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KRASKIN, LESSE & COSSON, LLP
ATTORNEYS AT LAW
TELECOMMUNICATIONS MANAGEMENT CONSULTANTS

EX PARTE OR LATE FILED

2120 L Street, N.W., Suite 520
Washington, D.C. 20037

Telephone (202) 296-8890
Telecopier (202) 296-8893

May 3, 2001

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas, Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
Washington, D.C. 20554

Re: *Federal-State Joint Board on Universal Service*
CC Docket No. 96-45
Ex Parte Meeting

Dear Ms. Salas:

On May 2, 2001, Steve Kraskin, Sylvia Lesse and John Kuykendall of Kraskin, Lesse & Cosson, LLP met with Jordan Goldstein of Commissioner Ness' office to discuss comments filed by the Alliance of Incumbent Rural Independent Telephone Companies ("AIRIT") in the above-captioned proceeding.

The discussion included informing Mr. Goldstein of AIRIT's concerns that in the absence of specific changes outlined by AIRIT (see attached list of deficiencies and proposed resolutions), the implementation of the proposal submitted by the Federal-State Joint Board's Rural Task Force (the "RTF proposal") is likely to produce results contrary to the universal service public policy and statutory mandate, including, but not limited to the discouragement of investment in rural service area infrastructure and the "gaming " of the Universal Service Fund ("USF"). The AIRIT representatives proposed that, in the event that the Commission does not amend the RTF proposal as recommended, the Commission should, prior to making any final determination: issue a Notice seeking further comment on the issues raised by AIRIT and remove the cap on USF with respect to the application of the existing rules.

In addition to the list of deficiencies and proposed resolutions, the AIRIT representatives provided Mr. Goldstein with a list of AIRIT members sorted both alphabetically and by state (see attached).

Please contact me if there are any questions regarding this matter.

Sincerely yours,

John Kuykendall

cc: Jordan Goldstein

Attachments

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List A B C D E

ALLIANCE OF INCUMBENT RURAL INDEPENDENT TELEPHONE COMPANIES

2120 L Street, N.W., Suite 520
Washington, D.C. 20037

Telephone (202) 296-8890
Telecopier (202) 296-8893

Significant Rural Task Force Proposal Deficiencies and Proposed Resolutions

1. The RTF Proposal freezes USF cost recovery and converts it to a per-line basis (except for inflation factors) when a second eligible telecommunications carrier (ETC) provides service in an area served by an incumbent rural telephone company. Any USF plan that incorporates a "freeze" or "cap" is not sustainable from a legal (47 USC §254) or public policy perspective.

Resolution: Do not adopt the RTF Proposal without eliminating the freeze.

2. Under the RTF Proposal, an incumbent rural telephone company will have no opportunity to recover costs that are allocated (per the application of FCC Rules Parts 36 and 69) to interstate USF when a competitive ETC "wins" a customer. The loss of a customer does not result in equivalent loss of operating costs or required investment. When costs are allocated to USF recovery in order to achieve § 254 universal service objectives, the incumbent rural carrier cannot recover these costs from increased local or access rates.

Resolution: The RTF Proposal should be amended to provide for recovery of incumbent rural carrier costs allocated to interstate USF on a full network basis (as this is done today) and not on a "per line" basis as proposed by the RTF Proposal.

3. The RTF Proposal would award USF payments to a competitive ETC on a "per line" basis derived from the costs incurred by the incumbent rural carrier, with no relationship to the competitive ETC's costs. The adoption of this policy will, contrary to established Commission policy, promote gaming of USF and selective competition in rural areas. Competitive carriers would be encouraged to serve the most lucrative low cost customers within a rural service area on their own facilities on the basis of the "award" incentive of obtaining USF based on the incumbent's costs to serve both the "cream" customers and the most high cost to serve parts of the service area.

Resolution: The Commission should reject this aspect of the RTF Proposal. Where a State Commission, in accordance with its obligation to determine the public interest, designates a competitive ETC pursuant to § 214(e), the USF for the competitive ETC should be determined in accordance with the same rules and regulations applicable to the rural incumbent.

4. Increases in subscriber line charges (SLCs) assessed to rural incumbent company customers may also be under consideration in conjunction with the RTF proposal. Increases in SLCs may further impair the provision of universal service in rural telephone company areas without providing the rural customer any discernable benefit.

Resolution: The Commission should not proceed with increases in SLCs charged to rural customers in the absence of a meaningful record that demonstrates that the impact on universal service of the proposed increases has been fully considered.

