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ATTORNEYS AT LAW

January 21, 2000

EX PARTE – By Electronic Filing

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
The Portals  
445 12th Street, SW  
Washington, DC 20554

Re: Coalition for Affordable Local and Long Distance Service Proposal –  
CC Dockets 96-262, 94-1, 96-45, 99-249

Dear Ms. Salas:

On January 20, 2000, Whit Jordan (of BellSouth), Dennis Weller (of GTE) and I (on behalf of the Coalition for Affordable Local and Long Distance Service) met with Jim Eisner, Jim Zolnierok, Jack Zinman, Aaron Goldschmidt, Rich Lerner, Tom Navin, Katherine Schroder and Bill Rogerson. We discussed the integrated universal service and interstate access charge proposal by the Coalition for Affordable Local and Long Distance Service. The points addressed are those previously submitted in the Memorandum in Support of the Coalition for Affordable Local and Long Distance Service Proposal, submitted August 20, 1999, see Letter of John T. Nakahata to Magalie Roman Salas, Secretary, FCC, dated August 20, 1999, filed in CC Dockets 96-262, 94-1, 96-45, 99-249, in CALLS comments filed November 12, 1999, and in Reply Comments filed December 3, 1999. We particularly discussed how the universal service provisions of the CALLS proposal would operate, that the per line support amounts would be subject to periodic recalculation and the operation of the minimum universal service support.

During the discussion, the attached handout was referenced.

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In accordance with FCC rules, I am filing copies of this letter in each of the above-captioned dockets.

Sincerely,

John T. Nakahata

Counsel to the Coalition for Affordable Local and  
Long Distance Service

JTN/krs

cc: Mr. Whit Jordan  
Mr. Dennis Weller  
Mr. Jim Eisner  
Mr. Jim Zolnierak  
Mr. Jack Zinman  
Mr. Aaron Goldschmidt  
Mr. Rich Lerner  
Mr. Tom Navin  
Ms. Katherine Schroder  
Mr. Bill Rogerson

## USF by State

<u>Step</u>	<u>Process/Method</u>
1.	<p>A. Determine UNE rates and access lines (SLC) demand by zone, by state</p> <ul style="list-style-type: none"> <li>- Use UNE state approved rates, or filed rates pending approval. Assume analog loops and ports for all classes of service.</li> </ul> <p>B. Determine Interstate “UNE” costs @ 25% of UNE loop &amp; line port</p> <ul style="list-style-type: none"> <li>- UNEs by density zone times 25% produces Interstate “UNE” by zone</li> </ul>
2.	<p>Calculate Interstate “UNE” generated revenue by state</p> <ul style="list-style-type: none"> <li>- <math>[\text{Interstate UNE rate}_1 * \text{Demand}_1] + [\text{Interstate UNE rate}_2 * \text{Demand}_2] + \dots</math> for remaining zones</li> <li>- Residence and Multiline Business separately. Single line business, non-primary line residence and ISDN-BRI included in Residence line demand.</li> <li>- For demand, use 1998 access lines</li> </ul>
3.	<p>Calculate Price Cap Common Line revenues by state.</p> <ul style="list-style-type: none"> <li>- Common Line revenues include all Marketing Basket revenues and excludes embedded USF contributions in Common Line.</li> <li>- Develop Common Line revenue requirement (BFP costs ) by state, using 1998 ARMIS 43-01 Report</li> <li>- Allocate January 1, 1999 Price Cap Common Line revenues to states using Common Line revenue requirement (BFP) ratios</li> </ul>
4.	<p>Calculate Common Line revenue “uniform revenue adjustment factor” (URAF) for each state</p> <ul style="list-style-type: none"> <li>- Calculate difference between Price Cap Common Line revenues (Step 3) and revenues generated by Interstate “UNEs” (Step 2).</li> <li>- Divide delta by all access lines in state. The result is the URAF, which varies by state.</li> <li>- URAF can be a negative for some states</li> </ul>
5.	<p>Calculate Zone Average Revenue Per Line</p> <ul style="list-style-type: none"> <li>- Add URAF amount to Interstate “UNE” by zone for each state</li> <li>- Effectively, this adjusts the Interstate UNE amounts so that Zone Average Revenue Per Line times lines would equal interstate Price Cap Common Line Revenues by state</li> </ul>

