## FIVE-WAY COMPARISON OF AVERAGE FUSF PER HOUSEHOLD BY INCOME LEVEL -- CURRENT Vs. COSUS Vs. SBC

| | | <$15,000 | $15,000-<$30,000 | $30,000-<$45,000 | $45,000-<$70,000 | >=$70,000 | All Household | Sources |
|---|---|---|---|---|---|---|---|---|
| **INPUT:** | | | | | | | | |
| (A) | Average Number of Wireline Connections per HH | 1.03 | 1.05 | 1.09 | 1.16 | 1.33 | 1.14 | TNS Data |
| (B) | Average Number of Long Distance PICs per HH | 0.79 | 0.87 | 0.96 | 1.07 | 1.25 | 0.99 | TNS Data |
| (C) | Average Number of Wireless Connections per HH | 0.12 | 0.22 | 0.33 | 0.55 | 0.71 | 0.40 | TNS Data |
| (D) | Average Number of Dial-Up Connections per HH | 0.20 | 0.33 | 0.49 | 0.60 | 0.69 | 0.46 | TNS Data |
| (E) | Average Number of DSL Connections per HH | 0.01 | 0.01 | 0.03 | 0.04 | 0.06 | 0.03 | TNS Data |
| (F) | Average Number of Cable Modem Connections per HH | 0.01 | 0.03 | 0.05 | 0.07 | 0.12 | 0.06 | TNS Data |
| (G) | Projected Contribution Factor for 2Q03 Under Current System | 9.91% | 9.91% | 9.91% | 9.91% | 9.91% | 9.91% | See Worksheet 2 |
| (H) | Projected Contribution Factor, with Collect&Remit, for 2Q03 Under Current Sys. | 10.42% | 10.42% | 10.42% | 10.42% | 10.42% | 10.42% | See Worksheet 2 |
| **OUTPUT @ Current Rates -- Under Three Options:** | | | | | | | | |
| (I) | Current Mechanism: Average Local FUSF ($0.60*A) | $0.62 | $0.63 | $0.65 | $0.70 | $0.80 | $0.68 | See Worksheet 3 |
| (J) | Current Mechanism: Average Wireless FUSF ($0.52*C) | $0.06 | $0.11 | $0.17 | $0.29 | $0.37 | $0.21 | See Worksheet 4 |
| (K) | Current Mechanism: Average Long Distance FUSF | $0.99 | $0.75 | $0.95 | $1.11 | $1.33 | $1.01 | TNS Data |
| (L) | Current Mechanism: Average Total FUSF per HH (I+J+K) | $1.67 | $1.49 | $1.78 | $2.09 | $2.50 | $1.90 | |
| | | | | | | | | |
| (M) | CoSUS : Number of Assessible Connections (A+C) | 1.15 | 1.27 | 1.42 | 1.71 | 2.04 | 1.54 | |
| (N) | CoSUS: Charge per Assessible Connection with markup | $1.23 | $1.23 | $1.23 | $1.23 | $1.23 | $1.23 | 10% Mark-up |
| (O) | CoSUS: Charge per Assessible Connection without markup | $1.12 | $1.12 | $1.12 | $1.12 | $1.12 | $1.12 | See Worksheet 1A |
| (P) | CoSUS: Average FUSF with markup per HH (M*N) | $1.42 | $1.56 | $1.75 | $2.11 | $2.51 | $1.90 | 10% Mark-up |
| (Q) | CoSUS: Average FUSF without markup per HH (M*O) | $1.29 | $1.42 | $1.59 | $1.92 | $2.28 | $1.72 | |
| | | | | | | | | |
| (R) | SBC: Number of Assessable Connections where data avail (A+2*C+2*E+2*F) | 1.31 | 1.57 | 1.91 | 2.48 | 3.11 | 2.12 | |
| (S) | SBC: Charge per Assessible Connection w markup - where data available | $0.68 | $0.68 | $0.68 | $0.68 | $0.68 | $0.68 | 10% Mark-up |
| (T) | SBC: Charge per Assessible Connection w/o markup | $0.62 | $0.62 | $0.62 | $0.62 | $0.62 | $0.62 | See Worksheet 1 |