In the absence of the changes in the RTF Proposal set forth above, the implementation of the proposal is likely to produce results contrary to the universal service public policy and statutory mandate, including, but not limited to the discouragement of investment in rural service area infrastructure and the "gaming " of USF. In the event that the Commission does not amend the RTF proposal, as set forth above, the Commission should, prior to making any final determination:

1. Issue a Notice seeking further comment on the issues set forth above; and

2. Remove the cap on USF with respect to the application of the existing rules.

MEMBERS OF THE ALLIANCE OF INCUMBENT RURAL INDEPENDENT TELEPHONE COMPANIES

Accucom Telecommunications, Georgia
Adams Telephone Cooperative, Illinois
Albion Telephone Co. (ATC Communications), Idaho
Alpine Communications, Iowa
Armstrong Telephone Company of Maryland
Armstrong Telephone Company of New York
Armstrong Telephone Company of Pennsylvania
Armstrong Telephone Company of West Virginia
Ballard Rural Telephone Cooperative Corporation, Inc., Kentucky
Barry County Telephone Company, Michigan
Bay Springs Telephone Co., Inc., Mississippi
Bentleyville Communications Corporation, Pennsylvania
Berkshire Telephone Company, New York
Bixby Telephone Company, Oklahoma
Brindlee Mountain Telephone Co., Inc., Alabama
Bulloch Telephone Cooperative, Georgia
Cascade Utilities, Oregon
Central Montana Communications, Inc., Montana
Citizens Telephone Company of Hammond, N.Y., Inc, New York
Clear Lake Independent Telephone Company, Iowa
Coleman Coounty Telephone Cooperative, Texas
Colorado Valley Telephone Cooperative, Inc., Texas
Com South Telecommunications, Inc., Georgia
Consolidated Telecom., North Dakota
Copper Valley Telephone Company, Arizona
Crockett Telephone Co., Inc., Tennessee
Cumby Telephone Co-op, Texas
Darien Telephone Company, Georgia
Daviess Martin County Rural Telephone Corporation d/b/a RTC Communications, Indiana
Decatur Telephone Co., Mississippi
The Deerfield Farmers' Telephone Company, Michigan
Delhi Telephone Company, New York
Delta Telephone Co., Inc., Mississippi
Egyptian Telephone Cooperative Association, Illinois
Ellijay Telephone Company, Georgia

Empire Telephone Corporation, New York
Fail Telecommunications Corporation, Mississippi and Georgia
Farmers Telephone Cooperative, Inc., South Carolina
Five Area Telephone Cooperative, Inc., Texas
Flat Rock Telephone Co-operative, Illinois
Franklin Telephone Co., Inc., Mississippi
Gearheart Communications, Inc., Kentucky
Georgetown Telephone Company, Mississippi
Germantown Telephone Company, Inc., New York
Gila River Telecommunications, Inc., Arizona
Glenwood Telephone Company, Georgia
Gridley Telephone Co., Illinois
Hancock Telecom, Indiana
Hardy Telecommunications, Inc., West Virginia
Heart of Iowa Telecommunications Cooperative, Iowa
Home Telephone Co., Illinois
Hopper Telephone LLC, Alabama
Lackawaxen Telephone Co., Pennsylvania
LaFourche Telephone Company, Louisiana
La Harpe Telephone Co., Inc., Illinois
Lakeside Telephone Company, Mississippi
Ligonier Telephone Co., Inc., Indiana
Lincolnville Telephone Company, Maine
Mark Twain Rural Telephone Co., Missouri
McDonough Telephone Cooperative, Illinois
Mid Century Telephone Cooperative, Illinois
Mid Maine Communications, Maine
Mid-Rivers Telephone Cooperative, Inc., Montana
Midstate Telephone Company, North Dakota
Minnesota Valley Telephone Co., Inc., Minnesota
Modern Telecommunications Company, Missouri
Moundville Telephone Company, Inc., Alabama
Moundridge Telephone Company, Kansas
National Telephone Co. of Alabama, Inc., Alabama
The Nebraska Central Telephone Company, Nebraska
Nehalem Telephnoe and Telegraph Co., Oregon
Nelson Telephone Cooperative, Wisconsin
Nemont Telephone Cooperative, Montana
New Paris Telephone Co., Indiana
New Windsor Telephone Co., Inc., Illinois
Northeast Missouri Rural Telephone Company, Missouri
Northwest Communications Cooperative, North Dakota
Nortex Communications, Texas
Northeast Nebraska Telephone Company, Nebraska
The North-Eastern Pa. Telephone Co., Pennsylvania

