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FILE

December 17, 1992

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: CC Docket 92-101
Ex Parte Statement

Dear Ms. Searcy:

The enclosed letter to Chairman Alfred C. Sikes from John Connarn, Vice President - Federal Relations of Ameritech is being submitted in the above referenced docket as an *ex parte* in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,



Enclosure:

Letter to Chairman Alfred C. Sikes (December 17, 1992)

cc: Chairman Alfred C. Sikes
Commissioner James H. Quello
Commissioner Sherrie P. Marshall
Commissioner Andrew C. Barrett
Commissioner Ervin S. Duggan
Ms. Cheryl Tritt, Chief, Common Carrier Bureau

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JOHN J. CONNARN
Vice President
Federal Relations

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable Alfred C. Sikes
Chairman
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

Re: CC Docket No. 92-101

Dear Al:

The Commission will soon act on the appropriateness of recognizing exogenous treatment for expenses incurred by price cap regulated exchange carriers for Other Post-retirement Employee Benefits (OPEB), as prescribed by SFAS 106. This docket presents both the FCC and the exchange carrier industry with a unique opportunity.

The instant issue is whether price regulated carriers should be permitted to upwardly adjust their price cap indices, thereby affording them with an opportunity to cover future retiree benefit costs in appropriate rates. The record in this proceeding satisfies the Commission's two-part test for exogenous treatment: (1) The increased expenses are clearly outside the control of the carriers, and (2) those higher costs are not recognized in the price cap formula through the GNP-PI offset.

I believe OPEB expenses should be granted exogenous treatment. Adjusting price cap indices will place the decision of whether or not to increase rates where it belongs, that is with the exchange carriers. Faced with powerful customers who have competitive alternatives, any decision to raise prices would be faced with immediate market consequences. I encourage you to forebear from imposing unnecessary regulatory control and to let the market function, thereby fulfilling the promise and purpose of price cap regulation.

Sincerely,

John Connarn

cc: Commissioner James H. Quello
Commissioner Sherrie P. Marshall
Commissioner Andrew C. Barrett
Commissioner Ervin S. Duggan
Cheryl A. Tritt, Chief, Common Carrier Bureau