| (U) | SBC: Number of Assessable Connections - where data not available (B+D) | 0.99 | 1.20 | 1.45 | 1.67 | 1.94 | 1.45 | |
| (V) | SBC: Charge per Assessible Connection w markup - where data not available | $0.78 | $0.78 | $0.78 | $0.78 | $0.78 | $0.78 | 25% Mark-up, differential covers costs of acquiring line info. |
| (W) | SBC: Total number of Assessible Connections (A+B+2*C+D+2*E+2*F) | 2.30 | 2.77 | 3.36 | 4.15 | 5.05 | 3.57 | |
| (X) | SBC: Average FUSF for dial-around and pre-paid-card per HH | $0.24 | $0.24 | $0.24 | $0.24 | $0.24 | $0.24 | See Note Below |
| (Y) | SBC: Average Total FUSF per HH - with markup (R*S+U*V+X) | $1.90 | $2.24 | $2.67 | $3.22 | $3.86 | $2.81 | |
| (Z) | SBC: Average Total FUSF per HH - without markup (W*T+X) | $1.67 | $1.96 | $2.32 | $2.81 | $3.37 | $2.45 | |
| | | | | | | | | |
| (S') | New SBC: Charge per Assessible Connection w markup - where data available | $0.54 | $0.54 | $0.54 | $0.54 | $0.54 | $0.54 | 10% Mark-up |
| (T') | New SBC: Charge per Assessible Connection w/o markup | $0.49 | $0.49 | $0.49 | $0.49 | $0.49 | $0.49 | SBC-BellSouth 10/10/2002 Run 2 Data corrected to $6.4B & 157M non-paging CMRS activated handsets |
| (U') | New SBC: Number of Assessable Connections - where data not available (B+D) | 0.99 | 1.20 | 1.45 | 1.67 | 1.94 | 1.45 | |
| (V') | New SBC: Charge per Assessible Connection w markup - where data not available | $0.61 | $0.61 | $0.61 | $0.61 | $0.61 | $0.61 | 25% Mark-up, differential covers costs of acquiring line info. |
| (W') | New SBC: Total number of Assessible Connections (A+B+2*C+D+2*E+2*F) | 2.30 | 2.77 | 3.36 | 4.15 | 5.05 | 3.57 | |
| (X') | New SBC: Average FUSF for dial-around and pre-paid-card per HH | $0.27 | $0.27 | $0.27 | $0.27 | $0.27 | $0.27 | SBC BLS 10/10/2002 dia. around/calling card assessments / res. linemonths |
| (Y') | New SBC: Average Total FUSF per HH - with markup (R*S'+U'*V'+X') | $1.58 | $1.85 | $2.19 | $2.63 | $3.13 | $2.30 | |
| (Z') | New SBC: Average Total FUSF per HH - without markup (W'*T'+X') | $1.40 | $1.63 | $1.92 | $2.30 | $2.74 | $2.02 | |
| | | | | | | | | |
| (R"") | SBC: Number of Assessable Connections where data avail (A+2*C) | 1.27 | 1.49 | 1.75 | 2.26 | 2.75 | 1.94 | |
| (S") | New SBC w/o BB & ISP: Charge per Assessible Connection w markup - where data available | $0.59 | $0.59 | $0.59 | $0.59 | $0.59 | $0.59 | 10% Mark-up |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (T") | New SBC w/o BB & ISP: Charge per Assessible Connection w/o markup | $0.54 | $0.54 | $0.54 | $0.54 | $0.54 | $0.54 | SBC-BellSouth 10/10/2002 Run 3 Data corrected to $6.4B & 157M non-paging CMRS activated handsets |
