

W. Scott Randolph  
Director – Regulatory Affairs



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Ms. Magalie R. Salas  
Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, DC 20554

**Ex Parte: Federal-State Joint Board on Universal Service, CC Docket No. 96-45; 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements, CC Docket No. 98-171; Telecommunications Services for Individuals with Hearing and 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; Numbering Resource Optimization, CC Docket No. 99-200; and Telephone Number Portability, CC Docket No. 95-116**

Dear Ms. Salas:

In *ex parte* filings made in these proceedings, Level 3 Communications observed that consumer impact studies submitted by Verizon appeared to omit increases in ILEC USF recovery fees that would result from future increases in Subscriber Line Charges (SLCs). The studies, conducted by Cambridge Strategic Management Group, demonstrated the impact on low volume long distance users of shifting to a per line recovery mechanism for recovery of universal service contributions.

The CSMG analysis assumed constant residential and single line business SLC rates of \$5 throughout the study period. This assumption was used because Verizon did not have sufficient information to predict in what areas the SLC could be raised to the \$6.50 cap or limited by CMT revenue per line as required by Section 69.152 of the Rules. However, CSMG has evaluated the results of its study assuming that residential and single line SLCs will be raised to \$6.50 by 2003. As the attached charts demonstrate, increases in the SLC to \$6.50 do not significantly change the resulting contribution factor or the profile of USF contribution by carrier type from the original CSMG study. In the initial study, the SLC represented only approximately 15% of the total end user retail revenues and this percentage increased only 2% in the revised study (i.e., pricing of the SLC at \$6.50 would represent only 17% of the total assessment base).

Pursuant to Section 1.1206(a)(1) of the Commission's rules, and original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record in the proceeding indicated above. If you have any questions regarding this matter, please call me at (202) 515-2530.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Scott Randolph". The signature is fluid and cursive, with the first name "W." and last name "Randolph" clearly distinguishable.

W. Scott Randolph  
Director - Regulatory Matters

Attachment

cc: Kathryn Schroeder  
Anita Cheng  
Kyle Dixon  
Sam Feder  
Jordan Goldstein

**The base case for the USF Contribution Model assumes constant residential and single line business SLC rates because there was not sufficient information to predict in what areas the SLC could be increased to the \$6.50 cap. However, we have evaluated a sensitivity where SLC rates rise to \$6.50 to determine the impact on the following key model results:**

- End user interstate/International revenue
- USF contribution factor
- Profile of USF contributions by carrier type

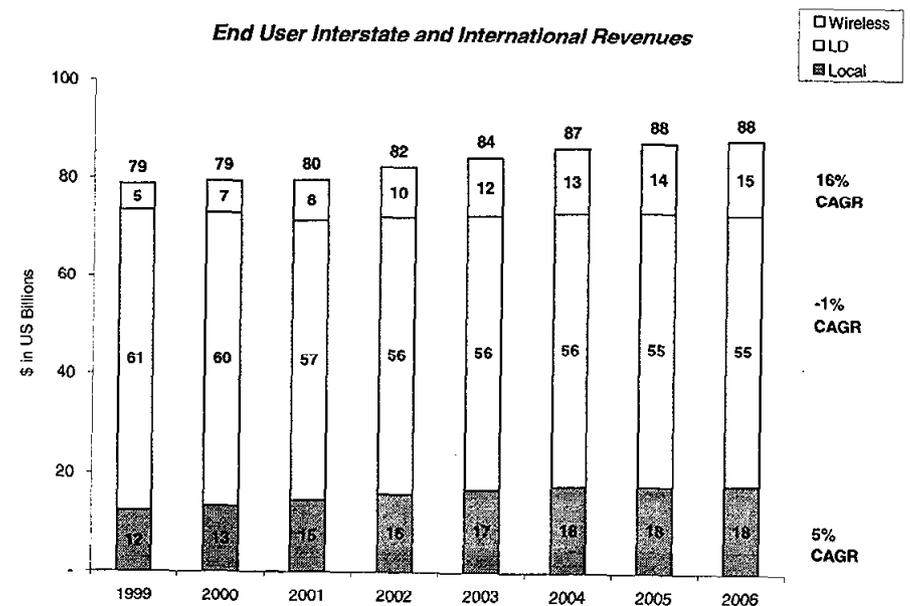
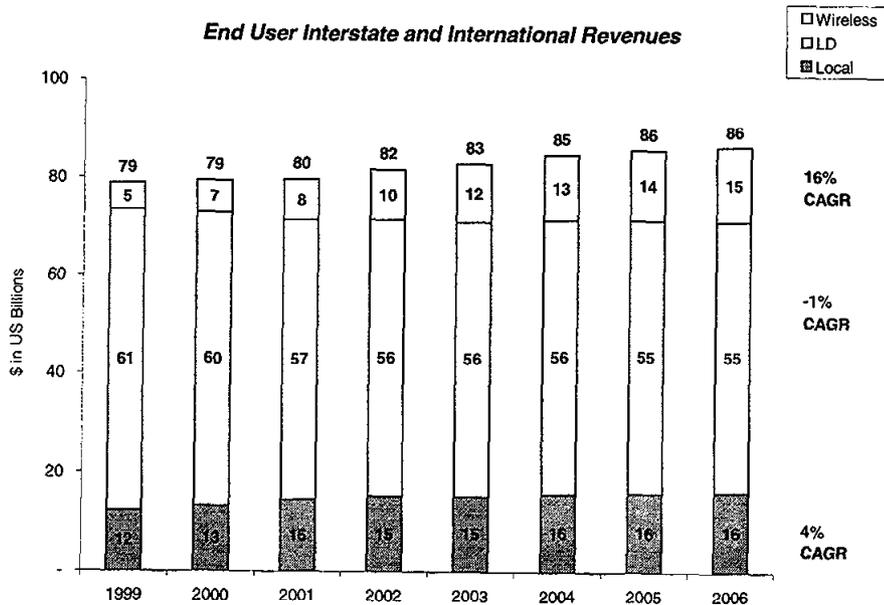
- Residential SLC rate \$5 from 2001 forward
- Single line business SLC rate \$5 from 2001 forward
- Multi line business SLC rate average from FCC CALLS Analysis

