Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
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 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
Number Resource Optimization	)	CC Docket No. 99-200
Telephone Number Portability	)	CC Docket No. 95-116
Truth-in-Billing and Billing Format	)	CC Docket No. 98-170

AT&T COMMENTS ON USF CONTRIBUTION FNPRM

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AT&T COMMENTS ON USF CONTRIBUTION FNPRM

Pursuant to Section 1.415 of the Commission's rules, AT&T Corp. ("AT&T") submits these comments in response to the Commission's Further Notice of Proposed Rulemaking ("FNPRM"), FCC 02-43, released February 26, 2002, published in 67 Fed. Reg. 11268 (March 13, 2002), in the above-captioned proceedings. AT&T is part of the Coalition for

Sustainable Universal Service[1] that proposed a connection- and capacity-based universal service assessment and recovery mechanism. For most issues AT&T will rely exclusively on the Coalition's Comments in response to the FNPRM. It files separately solely to emphasize particular points or to address issues which the Coalition pleading does not address.

INTRODUCTION AND SUMMARY

In the FNPRM, the Commission seeks comment on "whether to assess contributions based on the number and capacity of connections provided to a public network" so as to "ensure the long-term stability, fairness, and efficiency of the universal service contribution system in a dynamic telecommunications marketplace." FNPRM ¶ 2. In addition, the Commission seeks comment on "reforming the contribution recovery process to make it more fair and understandable for consumers." *Id.*

As a proponent of the connection-based approach, AT&T strongly supports the shift to a connection-based assessment and recovery mechanism and adoption of a collect-and-remit approach. Changes in telecommunications markets have rendered the existing revenue-based universal service assessment and contribution mechanism obsolete, competitively-biased and confusing to telecommunications consumers. As the Coalition Comments demonstrate in detail, the dramatic decrease in wireline interstate revenues, coupled with increasing universal service funding requirements, will force the universal service system into a "death spiral," with ever-increasing contribution factors that consumers and providers will seek to avoid through new offerings. The discriminatory impact of the lag, the outmoded wireless safe harbor and the

[1] The members of the Coalition are Ad Hoc Telecommunications Users Committee, AT&T, e-commerce Telecommunications Users Group, Level 3 Communications, and WorldCom Coalition").

international exemption will continue to strain the system. While a revenue-based approach may have been reasonable in 1997 when it was first adopted, the telecommunications market has changed dramatically since then, and the emergence of new technologies and bundled service offerings are rapidly undermining the Commission's existing assessment method. Moreover, the Commission has further complicated the current revenue-based assessment method with an increasingly complex patchwork of "safe harbors" that introduce additional competitive inequities into the universal service system. Together, these factors have contributed to the volatility and decline of interstate telecommunications revenues, thereby making a revenue-based mechanism unsustainable in the long run. Adoption of the Coalition proposal for a connection- and capacity-based approach would create a universal service system that is equitable, sustainable and nondiscriminatory.

As shown in Part I, the existing historical revenue-based universal service mechanism results in wide variations among telecommunications carriers in the amount of line-item charges for universal service because each carrier faces a different risk of nonrecovery. The Commission can eliminate these variations and limit carriers' pricing flexibility but only if it first eliminates carriers' individual risk of nonrecovery. Specifically, it should make the *fund* rather than individual carriers account for any risk of nonrecovery, require carriers to remit to the fund only what they collect, and implement a uniform, prescribed charge for universal service that ensures that those assessments are competitively neutral and easy to understand.

As shown in Part II, there is broad consensus among IXCs, LECs and wireless carriers that the USF lag that is embedded in the existing universal service mechanism is competitively-biased and therefore should be eliminated. The Coalition's proposed connection and capacity-based collect-and-remit mechanism is based on *current* data and is the best way to eliminate the USF lag.

As demonstrated in Part III, a flat-rate connection-based and capacity-based assessment and recovery mechanism can be readily implemented. Given current USF funding requirements, the Commission could immediately implement a per-line flat-rate of $1.00 for residential, single-line business, and wireless (where each activated handset would equal one line) services; $0.25 for paging services; and compute the assessment for multiline switched voice business lines as a residual, after it applies the current revenue contribution factor for private line services. After a 12-month interim period that would allow carriers to make systems modifications, private line services, including retail special access, would be assessed and recovered on a capacity basis.