| (U") | New SBC w/o BB & ISP: Number of Assessable Connections - where data not available (B) | 0.79 | 0.87 | 0.96 | 1.07 | 1.25 | 0.99 | |
| (V") | New SBC w/o BB & ISP: Charge per Assessible Connection w markup - where data not available | $0.68 | $0.68 | $0.68 | $0.68 | $0.68 | $0.68 | 25% Mark-up, differential covers costs of acquiring line info. |
| (W") | New SBC w/o BB & ISP: Total number of Assessible Connections (A+B+2*C) | 2.06 | 2.36 | 2.71 | 3.33 | 4.00 | 2.93 | |
| (X") | New SBC w/o BB & ISP: Average FUSF for dial-around and pre-paid-card per HH | $0.27 | $0.27 | $0.27 | $0.27 | $0.27 | $0.27 | SBC BLS 10/10/2002 dia. around/calling card assessments / res. linemonths |
| (Y") | New SBC w/o BB & ISP: Average Total FUSF per HH - with markup (R*S"+U"*V"+X") | $1.56 | $1.74 | $1.96 | $2.33 | $2.75 | $2.09 | |
| (Z") | New SBC w/o BB & ISP: Average Total FUSF per HH - without markup (W"*T"+X") | $1.38 | $1.55 | $1.73 | $2.07 | $2.43 | $1.85 | |
| | | | | | | | | |
| | | | | | | | | |
| (A1) | Jaber: Average Local FUSF w/o mark-up ($0.75 * A) | $0.77 | $0.79 | $0.82 | $0.87 | $1.00 | $0.86 | |
| (B1) | Jaber: Average Long Distance FUSF w/o mark-up ($0.50 * B) | $0.40 | $0.44 | $0.48 | $0.53 | $0.63 | $0.50 | |
| (C1) | Jaber: Average Wireless FUSF w/o mark-up ($1.00 * C) | $0.12 | $0.22 | $0.33 | $0.55 | $0.71 | $0.40 | |
| (D1) | Jaber: Average Total FUSF per HH (A1+B1+C1) | $1.29 | $1.44 | $1.63 | $1.95 | $2.33 | $1.75 | |
| (E1) | Jaber: Average Total FUSF per HH w/ mark-up (D1 * 1.10) | $1.42 | $1.59 | $1.79 | $2.15 | $2.57 | $1.93 | 10% Mark-up |
| | | | | | | | | |
| **OUTPUT @ Projected 2nd Quarter 2003 Rates -- Under Current Mechanism** | | | | | | | | |
| (AA) | LOCAL: Projected 2Q03 FUSF ($0.75*A) | $0.77 | $0.79 | $0.82 | $0.87 | $1.00 | $0.86 | See Worksheet 3 |
| (AB) | LOCAL: Projected 2Q03 FUSF - with Collect& Remit ($0.78*A) | $0.80 | $0.82 | $0.85 | $0.90 | $1.04 | $0.89 | See Worksheet 3 |
| (AC) | WIRELESS: Projected 2Q03 FUSF ($0.70*C) | $0.08 | $0.15 | -$0.23 | $0.39 | $0.50 | $0.28 | See Worksheet 4 |
| (AD) | WIRELESS: Projected 2Q03 FUSF - with Collect&Remit ($0.74*C) | $0.09 | $0.16 | $0.24 | $0.41 | $0.53 | $0.30 | See Worksheet 4 |
| (AE) | LD: Projected 2Q03 FUSF - [K*(G/0.728)] | $1.35 | $1.02 | $1.29 | $1.51 | $1.81 | $1.37 | See Worksheet 2 |
| (AF) | LD: Projected 2Q03 FUSF - with Collect&Remit [K*(H/0.0728)] | $1.42 | $1.07 | $1.36 | $1.59 | $1.90 | $1.45 | See Worksheet 2 |
| (AG) | TOTAL PROJECTED 2Q03 FUSF per HH - (AA+AC+AE) | $2.20 | $1.96 | $2.34 | $2.77 | $3.30 | $2.51 | See Worksheet 2 |
| (AH) | TOTAL PROJECTED 2Q03 FUSF per HH - with Collect&Remit (AB+AD+AF) | $2.31 | $2.06 | $2.45 | $2.90 | $3.47 | $2.63 | See Worksheet 2 |
| | | | | | | | | |
| | | | | | | | | |