North Pittsburgh Telephone Co., Pennsylvania
Oneida County Telephone Company, New York
Oneida Telephone Exchange & Cablevision, Inc., Illinois
Ontario Telephone Co., New York
Otelco Telephone LLC, Alabama
Paul Bunyan Rural Telephone Cooperative, Minnesota
PBT Telecom, Inc., South Carolina
Peoples Telecommunications, Kansas
Peoples Telephone Co., Inc., Tennessee
Perry-Spencer Rural Telephone Cooperative, Inc., Indiana
Pioneer Telephone Cooperative, Kansas
Plant Telephone Company, Georgia
Planters Rural Telephone Co-op, Georgia
Poka Lambro Telephone Cooperative, Inc., Texas
Preston Telephone Co., Iowa
Progressive Rural Telephone Cooperative, Inc., Georgia
Project Telephone Company, Montana
Reynolds Telephone Company, Illinois
Ringgold Telephone Company, Georgia
Rio Virgin Telephone Company, Nevada
Roanoke Telephone Co., Inc., Alabama
Roosevelt County Rural Telephone Cooperative, New Mexico
RT Communications, Wyoming
Rye Telephone Company, Colorado
Salina-Spavinaw Telephone Company, Inc., Oklahoma
Sanborn Telephone Cooperative/Sancom, Inc., South Dakota
San Carlos Apache Telecommunications Utility, Inc., Arizona
Scio Mutual Telephone Association, Oregon
Siskiyou Telephone, California
Sledge Telephone Co., Mississippi
Smithville Telephone Company, Indiana
Smithville Telephone Company, Mississippi
South Central Utah Telephone Association, Inc., Utah
South Park Telephone Co., Colorado
South Plains Telephone Cooperative, Inc., Texas
Southwest Texas Telephone Company, Texas
Springport Telephone Co., Michigan
Spruce Knob Seneca Rocks Telephone Co., West Virginia
Stayton Cooperative Telephone Company, Oregon
Taylor Telephone Cooperative, Texas
Tidewater Telephone Company, Maine
Tohono O'odham Utility Authority, Arizona
Topsham Telephone Company, Inc., Vermont
Trenton Telephone Company, Georgia
Triangle Telephone Cooperative Association, Inc., Montana

Trumansburg Telephone Co., New York
Valley Telecommunications, Montana
Valley Telephone Cooperative Arizona
Valley Telephone Cooperative New Mexico
Van Horne Co-op Telephone Co., Iowa
Ventura Telephone Company, Iowa
Viola Home Telephone Co., Illinois
Waverly Hall Telephone, LLC, Georgia
West Side Telephone Company, West Virginia
West Tennessee Telephone Co., Inc., Tennessee
Wilkes Telephone & Electric Company, Georgia
Winthrop Telephone Co., Inc., Minnesota

Companies sending request to join after filing are indicated by bold

ALLIANCE MEMBERS SORTED BY STATE

Alabama, National Telephone Co. of Alabama, Inc.
Alabama, Otelco Telephone LLC
Alabama, Roanoke Telephone Co., Inc.
Alabama, Brindlee Mountain Telephone Co., Inc.
Alabama, Hopper Telephone LLC
Alabama, Moundville Telephone Company, Inc.

Arizona, Gila River Telecommunications, Inc.
Arizona, Copper Valley Telephone Company
Arizona, Tohono O'odham Utility Authority
Arizona, Valley Telephone Cooperative
Arizona, San Carlos Apache Telecommunications Utility, Inc.

California, Siskiyou Telephone

Colorado, Rye Telephone Company
Colorado, South Park Telephone Co.

Georgia, Bulloch Telephone Cooperative
Georgia, Fail Telecommunications Corporation
Georgia, Plant Telephone Company
Georgia, Wilkes Telephone & Electric Company
Georgia, Com South Telecommunications, Inc.
Georgia, Ringgold Telephone Company
Georgia, Accucom Telecommunications
Georgia, Waverly Hall Telephone, LLC
Georgia, Planters Rural Telephone Co-op
Georgia, Darien Telephone Company
Georgia, Glenwood Telephone Company
Georgia, Trenton Telephone Company
Georgia, Ellijay Telephone Company
Georgia, Progressive Rural Telephone Cooperative, Inc.

Idaho, Albion Telephone Co. (ATC Communications)

Illinois, Egyptian Telephone Cooperative Association
Illinois, Reynolds Telephone Company
Illinois, Viola Home Telephone Co.
Illinois, Flat Rock Telephone Co-operative
Illinois, New Windsor Telephone Co., Inc.
Illinois, Home Telephone Co.
Illinois, Oneida Telephone Exchange & Cablevision, Inc.
Illinois, Mid Century Telephone Cooperative
Illinois, McDonough Telephone Cooperative
Illinois, La Harpe Telephone Co., Inc.
Illinois, Gridley Telephone Co.
Illinois. Adams Telephone Cooperative

Indiana, Ligonier Telephone Co., Inc.
Indiana, Daviess Martin County Rural Telephone Corp. d/b/a RTC Communications
Indiana, Hancock Telecom
Indiana, New Paris Telephone Co.
Indiana, Smithville Telephone Company
Indiana, Perry-Spencer Rural Telephone Cooperative, Inc.

