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May 2, 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 and Western Wireless, both of whom are members of the Rural Task Force ("RTF"), are responding to the April 27, 2001 *ex parte* filed by other RTF members, namely, Western New Mexico Telephone Company, Blackfoot Telephone Cooperative, TelAlaska and GVNW Consulting, Inc., in response to the April 13, 2001 *ex parte* filed by AT&T, Sprint and Western Wireless ("joint *ex parte*"). These LECs contend that the "RTF agreed only to the HCF III principles included in the RTF recommendation" and did not agree to "changing existing end user or carrier access charges or implementing a new support mechanism" simultaneously with the other universal service aspects of the proposal. In addition, they allege that, if implemented, the joint *ex parte* would somehow preclude small rural carriers from recovering their carrier common line revenue requirement.

The LECs' allegations as to a revenue shortfall are flat wrong. The April 13, 2001 joint *ex parte* would *not* preclude any carrier from recovering its carrier common line revenue requirement. To the contrary, it expressly indicated that:

> "as a temporary, interim step for one year while the Commission completes non-price cap carrier access rate level reform, including examination of incentive regulation, the Commission could set a maximum transitional target traffic-sensitive rate of $0.0160 per minute for all rate-of–return LECs – the level contemplated under MAG Track A – with an additional, transitional Carrier Common Line ("CCL") charge that is phased-down to zero as the SLC caps increase to the maximum levels allowed under CALLS. The difference between the traffic-sensitive revenue requirement set under existing

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> rate-of-return procedures and the target access rate would be supported from HCFIII through per-line support as described in the RTF recommendations."

An explanatory footnote stated that "[o]nce the SLC caps reach the maximum CALLS levels, to the extent any carrier would still have a CCL charge, its CCL charge should be reduced to zero and the CCL revenue requirement recovered from HCFIII." Thus, all carriers would collect their own CCL revenue requirement until the SLC caps reach their maximum level under CALLS, and thereafter, any carrier with a CCL revenue requirement would recover that from HCFIII. Thus, it is the express intent of the sponsors of the joint *ex parte* that rural carriers be kept whole. Indeed, the April 13 joint *ex parte* noted that the "proposal would provide an airtight safeguard against any possible revenue shortfall, and thus insulate the Commission's action from any legitimate challenge" because "[w]ith HCFIII, the rate-of-return carrier revenue requirement will always be maintained as HCFIII will be recalculated annually under Task Force principles."

As to whether HCFIII would be implemented simultaneously with other components of the RTF compromise proposal, the RTF Recommendation asked the FCC to adopt the compromises made by its diverse members in supporting a delicately-crafted comprehensive reform *package*. One of the key elements of that package was a set of principles to replace implicit support inherent in interstate access charges with a HCFIII that creates the potential for more competition. On December 22, 2000, the Joint Board endorsed the Recommendation, and the RTF stated that "[t]he Recommended Decision should be adopted immediately as a comprehensive *package* and for a period of five years."[1] (*emphasis added*). It is inappropriate for the RTF LECs to attempt now to delay HCFIII, while pressing forward with the "safety valve" mechanism, also predicated on "principles" that leave unresolved the issue of how much high-cost support would be made available for investments that enhance the infrastructure of acquired exchanges.

High-Cost Fund III (like the safety valve mechanism) was a critical part of RTF's delicately-crafted and balanced proposal. Although the Task Force was unable to determine the specifics for implementation of HCFIII, it identified the principle that the Commission needs to remove implicit support from current interstate access charges of rural carriers, identify the appropriate unit prices of interstate access and recover the difference between current interstate access revenues and repriced interstate access revenues via a HCFIII fund that is assessed in an equitable and nondiscriminatory manner against all interstate carriers with the support made portable to all eligible telecommunications carriers ("ETCs").[2] The Task Force also

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[1] RTF Comments, filed February 26, 2001, in CC Docket No. 96-45, at 2. *See also* Joint Board Rural Task Force Recommended Decision, CC Docket No. 96-45, FCC 00J-4, released December 22, 2000.

[2] RTF Recommendation, September 29, 2000, at 31.

recommended that HCFIII be adjusted annually based on the annual interstate access filings of rural carriers that remain rate-of-return regulated.

Indeed, the measured compromise suggested by AT&T, Sprint and Western Wireless in their April 13 joint *ex parte* is intended to permit implementation of the *entire* RTF Recommendation for comprehensive universal service and access reform for rural carriers to take place promptly on July 1, 2001. It thus clearly effectuates the intent of the parties as well as the mandate of Section 254(e) that universal service support "should be explicit." Delaying HCFIII, as the LECs request, perpetuates unlawful implicit subsidies and delays the advent of competition in rural America, contrary to the stated objectives of the RTF Recommendation and the Telecommunications Act.

In sum, the Commission should move forward to adopt the changes set forth in the AT&T, Sprint and Western Wireless April 13, 2001 joint *ex parte,* supported by GCI in a separate filing, for implementation by July 1, 2001.

Respectfully submitted,

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