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LAWLER, METZGER & MILKMAN, LLC

1909 K STREET, NW
SUITE 820
WASHINGTON, D.C. 20006

A. RICHARD METZGER, JR.
PHONE (202) 777-7729

PHONE (202) 777-7700
FACSIMILE (202) 777-7763

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

BY HAND

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

Re: Notice of Ex Parte Presentation: Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket 98-171; Telecommunications Services for Individuals with Hearing Speech Disabilities and the Americans with Disabilities Act of 1990, CC Docket No. 90-571; Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, CC Docket No. 92-237, NSD File No. L-00-72; Number Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116.

Dear Ms. Salas;

On November 9, 2001, Richard Metzger of Lawler, Metzger and Milkman, counsel to WorldCom, Inc., furnished the enclosed written presentation to Kyle Dixon, Legal Adviser to Chairman Powell.

Consistent with the Commission rules, I am filing an original and one copy of this notice and request that you place it in the record of the proceedings.

Sincerely,

A. Richard Metzger

A. Richard Metzger, Jr.

Enclosure

cc: Kyle Dixon

USF Coalition Proposal

In response to the FCC's Universal Service Reform NPRM (FCC 01-145), the Ad Hoc Telecommunications Users Committee, AT&T, e-TUG and WorldCom (the "Coalition") jointly developed the following proposal to replace the current USF assessment on carriers' interstate revenues with a capacity-based assessment on providers of all connections that are used or usable for interstate telecommunications services. The current system is neither sustainable nor competitively neutral, and should be replaced as soon as possible. The new system should be implemented in two steps, to give carriers a year to develop the systems needed to support a capacity-based assessment. As of January 1, 2002, the Commission should implement a connection-based assessment on the current monthly number of all wireline residential and single line business connections, and all wireless and pager connections. During a 12-month interim period connecting providers would develop the systems they need for capacity-based assessments on multiline business switched and private line/special access connections, so that a permanent, capacity-based system would be put in place on January 1, 2003.

Interim Step:

The mandatory interim step would contain the following key elements:

- Implement interim step by January 1, 2002, transition to permanent solution within one year.
- Flat-rate charge per connection (per line for wireline and per number for wireless) used or usable for interstate telecommunications services.
- Connecting provider (wireline or wireless provider who has the underlying connection and relationship to end-user customer) to bill USF charge to customer.
- The multi-line business (MLB) USF charge will recover the remaining or residual amount of funding as of January 1, 2002. (See Residual Calculation Below)
- Any increase (or decrease) in the assessment rate after January 1, 2002 to be borne equally by all customer classifications. For example, a 10% increase (or 10 % decrease) in the USF assessment factor, would result in an increase of $0.10 (or decrease of $0.10) for those providers charging $1.00 per line.

Proposed Rates (per line or number per month):

Wireline (Consumer)	$1.00
Lifeline Residential	$0.00
Wireless (Consumer and Business)	$1.00
Pagers (Consumer and Business)	$0.25
Cable Telephony	$1.00
Wireline (Switched single-line business)	$1.00
Wireline (Switched multi-line business)	$(Residual Calculation) [1]

[1] MLB switched USF charge to be calculated by taking the estimated USF funding required for 2002 and removing the estimated amount to be recovered by the per line charges, then dividing that amount by the estimated number of switched Multi-Line business lines. If, however, the FCC would prefer to include an assessment on private line services for the interim period, then a percentage assessment, equal to the current FCC presubscribed surcharge factor, could be applied to current interstate private line service revenues, including retail end-user special access. The contributions generated through application of the Commission prescribed surcharge factor to private line service revenues, including retail end-user special access, would be added to the contributions produced from application of the per line and per number rates

In order to implement the capacity based charges of the permanent solution, additional data must be collected during this interim period. Providers must be required to submit to USAC the amount and speeds of these higher speed connections.

Permanent Solution:

The permanent solution is similar to the interim step and has the following key elements:

- Implement 12 months after the interim step becomes effective.
- Flat-rate charge per connection (per line for wireline and cable and per number for wireless) used or usable for interstate telecommunications services.
- Connecting providers (wireline or wireless carrier who has the underlying connection and relationship to end-user customer) to bill USF charge to customer.
- MLB USF charge will recover the total multi-line business assessment. The capacity based rates are then benchmarked on the switched MLB rate (See calculation below).

Proposed Rates (per line or number per month):[2]

Wireline (Consumer)	$1.00
Lifeline Residential	$0.00
Wireless (Consumer and Business)	$1.00
Pagers (Consumer and Business)	$0.25
Cable Telephony	$1.00
Wireline (Single-line business)	$1.00
Wireline (Multi-line business)	$(Calculation)[3]

The remaining business connections will bear the remainder of the funding burden, with the per connection assessments based on the capacity of these connections. The Coalition proposes a simple three-level system for facilities. (Note, switched voice lines are included in Level 1.)

Level	Facility Capacity	USF Contribution Charge
1	Less than 1.544 Mb/s	MLB USF Charge Level 1
2	1.544 or greater, but less than 45 Mb/s	5 x MLB USF Charge Level1
3	45 Mb/s or greater, including optical speeds	8x Level 2 Charge

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set forth above, and the sum of the contributions so generated would be subtracted from the USF funding requirement for 2002 to determine the MLB switched USF charge. Thus, the MLB switched assessment plus the private line percentage assessment would equal the multi-line business aggregate annual assessment.

[2] Amounts provided for example only. Actual rates for the permanent solution may be greater or less than these amounts based on the increase (or decrease) in the USF funding requirements as well as actual line and number growth.

[3] The MLB assessment rates are derived by taking the aggregate business assessment as of January 2003, and utilizing the following algorithm, "Total MLB Business USF Obligation = (X*lines in level 1) + (5X* lines in level 2) + [8*5(X)*(lines in level 3], where X = the annual multi-line business assessment for level 1.