NOTES: Average FUSF for dial around and prepaid calling card is the total assessment calculated on *Worksheet 1*, attached, divided by total residential (CLEC and ILEC) lines, with CLEC residential lines estimated at 9.5 million. CoSUS 9/26/2002 ex parte. However, dial-around and prepaid tend to be used more by lower income customers.

| Worksheet 1 -- Calculation of SBC/BellSouth QSCs & Per QSC Assessment | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | |
| **Category** | **Demand** | **Weighting** | **Access QSC** | **Int. Trans. QSC** | **Total QSC** | **SOURCE** |
| One-way paging | 40,000,000 | 0.5 | 20,000,000 | 20,000,000 | 40,000,000 | CoSUS 9/26/02 ex parte |
| Asymmetrical <= 6 Mb/s | 7,877,975 | 1 | 7,877,975 | 7,877,975 | 15,755,950 | FCC High-Speed Service Report, Feb. 2002, Table 1, "ADSL" & "Coaxial Cable" |
| Asymmetrical > 6 Mb/s | 0 | 2 | 0 | 0 | 0 | |
| <=64 kb/s | | | | | | |
| ILEC Centrex | 15,600,000 | 0.11 | 1,733,333 | 1,733,333 | 3,466,667 | CoSUS 9/26/02 ex parte |
| CLEC Centrex | 3,500,000 | 0.11 | 385,000 | 385,000 | 770,000 | CoSUS 9/26/02 ex parte |
| ILEC switched business | 37,500,000 | 1 | 37,500,000 | 37,500,000 | 75,000,000 | CoSUS 9/26/02 ex parte |
| ILEC switched resident | 128,600,000 | 1 | 128,600,000 | 128,600,000 | 257,200,000 | CoSUS 9/26/02 ex parte |
| Lifeline | 6,000,000 | 1 | (6,000,000) | (6,000,000) | (12,000,000) | CoSUS 9/26/02 ex parte |
| CLEC switched total | 16,700,000 | 1 | 16,700,000 | 16,700,000 | 33,400,000 | CoSUS 9/26/02 ex parte (9.5M Res + 7.2M non-CTX MLB) |
| Wireless | 157,600,000 | 1 | 157,600,000 | 157,600,000 | 315,200,000 | CoSUS 9/26/02 ex parte |
| Dial-Up Internet | 53,294,752 | 1 | N/A | 53,294,752 | 53,294,752 | http://www.internetnews.com/isp-news/article.php/8_924691 |
| Weighted special access and private line (Tier 1 equivalents) | 14,750,000 | 1 | 14,750,000 | 14,750,000 | 29,500,000 | Gartner Group, US Fixed Public Network Services Market Forecast, Table 1-1 (as reported in CoSUS 9/26/02 ex parte) |
| | | | | | | |
| **Total QSCs** | | | **379,146,308** | **432,441,060** | **811,587,369** | |
| | | | | | | |
| **Fund Size** | | | | | **6,400,000,000** | |
| **dial-around assessment** | | | | | **145,600,000** | $2 billion (extrapolation from TNS data) times 7.28% contribution factor |
| **pre-paid card assessment** | | | | | **247,520,000** | $3.4 billion (2002 Atlantic/ACM Analysis) times 7.28% contribution factor |
| **Residual for QSCs** | | | | | **6,006,880,000** | |
| **QSCs x 12** | | | | | **9,739,048,424** | |
| **QSC/month** | | | | | **$0.62** | |
| | | | | | | |
| Dial-around/calling card/res. line | | | | | $0.24 | |

## Worksheet 1A -- Calculation of CoSUS Assessment (as if Step 2 occurred immediately)

| Category | Demand | Weighting | Access QSC | Int. Trans. QSC | Total QSC | SOURCE |
|---|---|---|---|---|---|---|
| One-way paging | 40,000,000 | 0.25 | 10,000,000 | 0 | 10,000,000 | CECA Report, p. 71 |
| Asymmetrical <= 6 Mb/s | 7,877,975 | 0 | 0 | 0 | 0 | FCC High-Speed Service Report, Feb. 2002, Table 1, "ADSL" & "Coaxial Cable" |
| Asymmetrical > 6 Mb/s | 0 | 2 | 0 | 0 | 0 | |
| <=64 kb/s | | | | | | |
| ILEC switched resident | 128,600,000 | 1 | 128,600,000 | 0 | 128,600,000 | CoSUS 9/26/02 ex parte |
| CLEC Switched resident | 9,500,000 | 1 | 9,500,000 | 0 | 9,500,000 | CoSUS 9/26/02 ex parte |
| Lifeline | -6,000,000 | 1 | (6,000,000) | 0 | (6,000,000) | CoSUS 9/26/02 ex parte |
| Wireless | 157,600,000 | 1 | 157,600,000 | 0 | 157,600,000 | CoSUS 9/26/02 ex parte |
| Business single line | 4,000,000 | 1 | 4,000,000 | 1 | 4,000,001 | CoSUS 9/26/02 ex parte |
| ILEC Centrex | 15,600,000 | 0.33 | 5,200,000 | 0 | 5,200,000 | CoSUS 9/26/02 ex parte |
| ILEC switched business (non-C | 33,500,000 | 3 | 100,500,000 | 0 | 100,500,000 | CoSUS 9/26/02 ex parte |
| CLEC switched business (non-C | 7,200,000 | 3 | 21,600,000 | 0 | 21,600,000 | CoSUS 9/26/02 ex parte |
| CLEC (Centrex) | 3,500,000 | 0.33 | 1,166,667 | 0 | 1,166,667 | CoSUS 9/26/02 ex parte |
| Dial-Up Internet | 53,294,752 | 0 | N/A | 0 | 0 | http://www.internetnews.com/isp-news/article.php/8_924691 |
| Weighted SA/private line | 14,750,000 | 3 | 44,250,000 | 0 | 44,250,000 | Gartner Group, US Fixed Public Network Services Market Forecast, Table 1-1 |
| | | | | | | |
| **Total QSCs** | | | **476,416,667** | **1** | **476,416,668** | |
| | | | | | | |
| **Fund Size** | | | | | **6,400,000,000** | |
| **Residential/SLB/wireless** | | | | | **$1.12** | |
| **Pagers** | | | | | **$0.28** | |
| **MLB non-centrex** | | | | | **$3.36** | |
| **MLB centrex** | | | | | **$0.37** | |