I. THE COMMISSION SHOULD ADOPT A PRESCRIBED PASS-THROUGH OF USF CONNECTION- AND CAPACITY-BASED ASSESSMENTS AND A COLLECT-AND-REMIT MECHANISM TO ELIMINATE CARRIER RISK OF NONRECOVERY.

In reforming the universal service contribution recovery process, one of the Commission's goals is to ensure that the process is "reasonable, fair and understandable for consumers, while maintaining the flexibility that providers of interstate telecommunications services may need in recovering the costs of their contributions." FNPRM ¶ 89. As the Commission notes, "disparate recovery of universal service contributions impairs the ability of consumers to make decisions regarding per-minute rates." FNPRM ¶ 91. The Commission invites comments on limiting the line-item amount or percentage to a uniform charge for all customers and classes of customers. In addition, it seeks comment on establishing a uniform safe harbor line-item mark-up that would allow carriers to recover their administrative expenses. FNPRM ¶¶ 95-100.

To be sure, a number of IXCs, LECs and wireless telecommunications carriers share the Commission's concerns relating to the wide variations in the amount of line-item

surcharges imposed by different telecommunications carriers. *See, e.g.,* AT&T at 3; Nextel at 5; SBC at 6; Sprint at 3-4; WorldCom at 8.[2] Those carriers agree that the Commission should adopt a new universal service mechanism that eliminates the substantial customer confusion that results from those variations.

The source of the variations in universal service surcharges among telecommunications carriers stems from the fact that each individual telecommunications carrier bears all of the risk of not recovering its universal service obligations from its customers,[3] *see, e.g.,* AT&T at 3; WorldCom at 8, which forces carriers to "engage in complex calculations to account for such variables as uncollected revenues, credits and the need to recover universal service contributions from a declining revenue base." NPRM ¶ 23. And because each carrier faces a different risk of nonrecovery, their good faith efforts to fashion recovery mechanisms *inevitably* result in line-item charges of substantially varying amounts. Under the Coalition approach, the prescribed per-line charge would be sized to account for uncollected revenues. Thus, by removing each individual carrier's risk of nonrecovery the need for varying line-item surcharges would evaporate.

By contrast, the Commission cannot limit carriers' pricing flexibility to set the amount of their USF recovery charges without eliminating the risk of nonrecovery. Indeed, the Commission cannot legally eliminate the line-item surcharge variations by removing carriers' pricing flexibility while leaving the existing variations in carriers' risk of nonrecovery intact.

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[2] References to the Coalition's Comments are those filed April 22, 2002. Unless otherwise noted, references to other parties' comments are to those submitted on June 25, 2001 in response to the Commission's 2001 NPRM on the universal service contribution mechanism (FCC 01-145, released May 8, 2001).

[3] Carriers' risk of nonrecovery is not uniform, especially because, as explained in Section II, carriers with declining interstate and international revenues must have a higher line-item USF charge to recover their USF assessments based on historical revenues.

As long as an individual carrier bears its own risk of nonrecovery, that carrier must be allowed to adjust its line-item charges for universal service to account for that risk. Otherwise, a carrier with a low individual risk of nonrecovery could fully recover its universal service obligations from the prescribed line-item charge, whereas a carrier with a high risk of nonrecovery could collect only a portion of its universal service obligations from the prescribed line-item surcharge and would be forced to collect the remaining balance through its basic rates. That result plainly is not competitively neutral.

Moreover, by effectively forcing certain carriers to recover universal service obligations through rates, the Commission would be maintaining an implicit universal service subsidy in violation of § 254(e). 47 U.S.C. § 254(e). As the Fifth Circuit has held three times now that "the plain language of Section 254(e) does not permit the Commission to maintain any implicit subsidies." *COMSAT Corp.* v. *FCC*, 250 F.3d 931, 938 (5th Cir. 2001) (Commission may not even permit the maintenance of implicit subsidies).[4] And to allow recovery of universal service contributions through basic service rates would unquestionably constitute an implicit subsidy.

However, once the risk of nonrecovery is removed these concerns evaporate and the Commission can (and should) implement uniform, prescribed assessments that carriers are required to pass through to end-users. As SBC points out, "[t]he current system – which . . . gives [certain] carriers virtually unlimited discretion regarding their cost recovery method – leads to customer confusion and creates the potential for competitive manipulation." SBC at 8. Indeed, a prescribed pass-through assessment would result in a single, uniform recovery mechanism employed by all carriers, which would address concerns about customer confusion.