- Residential SLC rate rises to \$6.50 by 2003
- Single line business SLC rate rises to \$6.50 by July, 2003
- Multi line business SLC rate average from FCC CALLS Analysis

While the 2006 end user interstate/International revenue for local providers increases by approximately 13% in the sensitivity over the base case, the total revenue increases by only 2%

### Base Case

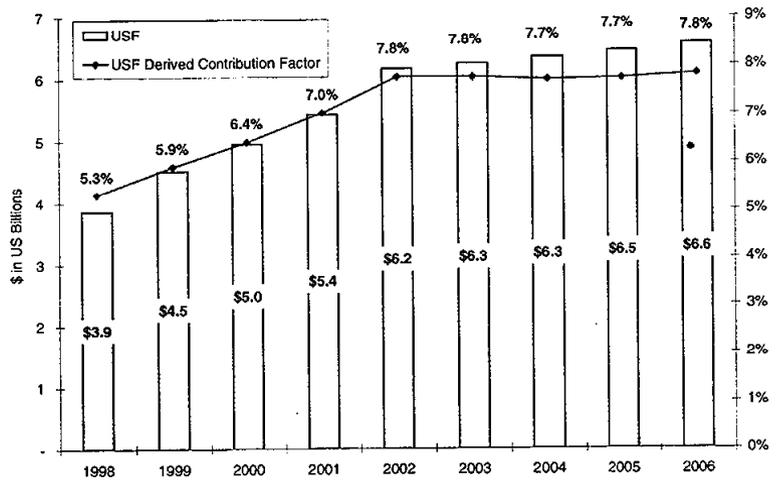
### Sensitivity



Therefore, the resulting contribution factor and profile of USF contribution by carrier type do not change significantly

### Base Case

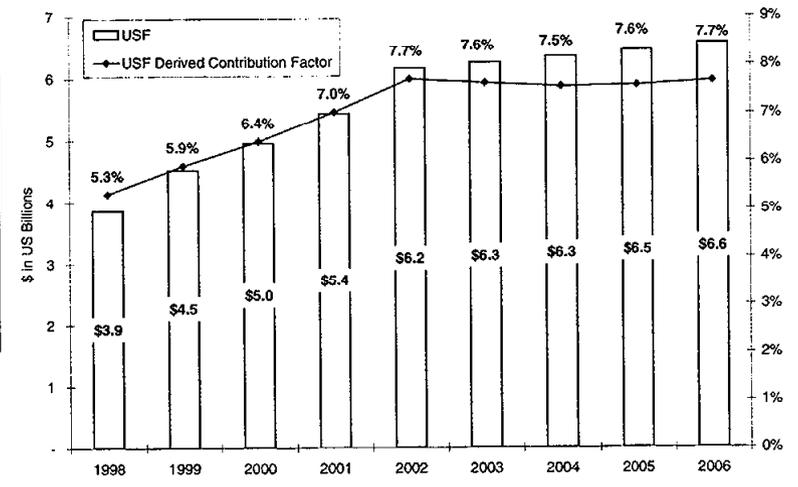
USF Derived Contribution Factor



• USF contribution factor decreases from 7.8% in the base case to 7.7% in the sensitivity

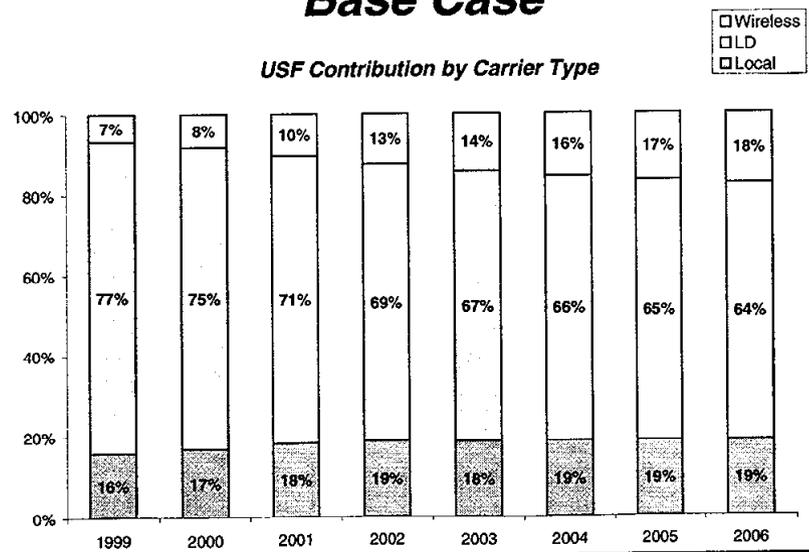
### Sensitivity

USF Derived Contribution Factor



### Base Case

USF Contribution by Carrier Type



• Wireless contribution decreases by 6%  
 • LD contribution decreases by 2%  
 • Local contribution increases by 5%

### Sensitivity

USF Contribution by Carrier Type

