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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

April 18, 2001

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: Federal-State Joint Board on Universal Service
CC Docket No. 96-45 (Rural Task Force Recommendation), *and*

Multi-Association Group (MAG) Plan for Regulation of Interstate Service of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, et al., CC Docket Nos. 00-256, 96-45, 98-77, 98-166

Dear Ms. Salas:

Today, the attached letter was sent to Ms. Dorothy Attwood, Chief of the Common Carrier Bureau. Please include a copy of this letter in the above referenced proceedings.

I have submitted an original and one copy of this Notice in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

Attachment

cc: Dorothy Attwood

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April 18, 2001

Ms. Dorothy Attwood
Chief, Common Carrier Bureau
Federal Communications Commission
445 Twelfth Street, S.W., Room 5-C450
Washington, D.C. 20554

Re: Federal-State Joint Board on Universal Service
CC Docket No. 96-45 (Rural Task Force Recommendation), *and*

Multi-Association Group (MAG) Plan for Regulation of Interstate Service of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, et al., CC Docket Nos. 00-256, 96-45, 98-77, 98-166

Dear Ms. Attwood:

AT&T, GCI, Sprint, Western Wireless are writing further to explain how the proposed interim HCFIII proposed in AT&T, Sprint and Western Wireless' letter of April 13, 2001, and supported by GCI's letter of April 13, 2001 can be implemented effective July 1, 2001.

HCFIII can be implemented by USAC using only four inputs for each non-price cap study area:

- Projected traffic sensitive revenue requirement;
- Projected traffic sensitive demand quantities;
- Projected local switching support; and
- Projected lines.

Each of these inputs would, in any event, be provided in tariff support documents that would be filed in June by the filing company or by the National Exchange Carrier Association. Once these inputs are submitted to USAC, USAC can arithmetically calculate the per line HCFIII support that would be distributed in each study area. A description of the methodology for calculating this support is attached. Because information for pooling companies is maintained by NECA, the burdens in submitting this information for use by USAC will be minimal.

Because these numbers would be the same as those used in the ILEC's tariff filings, the ILEC could easily compute the amount of expected support, and offset those amounts in preparing final tariffed rates to be effective July 1, 2001.

Respectfully submitted,

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Attachment

cc: Magalie Roman Salas, FCC Secretary
Carol Mattey
Jane Jackson
Katherine Schroder
Richard Lerner
Sharon Webber

High Cost Fund III Process

1. NECA sets TS rates, Rural Carrier Access Price (RCAP), such that average revenue per minute for the entire traffic-sensitive pool is targeted at 1.6 cents.
   - Based on prospective demand to be submitted by pool members.
   - Non-pool companies set their own rates, accompanied by a showing that their RCAP rates result in the lower of their actual costs or 1.6 cents revenue per minute.
   - Key inputs: Projected demand for upcoming tariff year in each non-price cap study area for each traffic-sensitive rate element (local switching, tandem switching, common transport, dedicated transport, signaling, etc.), as is currently provided in tariff support documents filed annually by NECA and the filing companies.

2. HCFIII per line is determined for each non-price cap study area.

   A. NECA cost companies – develop:
      - Projected TS revenue requirements
      - Projected revenues from rates and local switching support (LSS).
      - Projected lines
      - USAC calculates HCFIII per line as: (revenue requirements – revenues)/lines

   B. NECA average schedule companies
      - Similar to A. except revenue requirement is based on average schedule formula rather than actual costs.

   C. Non-NECA companies
      - May be the same as A.

   Key Inputs: Projected demand, revenues, local switching support, and revenue requirements (based on projected expenses and investments) are all currently provided in tariff support documents for the annual filings.

Proposed Interim Rules:
§ 54.304 (c)

For NECA pool companies, HCFIII shall be computed so that the total projected traffic sensitive access charge revenues of the pool, comprised of RCAP revenues pursuant to section 69.130, plus Local Switching Support revenues received pursuant to section 54.301, plus the HCFIII shall equal the projected interstate NECA pool traffic sensitive revenue requirement for the same period. The RCAP revenues shall be the traffic sensitive revenues computed for the prospective annual tariff period pursuant to sections 69.106, 69.109, 69.110, 69.111, 69.112, 69.113, 69.120, and 69.124. The HCFIII per-line support is determined by dividing the study area HCFIII by the projected lines in the study area.

(1) For NECA cost companies, HCFIII will be distributed among the cost company study areas based on the difference between their projected individual traffic sensitive switched revenue requirements and the sum of (i) their projected individual revenues from the traffic sensitive elements that constitute the RCAP as defined in § 69.130 and (ii) their projected individual LSS.

(2) For NECA average schedule companies, the remaining NECA pool HCFIII, after distribution to NECA cost companies, is distributed among the average schedule study areas based on their relative access minutes.

For Non-NECA companies, HCFIII is determined for each study area. HCFIII shall be computed so that the total projected traffic sensitive access charge revenues, comprised of RCAP revenues pursuant to section 69.130, plus Local Switching Support revenues received pursuant to section 54.301, plus the HCFIII shall equal the projected interstate traffic sensitive revenue requirement for the same period. The RCAP revenues shall be the traffic sensitive revenues computed for the prospective annual tariff period pursuant to sections 69.106, 69.109, 69.110, 69.111, 69.112, 69.113, 69.120, and 69.124. The HCFIII per-line support is determined by dividing the study area HCFIII by the projected lines in the study area.

§69.130 Calculation of Rural Carrier Access Price (RCAP)

Concurrent with the implementation of section 54.304 and effective on July 1, 2001, the weighted average traffic sensitive charge, as defined for price cap carriers in 61.3(e), shall be assessed by exchange carriers subject to this section at a level not to exceed $0.0160 per minute.