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ATTORNEYS AT LAW

October 10, 2002

**EX PARTE – Via Electronic Filing**

Ms. Marlene Dortch  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Re: CC Dockets No. 96-45, 98-171, 90-571, 92-237, 99-200,  
95-116, 98-170, and NSD File No. L-00-72

Dear Ms. Dortch:

The Coalition for Sustainable Universal Service (“CoSUS”), comprised of the e-Commerce Telecommunications Users Group (e-TUG), AT&T, Level 3 and WorldCom,<sup>1</sup> met today with Diane Law Hsu and Vicki Byrd of the Telecommunications Access Policy Division, Wireline Competition Bureau to discuss the above-captioned proceeding. CoSUS attendees at the meeting were: Brian Moir (for e-TUG), Joel Lubin and Pat Merrick (of AT&T), Rick Whitt (of WorldCom) and me (on behalf of CoSUS).

In response to questions posed by the staff about the timing of certain aspects of the implementation of the CoSUS plan, CoSUS provided additional information about the implementation schedule. The vast majority of the CoSUS proposal continues to be that proposal described in the comments and reply comments. In the interests of streamlining operations and reducing customer confusion, as well as responding to certain concerns raised by large users regarding the risks borne by different customer segments during the transition, however, CoSUS suggested that the plan be adjusted in certain respects.

First, questions were raised regarding the possibility that the proposed transition plan for switched business customers would cause unnecessary confusion, because the per-connection assessment for such customers would be assessed on one basis at the outset of the transition and on a different basis when the CoSUS plan is fully implemented one year after adoption of the order. To

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<sup>1</sup> The Ad Hoc Telecommunications Users Committee is no longer a member of CoSUS.

address this concern, CoSUS proposes a revised transition plan so that the universal service contribution of carriers serving switched end user business customers (single and multiline) would be assessed during the transition, as they are today, on the basis of a percentage of interstate revenues generated by those customers. The universal service contribution of interstate special access customers would also be determined on the basis of a percentage of the interstate revenues generated by those customers, and both the switched and special access contribution percentage would be determined on a residual basis. The treatment of residential and wireless customers during the transition would not change: carriers serving such customers initially would be assessed at an interim rate of \$1.00 per connection. During the transition period, the assessment rates would be adjusted as necessary with the same percentage increase or decrease applied to all assessment rates, just as under the original CoSUS plan. Switched business, special access and private line connection assessments would then all be implemented simultaneously according to the post-transition CoSUS plan of capacity-based connection assessments.

It is also critical that the competitive distortions caused by reporting lags be cured immediately. Thus, as described in the CoSUS comments, residential and wireless connections, as well as the revenue based assessments during the transition period should be determined on a “collect-and-remit” basis. The assessments will apply to non-residential and non-wireless interstate end user telecommunications revenues, less uncollectibles and amounts that a carrier cannot bill separately.<sup>2</sup> This transitional revenue assessment for business customers could also be implemented using a projected revenues method, which would utilize the existing reporting and invoicing infrastructure.

Some parties have expressed the concern that switched and special access business users will bear all the risk of increases in the universal service fund during the transition period, and argue that this risk should be shared between business and residential end users. In order to address this concern, CoSUS proposes that the initial connection-based assessment rate for switched multiline businesses be set at three times the residential/single line business/wireless assessment rate.<sup>3</sup> This would be done at the time the CoSUS transition period ends, which could be as early as a year after the date of the Commission’s order.<sup>4</sup> The residential/single line business/wireless assessment rate would then be set at a level sufficient to assure that all assessment rates together yield a sufficient amount to cover the obligations of the federal universal service fund. The other assessment rates would be determined according to previously proposed ratios: paging carriers would pay 25% of the residential/single line business/wireless assessment rate; special access and private line circuits of less than 1.5 mbps would be assessed the same as switched multiline business lines after the transition; special access and private line circuits of 1.5 mbps but less than 45 mbps would be 5 times the

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<sup>2</sup> The members of CoSUS have different views as to whether the provider’s fee to the customer should include a “mark-up” for costs such as administrative or transaction costs.

<sup>3</sup> A 3:1 ratio approximates the current relationship between average monthly charges for residential service in urban areas and the average monthly charges for a PBX trunk line in urban areas, as reported by the FCC’s Reference Book of Rates, Price Indices and Household Expenditures for Telephone Service, Tables 1.1 and 1.17. This will ensure that initial universal service assessments are proportionate to monthly recurring charges for switched connections.

<sup>4</sup> CoSUS believes that, given the transition plan described above, the capacity-based mechanism can be implemented within twelve months of the release of a Commission order.

switched multiline business rate after the transition; special access and private line circuits of 45 mbps and up would be assessed at 40 times the switched multiline business rate after the transition.

The CoSUS proposal continues to include a going-forward mechanism, which would adjust universal service contribution rates for all lines by the same proportion, up or down, to adjust for changes in the number of lines or the size of the fund. We view this mechanism as critical to maintain public accountability for any increases in universal service funding. It also has the benefit of maintaining the most stable base for future universal service support.

The adjustments to the CoSUS plan described in this letter are not substantial, and do not affect the fact that the CoSUS proposal would result in lower average universal service assessments per household than any other alternative in the record.<sup>5</sup>

In accordance with FCC rules, a copy of this letter is being filed in each of the above-captioned dockets.

Sincerely,



John T. Nakahata  
*Counsel to the Coalition for Sustainable  
Universal Service*

JTN/krs

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<sup>5</sup> CoSUS does not express a view as to the relative customer impact of the Ad Hoc Telecommunications Users Committee's recent telephone number-based proposal. CoSUS has not assessed Ad Hoc's proposal, and thus have reached no conclusion regarding its customer impact.