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ATTORNEYS AT LAW

October 17, 2000

EX PARTE – By Electronic Filing

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

Re: CC Docket No. 96-45, *In the Matter of Federal/State Joint Board on  
Universal Service*

Dear Ms. Salas:

On Friday, October 13, 2000, Robert McDonnell (of Verizon), Mike Tan (of SBC), Saikat Sen (of AT&T) and I (on behalf of the Coalition for Affordable Local and Long Distance Service) met with Katherine Schroeder, Paul Garnett, Bill Scher and Sharon Webber of the Accounting Policy Division of the Common Carrier Bureau, and with Robert Haga and Irene Flannery of the Universal Service Administrative Company. At this meeting, Messrs. McDonnell, Tan, Sen and I presented a proposed methodology by which the Commission and USAC could implement the provisions of rule § 54.802(c) which, in relevant part, state: "An eligible telecommunications carrier shall receive payment of support pursuant to this Subpart only for such months the carrier is actually providing service to the end user. The Administrator shall ensure that there is a periodic reconciliation of support payments."

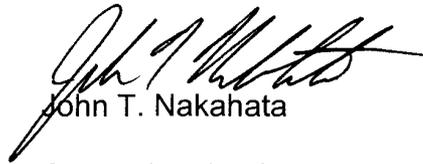
CALLS proposed the methodology described in the attached documents, which were provided to FCC and USAC staff. This methodology would allow support to be adjusted to reflect a best estimate of actual lines served during a quarter by

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averaging the lines served at the end of the previous quarter with the lines served at the end of the quarter in question. By conducting the periodic reconciliation in this manner, the Commission would be able to implement rule § 54.802(c) without requiring additional line count submissions, which would be unduly burdensome and unnecessary in this context.

A copy of this letter is being filed electronically in the above referenced docket.

Sincerely,

A handwritten signature in black ink, appearing to read "John T. Nakahata", is written over the typed name.

John T. Nakahata  
Counsel to the Coalition for Affordable  
Local and Distance Service

Attachments

CC: Katherine Schroder, CCB-APD  
Sharon Webber, CCB-APD  
Paul Garnett, CCB-APD  
Bill Scher, CCB-APD  
Robert Haga, USAC  
Irene Flannery, USAC

## Reconciliation of Actual Lines with Prior-Three-Month Lines Used to Distribute the USF

*Example: July, August and September 2000 Months*

1. For the months of July, August and September 2000 the USF support is distributed based on actual lines as of March 31, 2000. These lines are reported to USAC on June 30, 2000.
2. The USF support per line remains fixed from July to December 2000. This is the output from Master File 6.
3. Actual lines of June 30, 2000 are reported on September 30, 2000. (These lines are used to distribute USF for the months October, November and December 2000. They are also used to calculate the USF support per line for the period of January 1, 2001 to June 30, 2001.) **These lines are almost identical to the lines of July 1, 2000. Thus, they will be used to reconcile the USF support distributed for the months of July, August and September 2000.**
4. Actual lines of September 30, 2000 are reported on December 31, 2000. (These lines are used to distribute USF for the months of January, February and March 2001) **Thus, they will be used to reconcile the USF support distributed for the months of July, August and September 2000.**
5. In the above number 3, we have access lines as of June 30, 2000 (July 1, 2000). And in the above number 4, we have access lines as of September 30, 2000. **Taking the average of number 3 and number 4 gives us the average access lines from July 1, 2000 to September 30, 2000.**
6. Subtracting number 1 from number 5 gives us the difference in access lines. If this difference is positive it means the ETC was given less of USF support in the months of July, August and September 2000. The additional USF support that is due to the ETC is the result of the product of three months, the positive difference and the USF support per line. If the difference is negative it means the ETC was given more of USF support in the months of July, August and September 2000. The amount of USF support that is to be subtracted from future support to the ETC is the result of the product of three months, the negative difference and the USF support per line.
7. This reconciliation will start on January 2001 for the months of July, August and September 2000. The reconciliation will be done once a quarter. The reconciliation will be for the quarter prior to the last quarter.

**True-up Mechanism of Average Lines and Surrogate Lines**

Study Area: A	Access USF Support per Line								Total	Source
	Zone 1		Zone 2		Zone 3		Zone 4			
	Residence & Single Line Business	Multi-line Business	Res & Single Line Business	Multi-line Business	Residence & Single Line Business	Multi-line Business	Residence & Single Line Business	Multi-line Business		
Description										
1 Actual Lines as of March 31, 2000 reported on June 30, 2000. (These lines are used to distribute support for July, August and September 2000.)	250,000	100,000	200,000	55,000	180,000	30,000	-	-	815,000	June 30, 2000 Filing
2 Support per Line	\$ -	\$ -	\$ 0.20	\$ -	\$ 4.00	\$ 3.50	\$ -	\$ -		Master File 6
3 Actual Lines as of June 30, 2000, reported on September 30, 2000.	251,250	100,500	201,000	55,275	180,900	30,150	-	-	819,075	September 30, 2000 Filing
4 Actual Lines as of September 30, 2000, reported on December 31, 2000.	252,506	101,003	202,005	55,551	181,805	30,301	-	-	823,170	December 31, 2000 Filing
5 Average lines from June 30, 2000 to September 30, 2000. These are the Average lines for July, August and September, 2000.	251,878	100,751	201,503	55,413	181,352	30,225	-	-	821,123	(Ln 3+Ln 4)/2
6 Difference between average and surrogate lines. (Ln 5 minus Ln 1)	1,878	751	1,502	413	1,352	225	-	-	6,123	Ln 5 - Ln 1
7 Adjustments to the already distributed support for July, August and September 2000. This adjustment takes place on January 2001.	\$ -	\$ -	\$ 901	\$ -	\$ 16,227	\$ 2,366	\$ -	\$ -	\$ 19,495	Ln 6 * Ln 2 * 3