[4] *See also Alenco Comm.* v. *FCC*, 201 F.3d 608, 623 (5th Cir. 2000); *Texas Office of Public Utility Counsel* v. *FCC*, 183 F.3d 393, 425 (5th Cir. 1999).

In this regard, the Commission seeks comment on whether to replace the current universal service contribution mechanism with a "collect-and-remit" system under which carriers would include a prescribed USF recovery line-item on the customer bills and would only be required to remit to USAC those contributions actually collected from end user customers. A "collect-and-remit system would relieve carriers of any risk associated with the recovery of universal service contributions." FNPRM ¶ 101. The Coalition proposal contains a collect-and-remit system, in support of the Commission's desire to have uniform line-item charges. As indicated above, constraining the collection rate to the assessment rate is impermissible unless the carrier's risk of nonrecovery, *i.e.*, uncollectibles, is also removed. Given the wide range of uncollectible rates that carriers with different market-mix face, it is reasonable to have a collect-and-remit system. On the other hand, carriers should be allowed to mark-up or keep a safe harbor portion of their remittance as described below, to reflect their specific administrative costs.

To ensure that carriers are able to recover their administrative costs, the Commission proposes that carriers be allowed to make a mark-up uniform across all customers and classes of customers and report their percentage mark-up to USAC. FNPRM ¶ 98. Alternatively, the Commission proposes a safe harbor percentage mark-up that carriers could use. FNPRM ¶ 99.[5] The Commission should establish the safe harbor and (i) permit carriers to mark-up their line-item charges by the safe harbor amount or (ii) build the safe harbor costs into the funding requirement. Under the first option, carriers would have a uniform mark-up on top of the prescribed line-item recovery amount. With the second option, rather than adding the safe harbor as an increment to the line-item on the bill, the Commission could specify that a

[5] The safe harbor for mark-ups that the Commission proposes in the FNPRM is competitively neutral because it would apply across all industry segments. This distinguishes it from other

contributor may *retain* a uniform safe harbor amount from the amount submitted to USAC. For example, if the safe harbor equated to 10 cents per $1.00 connection fee, carriers would submit 90 cents from their collection to USAC, and use the remaining 10 cents for their administrative costs. Only upon a demonstration of higher costs should a carrier be allowed to exceed the safe harbor.

Because carriers will tend to rely on the safe harbor approach rather than making unique cost showings, with either type of safe harbor procedure, the Commission will eliminate customer confusion; the line-item charge would be equal among carriers; and carriers will be able to recover their own cost of implementing the USF. In addition, the amount required for the safe harbor under the Coalition proposal should be significantly less than under a revenue-based mechanism because fewer contributors will be contributing a higher percentage of the USF. AT&T agrees that the Commission could set the interim safe harbor percentage reflecting carrier costs incurred in the recovery of universal service contributions based on an analysis of publicly-available data on telecommunications industry administrative costs and uncollectibles taken from SEC filings and other public sources. FNPRM ¶ 99. For the reasons explained below, the "mark-up" should be limited to carriers' administrative expenses.

The Commission seeks comment on a whether a collect-and-remit mechanism would reduce the carrier's incentive to recover universal service contributions from customers, whether USAC will have to set up an additional reserve to preclude against a shortfall potential due to uncollectibles, and how partial payments would be treated. FNPRM ¶ 102. Under the Coalition proposal, collect-and-remit can be readily implemented. First of all, collect-and-remit does not necessarily mean that USAC must wait until carriers collect all of the line-items from

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safe harbors (such as the presumption that only 15% of wireless traffic is interstate) that provide a competitive advantage to specific industry segments.

their customers prior to remitting their USF contribution. Rather, carriers can remit to USAC based on USF line-item charges *billed* to the end user customers, adjusted to reflect carrier estimates of uncollectibles. This way, USAC is not left waiting for payment of USF contributions, and any reserve amount required to offset these uncollectibles should be minimal. Indeed, given the underlying certainty associated with the flat-rate line-item and elimination of customer confusion, uncollectibles should be significantly lower with a connection-based approach than under the current revenue-based mechanism. With respect to carrier incentives not to recover the line-item charges, the Commission should make clear that carriers are required to pass the prescribed contribution through to all of their customers, and that carriers are precluded from suggesting that an end user is not obligated to pay the federal universal service recovery fees. Although these rules are all that should be adopted, if further measures were deemed required, the FCC could adopt a rule that repeated a customer's failure to pay would ultimately be grounds for cancellation of service. But such a requirement does not appear necessary at this time.