Iowa, Alpine Communications
Iowa, Heart of Iowa Telecommunications Cooperative
Iowa, Van Horne Co-op Telephone Co.
Iowa, Ventura Telephone Company
Iowa, Preston Telephone Co.
Iowa, Clear Lake Independent Telephone Company

Kansas, Peoples Telecommunications
Kansas, Moundridge Telephone Company

Kentucky, Gearheart Communications, Inc.
Kentucky, Ballard Rural Telephone Cooperative Corporation, Inc.

Louisiana, LaFourche Telephone Company

Maine, Lincolnville Telephone Company
Maine, Mid-Maine Communications
Maine, Tidewater Telephone Company

Maryland, Armstrong Telephone Company of Maryland

Michigan, The Deerfield Farmers' Telephone Company
Michigan, Barry County Telephone Company
Michigan, Springport Telephone Co.

Minnesota, Minnesota Valley Telephone Co., Inc.
Minnesota, Winthrop Telephone Co., Inc.
Minnesota, Paul Bunyan Rural Telephone Cooperative

Mississippi, Bay Springs Telephone Co., Inc.
Mississippi, Decatur Telephone Co.
Mississippi, Georgetown Telephone Company
Mississippi, Delta Telephone Co., Inc.
Mississippi, Fail Telecommunications Corporation
Mississippi, Franklin Telephone Co., Inc.
Mississippi, Lakeside Telephone Company
Mississippi, Smithville Telephone Company
Mississippi, Sledge Telephone Co.

Missouri, Northeast Missouri Rural Telephone Company
Missouri, Mark Twain Rural Telephone Co.
Missouri, Modern Telecommunications Company

Montana, Mid-Rivers Telephone Cooperative, Inc.
Montana, Triangle Telephone Cooperative Association, Inc.
Montana, Valley Telecommunications
Montana, Central Montana Communications, Inc.
Montana, Project Telephone Company
Montana, Nemont Telephone Cooperative

Nebraska, Northeast Nebraska Telephone Company
Nebraska, The Nebraska Central Telephone Company

Nevada, Rio Virgin Telephone Company

New Mexico, Roosevelt County Rural Telephone Cooperative
New Mexico, Valley Telephone Cooperative

New York, Trumansburg Telephone Co.
New York, Empire Telephone Corporation
New York, Oneida County Telephone Company
New York, Delhi Telephone Company
New York, Ontario Telephone Co.
New York, Germantown Telephone Company, Inc.
New York, Citizens Telephone Company of Hammond, N.Y., Inc.
New York, Armstrong Telephone Company of New York
New York, Berkshire Telephone Company

North Dakota, Midstate Telephone Company
North Dakota, Northwest Communications Cooperative
North Dakota, Consolidated Telecom.

Oklahoma, Salina-Spavinaw Telephone Company, Inc.
Oklahoma, Bixby Telephone Company

Oregon, Cascade Utilities
Oregon, Scio Mutual Telephone Association
Oregon, Nehalem Telephone and Telegraph Co.
Oregon, Stayton Cooperative Telephone Company
Oregon, Pioneer Telephone Cooperative

Pennsylvania, Lackawaxen Telephone Co.

Pennsylvania, Bentleyville Communications Corporation
Pennsylvania, North Pittsburgh Telephone Co.
Pennsylvania, The North-Eastern Pa. Telephone Co.
Pennsylvania, Armstrong Telephone Company of Pennsylvania

South Carolina, Farmers Telephone Cooperative, Inc.

South Dakota, Sanborn Telephone Cooperative/Sancom
South Carolina, PBT Telecom, Inc.

Tennessee, West Tennessee Telephone Co., Inc.
Tennessee, Peoples Telephone Co., Inc.
Tennessee, Crockett Telephone Co., Inc.

Texas, Poka Lambro Telephone Cooperative, Inc.
Texas, Southwest Texas Telephone Company
Texas, South Plains Telephone Cooperative, Inc.
Texas, Taylor Telephone Cooperative
Texas, Nortex Communications
Texas, Five Area Telephone Cooperative, Inc.
Texas, Colorado Valley Telephone Cooperative, Inc.
Texas, Cumby Telephone Co-op
Texas, Coleman County Telephone Cooperative

Utah, South Central Utah Telephone Association, Inc.

Vermont, Topsham Telephone Company, Inc.

West Virginia, Hardy Telecommunications, Inc.
West Virginia, West Side Telephone Company
West Virginia, Spruce Knob Seneca Rocks Telephone Co.
West Virginia, Armstrong Telephone Company of West Virginia

Wisconsin, Nelson Telephone Cooperative

Wyoming, RT Communications