USTELECOM
UNITED STATES TELECOM ASSOCIATION

November 21, 2007

***EX PARTE* PRESENTATION**

Ms. Marlene H. 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, High Cost Universal Service Support, WC Docket No. 05-337; In the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45

Dear Ms. Dortch:

The United States Telecom Association (USTelecom) and its members strongly support the Joint Board's recommendation to cap high cost support payments to competitive eligible telecommunications carriers (CETCs) on an interim basis. The cap is necessary to slow the explosive and unsustainable growth of the high cost fund over the last several years.

In adopting a separate cap on support to CETCs, it is appropriate for the Commission to also address the unique operation of the Interstate Access Support (IAS) mechanism available to price cap ILECs and CETCs that provide service in areas where ILECs receive IAS. IAS is already subject to a $650 million annual target set by the *CALLS Order*, which, unlike other high cost support mechanisms, caps overall IAS payments to both price cap ILECs and CETCs. 47 C.F.R. § 54.801(a). IAS is distributed based on quarterly line counts filed with the Universal Service Administrative Company (USAC) by price cap ILECs and CETCs. 47 C.F.R. § 54.802(a). When USAC "reinitializes" IAS each year to the $650 million target, per-line support to all ETCs eligible for IAS is adjusted. 47 C.F.R. § 54.807. If the Commission were to grant the CETC applications pending before it in its order adopting an interim cap on CETC support, the spike in CETC line counts would have the unintended consequence of adversely affecting ILEC IAS payments. Therefore, at the same time the Commission adopts a cap on all high cost support payments to CETCs, it makes sense for the Commission to implement separate caps on IAS payments to price cap ILECs and CETCs.

Consistent with the Joint Board's recommendation and the CETC cap contemplated by the Commission, the Commission should direct USAC to separate IAS payments to price cap ILECs and CETCs. Prospectively, the amount of IAS available to price cap ILECs should be the annualized total amount of IAS price cap ILECs were eligible to receive for the month of June 2007. IAS payments to price cap ILECs should be capped at that level. To account for line losses or line gains, USAC should be directed to adjust the total amount of IAS available to price cap ILECs annually by the percentage loss or gain in lines among all price cap ILECs in the previous year as reflected in the lines reported by those carriers to USAC. Similarly, the amount of IAS available to CETCs should be the annualized total amount of IAS CETCs were eligible to receive for the month of June 2007. IAS payments to CETCs should be capped at this amount prior to application of the overall CETC cap.

Sincerely,

David B. Cohen
Vice-President, Policy