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September 10, 2001

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

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: **In the Matter of Federal-State Board on Universal Service
CC Docket Nos. 96-45; 98-171; 90-571; 92-237; 99-200; 95-116**

Dear Ms. Salas:

Upon the request of staff in the Accounting Policy Division of the Common Carrier Bureau, Excel Communications, Inc. on behalf of itself and its operating subsidiaries (collectively, "Excel"), hereby submits this *ex parte* communication to elaborate on statements it made in its Reply Comments¹ in the above captioned proceeding.

The issue is whether exempting Lifeline customers from Universal Service Fund ("USF") payments would place an undue burden on interexchange carriers ("IXCs") and other, similar service providers. The cost of implementing an exemption for Lifeline customers would be prohibitive and would outweigh any putative benefit associated with such an exemption. Such costs would impose upward pressure on the retail rates that non-Lifeline customers would pay for interexchange service.

Initially, IXCs would have to undertake to identify the specific customers that qualify for a Lifeline exemption. While this may not be as much of a burden to incumbent

¹ Reply Comments of Excel Communication, July 9, 2001.

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LECs, who already maintain a comprehensive database of their end-users,² Excel and other IXC do not have such a database at the present time. As a result, they would have to shoulder the onerous burden of creating such a database from scratch. Even if the Commission were to require incumbent LECs to provide assistance without charge, that would only partially alleviate the burden on the IXCs, and might even exacerbate it if, as can be expected, the incumbent LECs are not forthcoming with useful or timely assistance. Moreover, even were the incumbent LECs to be cooperative, IXCs still would be burdened by having to establish mechanisms and procedures for exchanging information and updating such information on a going-forward basis.

In addition to establishing the initial database necessary to implement a Lifeline exemption, Excel and other IXCs would have to incur the significant cost of establishing systems to update and maintain the database. Such expenses would include, but not necessarily be limited to, (1) the cost of modifying billing and other back-office systems to ensure billing accuracy; (2) regular updates to the database as individuals are added to or removed from the Lifeline service program,³ and (3) the hiring and training of personnel to create and maintain the database, as well as new back-office billing systems. Although the cost of these expenses for all IXCs would be great, the burden placed on smaller IXCs would be particularly onerous.

In addition to the administrative burdens mentioned above, any exemption of revenue from Lifeline customers would require other customers to pay additional amounts to make up for the shortfall and cover the significant cost of implementing the Lifeline exemption.⁴ As a result, the Lifeline exemption is not only an additional burden for the service provider, it will harm non-Lifeline consumers.

² Since Lifeline services have historically fallen in the domain of incumbent LECs, long-distance service providers, which include a majority of Excel's members, have had no reason to uniquely identify a customer as qualified for Lifeline services.

³ Because of the amount of customer churn that is inherent in the long-distance business, the constant updating required for such a database would be both costly and difficult to maintain.

⁴ As IDT Corp. appropriately points out in its comments, any prescribed rate, as currently proposed by the FCC, would eliminate a carrier's ability to modify its rates in order to make up for a shortfall from Lifeline customers. If a carrier can never recover its USF remittances (which is inconsistent with 47 U.S.C. § 254), an incentive is created to avoid serving rural and low-income residential areas which might have a significant base of Lifeline customers. See Comments of IDT Corp. at 9.

Ms. Magalie Roman Salas **KELLEY DRYE & WARREN LLP**
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For the reasons stated above, Excel respectfully asks that the Commission refrain from exempting Lifeline customers from USF contribution fees. Please contact the undersigned with any questions related to this *ex parte* communication, which Excel respectfully submits as part of the record in the above-captioned proceeding.

Respectfully submitted,



Robert J. Aamoath
Heather M. Wilson

Attorneys for Excel Communications, Inc.

cc: Paul Garnett