For these reasons, the Commission should immediately adopt the Coalition's proposed universal service contribution mechanism that (1) *requires* carriers to pass their contributions through to end-users in a *uniform, prescribed* manner and (2) makes the *fund,* rather than individual carriers, account for any nonrecovery of those charges by requiring carriers to remit to the fund only what they collect. (As noted above, the risk of nonrecovery should be significantly reduced under this approach). This methodology is both competitively neutral and eliminates the anomalies in the existing system where individual carriers must account for the risk of nonrecovery. The Coalition proposal embodies this approach. Under the Coalition proposal, each contributor would be assessed and would charge each customer based on the customer class and connection.

Nor can there any doubt that the Commission has the statutory authority to establish by rule a prescribed, line-item amount that all carriers are required to pass through to their end-users. Section 254 grants the Commission broad authority to design and implement universal service mechanisms that are "equitable," "nondiscriminatory," "predictable," and competitively neutral.[6] The Commission's current system, in which each carrier bears its own risk of nonrecovery, is at odds with those goals, because it results in disruptive variations in different carriers' recovery mechanisms that are inequitable, unpredictable, and interfere with competitive neutrality. The Commission has ample authority to eradicate those irregularities by prescribing a nationally uniform pass-through, which will guarantee predictability and competitive neutrality. In that regard, such universal service recovery mechanisms are not "rates" for interstate services that would be governed by Section 201. To the contrary, such recovery mechanisms are purely creatures of Section 254, and the Commission has plenary authority under that section to dictate the amount of a nationally uniform line-item pass-through (provided that it also removes the carrier's risk of nonrecovery).[7]

II. COLLECT-AND-REMIT ENABLES THE COMMISSION TO ELIMINATE THE "USF LAG" BY BASING UNIVERSAL SERVICE ASSESSMENTS ON CURRENT DATA.

Numerous commenters, including SBC, recognized that the existing USF lag is *not* competitively neutral and urge the Commission to immediately eliminate the lag. *See, e.g.,* AT&T at 9-13; Excel at 6 ("Changes in the industry . . . make a historical revenue mechanism inaccurate and anti-competitive"); *see also* Ad Hoc at 16-19; APCC at 2-3; ASCENT at 4; AT&T at 9-11; SBC at 5-6. In particular, the USF lag creates an artificial competitive advantage

[6] *See, e.g.*, AT&T at 5; VarTec at 4-6; WorldCom at 17-21; Z-Tel at 5-6.
[7] NASUCA (at 7-10) and the West Virginia Consumer Advocate (at 4-5) had opposed a prescribed pass-through suggesting that it would limit carriers' ability to compete away the universal service contribution cost. Their contention is wrong. Universal service contributions

for telecommunications carriers with increasing interstate or international revenues because those carriers – unlike established long distance carriers – are not obligated to contribute to the universal service fund for six months – when they will be able to spread the recovery of those contributions over a larger revenue base. *See id*. By contrast, carriers with declining interstate revenue accrue large assessments, which then must be spread over a smaller revenue base. "As a result, established providers or carriers with declining revenues may need to charge their end-users non-competitive rates in order to generate the additional revenue needed to meet their universal service contributions." *See* NOS Comments, filed November 30, 2000, at 1-2. For instance, SBC notes that because it "is losing access lines, SBC has been put in the position of under-recovering its universal service contributions because such contributions are tied to historical revenue data." SBC at 5.

The most efficient and effective method for eliminating the lag is to base USF assessments on current data under a collect-and-remit mechanism. *See, e.g.,* AT&T at 9-11; IDT at 2; SBC at 7; Sprint at 3-4; WorldCom at 28. The Coalition's connection- and capacity-based collect and remit proposal relies on current data both: (a) to determine the number of connections for all switched services, and (b) to compute the revenue-based assessment for private line services during the 12-month interim period prior to implementation of a capacity-based approach for private line services.[8] The Coalition approach is the one the Commission should adopt to eliminate the lag and ensure the sustainability of its USF programs.

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are an externally-imposed cost, outside of carriers' control, that can no more be competed away than a tax levy.

