</u>	<u>Other</u>	<u>Total</u>
LEC Flowthrough	140	1,026	N/A	0	1,166
Direct Assessment	0	2,633	N/A	405	3,038
Total	140	3,659	N/A	405	4,204

Scenario 1:

LEC USF charge to end users

	<u>End User</u>	<u>IXC</u>	<u>LEC</u>	<u>Other</u>	<u>Total</u>
LEC "USF" charge	673	0	N/A	0	673
Direct Assessment	0	3,364	N/A	168	3,532
Total	673	3,364	N/A	168	4,205

Change from Current	533	(295)	N/A	(237)	0
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Scenario 2:

LEC USF charge to IXCs

	<u>End User</u>	<u>IXC</u>	<u>LEC</u>	<u>Other</u>	<u>Total</u>
LEC "USF" charge	0	673	N/A	0	673
Direct Assessment	0	3,364	N/A	168	3,532
Total	0	4,037	N/A	168	4,205

Change from Current	(140)	377	N/A	(237)	0
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Scenario 3:

LEC USF charge on interstate revenues

	<u>End User</u>	<u>IXC</u>	<u>LEC</u>	<u>Other</u>	<u>Total</u>
LEC "USF" charge	269	404	N/A	0	673
Direct Assessment	0	3,364	N/A	168	3,532
Total	269	3,768	N/A	168	4,205

Change from Current	129	108	N/A	(237)	0
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Assumptions:

- (1) Ignoring "R-value adjustment" component of exogenous cost change
- (2) LEC interstate revenues: 40% end user, 60% IXC