



1401 K St NW, Ste 800
Washington, DC 20005

Joseph A. Douglas
Vice President
Government Relations and
Corporate Communications

Voice: 202-682-0153
Fax: 202-682-0154
E-mail: jdougl@neca.org

November 13, 2006

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re.: In the Matter of Federal State Joint Board on Universal Service
Use of Auctions to Determine High-Cost Universal Service Support
WC Docket 96-45

In the Matter of Federal State Joint Board on Universal Service
CC Docket 05-337

Notice of Ex Parte

Dear Ms. Dortch:

On November 11, 2006 the information below was provided by the undersigned to Ian Dillner, Legal Adviser to Commissioner Deborah Taylor Tate, via E-mail:

We've had to revise our calculation of the re-based USF, sent to you on October 31, 2006 after our meeting with the Joint Board. The calculation did not account for the fixed amount of USF going to a small number of companies with acquired lines, as per Section 54.305 of the Commission's rules. That rule fixes the amount of USF for acquired lines at the per-line amount of the selling carrier. Presently the cap for these lines is \$10 million. The rebasing calculation should first have removed this amount from the total fund because the amount of support for acquired lines would not change under current rules. In producing the final result, however, we did not add this amount back into the total fund amount. The explanation below is adjusted to reflect the correct components and totals. We are also filing a corrected notice of ex parte.

At our recent session with the Federal-State Joint Board on Universal Service, Commissioner Tate asked about the impact on the size of the Universal Service fund if it were rebased (i.e., changing the national average loop cost to its current level instead of \$240.00 and then re-

applying the cap). A follow-up to that question was “What would the impact of this be on competitive ETCs?”

To answer the questions NECA applied the rural high cost loop fund algorithms using the current national average cost per loop of \$298.37. This resulted in a rural expense adjustment of \$1.302 billion for rural local exchange carriers, an increase of \$252 million over the current capped fund projection for 2007 high cost loop support.

The current relationship between competitor high cost loop support to incumbent high cost loop support is 28.56 percent. When applying this percentage to the recalculated rural ILEC amount of \$1.302 billion, the result is \$372 million in rural CETC support.

This produces a total projected high cost loop support requirement of \$1.674 billion, compared to the \$1.35 billion (i.e., \$1.05 billion for rural ILECs and \$300 million for rural CETCs) resulting from application of the current rules.

Sincerely,

A handwritten signature in cursive script, appearing to read "James A. Douglas".