## Worksheet 2 -- Derivation of FUSF Contribution Factors

| **Input from USAC's Submission before the FCC for 3rd Qr 2002** | | **($ M)** | Other Information: |
|---|---|---|---|
| **Annual $6.4 billion/4** | | **$ 1,600.0** | *Input Asumption* |
| **Contribution Base w/o Circularity** | | **$ 16,985.7** | 4Q 2002 PN (1% uncollectible) |
| **Factor Before Adjustments** | | **9.42%** | **With 1% Uncollectibles** |
| Contribution Base Adjusted for 1.5% Average Quarterly Decline Between 1st and 3rd Quarters | | $ 16,147.0 | Assuming average quarterly decline in contribution base of -2.5% (4Q 2000 to 4Q2002) to Continue For 2 More Quarters |
| **New Factor with Declining Base** | | **9.91%** | **With 1% Uncollectibles** |
| Contribution Base Adjusted for shifting to Collect&Remit (that eliminates the lag) | | $ 15,349.7 | Assuming the Declining Revenue Trend to Continue That Will Result In Lower Collection Base |
| **New Factor with Declining Base plus Collect&Remit** | | **10.42%** | **With Uncollectibles (See NOTE#1)** |

* NOTE # 1:

-- In the post-Collect&Remit environment traditional "uncollectibles" do not apply. However, 1% assumption is carried forward here as a conservative estimate under the new regime.

## Worksheet 3 -- Estimating Incremental Impact of SLC Increases and USF Contribution Factor Changes on the LEC Per Line USF Charges for 2nd Quarter 2003 -Under Alternative Assumptions

| | Primary SLC -- National Average | LEC per Line Charge -Current | %Change in SLC | Increase due to SLC Change | Assesment Factor - Current | Assesment Factor - Adjusted | Increase due to Factor Change | LEC per Line Charge - Adjusted |
|---|---|---|---|---|---|---|---|---|
| Current -- As of 2ndQuarter, 2002 | $ 4.81 | $ 0.51 | 0 | 0 | 0.0728 | 0.0728 | 0 | $ 0.51 |
| Baseline -- 7/1/2002 | $ 5.66 | $ 0.51 | 17.73% | $ 0.09 | 0.0728 | 0.0728 | $ - | $ 0.60 |
| Alternative 1: 2nd Qr, 2003 | $ 5.66 | $ 0.51 | 17.73% | $ 0.09 | 0.0728 | 0.0991 | $ 0.15 | $ 0.75 |
| Alternative 2: 2nd Qr, 2003 | $ 5.66 | $ 0.51 | 17.73% | $ 0.09 | 0.0728 | 0.1042 | $ 0.18 | $ 0.78 |

| Assumptions: | | | Factors: |
|---|---|---|---|
| Current with Factor Stabilization | | | 0.0728 |
| Alternative 1: Current Without use of Schools & Libraries Reserve | | | 0.0991 |
| Alternative 2: Current without use of S&L Reserve plus Collect&Remit | | | 0.1042 |

## Worksheet 4 -- Estimating Per Line USF Recovery from Wireless Subscribers in 2nd Quarter 2003-Under Alternative Assumptions

| | Average End User Revenue* per Subscriber | Current Safe Harbor Percentage | Average Revenue Subject to FUSF | New Safe Harbor Percentage | Average Revenue Subject to FUSF -- NEW | Assessment Factor - Adjusted | Per Subscriber Recovery Rate for Wireless |
|---|---|---|---|---|---|---|---|
| Current -- As of 2ndQuarter, 2002 | $ 47.37 | 15.00% | $ 7.11 | 15.00% | $ 7.11 | 0.0728 | $ 0.52 |
| Alternative 1: 2nd Qr, 2003 | $ 47.37 | 15.00% | $ 7.11 | 15.00% | $ 7.11 | 0.0991 | $ 0.70 |
| Alternative 2: 2nd Qr, 2003 | $ 47.37 | 15.00% | $ 7.11 | 15.00% | $ 7.11 | 0.1042 | $ 0.74 |

* Source: CTIA's Semi-Annual Wireless Industry Survey Results, June 1985 - December 2001, Obtained from the CTIA Website, Average Monthly Bill as of December, 2001

| Assumptions: | | | Factors: |
|---|---|---|---|
| Current with Factor Stabilization | | | 0.0728 |
| Alternative 1: Current Without use of Schools & Libraries Reserve | | | 0.0991 |
| Alternative 2: Current without use of S&L Reserve plus Collect&Remit | | | 0.1042 |