[8] For the interim 12-month period until private line services transition to a capacity-based USF fee, the Coalition proposal would compute a per-connection fee for residential and single-line business wireline services, wireless services and pagers, with the per-connection fee for switched multiline business services calculated as a residual after computing a revenue-based assessment for private line services including end-user special access services. *See* November 7, 2001 Coalition *Ex Parte* in these proceedings, CC Docket No. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116.

The Commission also asks whether it should base USF assessments on projected revenues to address the lag. NPRM ¶ 84. As AT&T has previously pointed out, basing universal service assessments on *projected* revenues to fix the USF lag would impose significant administrative burdens on carriers in developing those projections and provide incentives for carriers to underforecast demand.[9] As a result, the Commission also would have to implement some sort of true-up mechanism to account for errors in carriers' projections. Moreover, although use of projected revenues would eliminate the competitive disadvantage that carriers with losing market share face under the existing mechanism, as the Commission has pointed out, it does not address the other issues that threaten the long-term viability of revenue-based funding (such as the "death spiral" caused by a declining revenue base). NPRM ¶ 86. Given that basing the USF assessment on current data would be a more accurate, efficient and far less costly mechanism for eliminating the USF lag, the Commission should opt for a collect-and-remit mechanism as described above. However, if the Commission were to retain a historical revenue-based assessment mechanism, it should grant AT&T's waiver request to allow its USF assessments to be based on projected revenues to avoid imposing on millions of consumers an inordinately high USF charge which impairs AT&T's ability to compete and unfairly burdens consumers. *See* FNPRM n.225 (*see also* Public Notice, DA 02-376, rel. Feb. 26, 2002, establishing a separate pleading cycle on AT&T's waiver request.)

III. A FLAT-RATE CONNECTION-BASED AND CAPACITY-BASED ASSESSMENT AND RECOVERY MECHANISM CAN BE READILY IMPLEMENTED.

As the Commission notes, a connection-based assessment methodology has numerous benefits in that the number of connections has been more stable historically than

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revenues and it would not require carriers to distinguish between interstate and intrastate revenues or telecommunications and non-telecommunications services. As such, a connection-based assessment would tend to ensure the long-term viability of the USF. FNPRM ¶ 71. As the Commission observes, a connection-based assessment "also may increase the overall efficiency of the contribution assessment system by making only one provider responsible for contributing based on a single connection." Specifically, "because the connecting provider is an entity that has a more direct relationship with the end user, it should be in a better position than other providers to identify the assessable connections." *Id.*

Given the inequities and difficulties of the existing revenue-based universal service mechanism and the benefits of the connection-based approach, the Commission should transition immediately to a connection- and capacity-based assessment and contribution methodology as proposed by the Coalition. As detailed in the Coalition proposal, the Commission can immediately implement a per-line flat-rate of $1.00 for residential, single-line business, wireless (where each activated handset/ telephone number would equal one line) services, $0.25 for paging services, and compute a residual per-connection charge for multiline switched voice business services, after applying the USF contribution factor to current private line and retail special access revenues. Within 12 months (once carriers have made necessary systems modifications), the Commission can implement the capacity-based approach for these private line and retail special access services. *See n.8 supra.*

In terms of implementation, the Commission seeks comment on issues related to accounting for growth and reporting requirements. FNPRM ¶¶ 74-78. Specifically, the Commission seeks comment on a new Form 499-M, in which contributors would report a count

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[9] For this reason, the Commission has repeatedly rejected the use of forecasted demand in other contexts, for example, price cap regulation. *See Policy and Rules Concerning Rates for*

of their monthly connections and submit a corresponding payment. Therefore, the new Form 499-M would serve both as a contributor's monthly bill and its reporting obligation. The Commission seeks comments on how the assessment rates for residential, single-line business, and mobile wireless should change to reflect changes in connections and/or funding requirements.

Under the Coalition proposal, *all* of the connection-based assessments would change proportionately based on funding requirements for the following quarter. Accordingly, in addition to the Form 499-M, the Commission could adjust the Form 499-Q to include line and

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Dominant Carriers, 3 FCC Rcd 3195, ¶ 445 (1988); 4 FCC Rcd 2873, ¶¶ 315-318 (1989).

capacity counts as of the previous quarter.[10] Alternatively, the Commission can direct USAC to use every third month's Form 499-M as the basis for setting the assessment rates for the following period. Under either option, USAC would be able to "price out" the USF contributions for the following quarter and compare them with the anticipated funding requirements. All connection-based rates can be adjusted (either up or down) by the ratio of the USF funding requirements to the anticipated fund revenues. As long as the number of connections continues to grow at a steady rate, and is less than the quarterly growth in the funding requirements, *all* of the connection-based rates will decline proportionately. AT&T agrees that "churn" can be addressed by assessing contributors based on the number of connections they have as of the last day of the prior month. FNPRM ¶ 80.