6.	<p>Determine total Price Cap Common Line revenues per line by state (including Mktg. Expense, but excluding embedded USF amounts in Common Line).</p> <ul style="list-style-type: none"> <li>- Using Common Line revenues by state (Step 3), calculate Price Cap Common Line revenue per line (1998 demand)</li> <li>- If the average revenue per line &gt; \$7.00 for residence and single-line business, or \$9.20 per line for multiline business, then difference comes from USF (nationwide cap is \$650M fund). This is the amount necessary to eliminate PICC and CCL within the filing entity when the average rates reach the final caps, and is called “minimum USF”.</li> <li>- If the average revenue per line for residence and single-line business &lt; \$7 or \$9.20 per line for multi-line business, the state does not generate a “Minimum USF” fund amount.</li> </ul>
7.	<p>Compare Zone Average Revenue Per Line to SLC caps (for state) for residence and single-line business @ \$7.00 and multiline business @ \$9.20. If Zone Average Revenue Per Line &gt; SLC cap:</p> <ul style="list-style-type: none"> <li>- Calculate USF for residence and single-line business &gt; \$7.00, and multiline business &gt; \$9.20. The amounts that are greater than the caps become part of the Zone Above SLC Cap Revenues.</li> <li>- Aggregate USF by zones and state</li> <li>- Sum of states’ USF equals total company Zone Above SLC Cap Revenues. Within this amount is embedded Minimum USF calculated in Step 6.</li> </ul>
8	<p>The price cap LECs submit the calculated Minimum USF and Zone Above SLC Cap Revenues USFs to the Administrator.</p>
9	<p>The Administrator, based on the data submitted calculates the Study Area Access Universal Service Support for areas served by participating Price Cap Incumbent LECs according to the following methodology:</p> <p>The Zone Above SLC Cap Revenues is adjusted to make sure a cap of \$650 million is maintained.</p> <ul style="list-style-type: none"> <li>- Compare the nationwide cap to the maximum USF for all companies. This ratio provides an adjustment factor (between 0 and 1).</li> <li>- Calculate each companies Initial USF. It equals the adjustment factor times that company’s maximum USF. This is called the Preliminary Study Area Universal Service Support (PSAUSS).</li> </ul>
10	<p>Calculate the Minimum Delta (MD) by study area. Within each Study area the Minimum Delta will be equal to the Minimum Access USF Study Area less the PSAUSS, if the difference is greater than zero.</p> <p>If the difference is less than or equal to zero, the MD is equal to zero.</p> <p>Calculate the Total National Minimum Delta (TNMD) by summing all study are Minimum Deltas nationwide.</p>

	<p>Calculate the Minimum Adjustment Amount.</p> <p>(i) If the TNMD is greater than \$75 million, then the Minimum Adjustment Amount (MAA) equals the product of the current phased in percentage times the MD by study area times the ratio of \$75 million to TNMD Or:</p> <p>Minimum Adjustment Amount = (MAA Phase In Percentage) X (Minimum Delta) X (\$75 million / Total National Minimum Delta).</p> <p>If the TNMD is less than \$75 million, then the MAA equals the product of the MAA Phase In Percentage and the MD by study area.</p> <p>Calculate the Total National Minimum Support Requirement (TNMSR), which equals the sum of the MSR for all study areas. The Minimum Support Requirement for a study area is determined as follows:</p> <p>If the MAA of the study area is greater than zero then the MSR equals the PSAUSS plus the MAA.</p>
11.	<p>For study areas that did not receive minimum support requirement (MSR), the study area universal service support (SAUSS) is equal to the PSAUSS multiplied by the ratio of the \$650 million minus the TNMSR divided by the sum of PSAUSS of study areas that did not MSR.</p>