The Commission seeks comment on whether a *reserve* fund would need to be established in light of its using reported connections from the previous month. FNPRM ¶ 81. It would be prudent for the Commission to establish a small reserve to guard against a potential, although unlikely, precipitous decline in connections and to cover for initial adjustments for uncollectibles. Without question, the number of connections has been far more stable than revenues, and, indeed, has been growing consistently over time. FNPRM ¶ 71 (*citations omitted*). However, since the connection-based rates would be based on the latest available line counts, a small reserve is superior to having USAC make mid-quarter corrections to the connection rates.

[10] The reported connections (and revenues during the 12-month interim step of the Coalition proposal) are filed in each carrier's Form 499-M within 30 days of the end of the previous calendar month. The reported private line and special access revenues will be estimates of actual revenues from the prior month as there is insufficient time to account for all of the USF assessable revenues. Adjustments between these estimates and actual revenues will be made in subsequent Form 499-Ms for the duration of the interim step.

The Commission seeks comment on the Coalition's proposal for a transition mechanism from the existing historical revenue-based mechanism to the Coalition's proposed connection- and capacity-based collect and remit mechanism. FNPRM ¶ 83. As noted above, and detailed in the Coalition's Comments, the Commission can and should adopt and immediately implement the Coalition proposal to allow a connection-based mechanism for all switched wireline services, wireless services and pagers (interim step), with capacity-based charges for private line and special access services 12 months after the implementation of the multiline business charge on switched access lines (permanent solution). During the interim stage of the Coalition proposal, connection-based providers, especially CLECs, should be allowed to combine the flat-rated USF charge with other flat-rated charges, such as their SLC-like charges, in order to expedite the implementation.

In addition, the Commission should allow for a transition to the new connection-based recovery mechanism to ensure each provider is able to recover its USF contributions under the current regime. Ideally, carriers should pro-rate the respective USF line-items proportionate to the portion of the billing cycle under each regime. For example, assuming implementation of the connection-based mechanism on July 1, 2002, a carrier that has a billing cycle from June 10 though July 9 would charge the customer 22/30 of its current line-item and 9/30 of the proposed USF assessment. This would ensure that end-user customers are not double billed for USF during the transition. For ILECs and wireless providers, who currently bill customers a flat-rated USF charge, this is not a problem. Indeed, ILECs prorate their SLCs to the respective billing cycles whenever there is a change in the SLC rate. For carriers that currently recover their USF assessments via a revenue surcharge, the system enhancements that would be required to implement this proration are prohibitive. Rather, they should be allowed to continue applying their current USF line-item charges to their July bills until their accrued June revenues are met.

The Commission seeks comment on a number of issues related to the labeling of the line-item for those carriers seeking to recover their contributions via a separate line-item. FNPRM ¶¶ 103-109. First, it bears repeating that the Commission can *only* establish a uniform recovery if it relieves carriers from the risk (and costs) of recovering the obligation. In the interests of expediency, at least temporarily, carriers must be given some flexibility in describing the line-item. Some might use a shortened or abbreviated description, some might combine the line-item with other flat-rated charges, while others might include bill inserts or messages describing the federal USF. What is most important, however, is that, under the Coalition's proposal, *all* customers in the same customer segment, will be contributing the same amount to universal service, regardless of what the line-item is called.[11]

To the extent that uniformity of description is important in the longer term, the Commission should adopt a very short phrase to accommodate space/ character limitations on the customer bill. For example, if it adopts "Federal Universal Service Fee" as the description of the charge on the retail bill, it should permit carriers to abbreviate it as "Fed Univ Svc Fee."

[11] Because the line-item pass-through would be a federally-mandated charge, it should not be subject to state notice requirements.

CONCLUSION

For the foregoing reasons, and those set out in the Coalition's Comments, the Commission should modify its rules concerning contributions to the Universal Service Fund as described above.

Respectfully submitted,

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