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Director
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

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EX PARTE

March 19, 1996

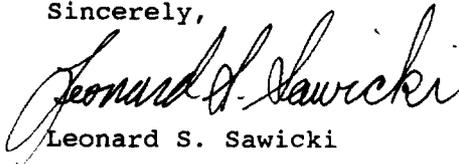
Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street NW
Washington, D.C. 20554

Re: CC Docket 94-1; Price Cap Performance Review for Local Exchange Carriers

Dear Mr. Caton:

Today, members of Customers for Access Rate Equity (CARE) met with Dan Gonzales of Commissioner Chong's office. Representing CARE were Rick Whitt (LDDS Worldcom), Brian Masterson (AT&T), Susan Hafeli (API), Brad Stillman (CFA), Brian Moir (ICA), Christopher Frentrup (MCI) and I. The purpose of the meeting was to encourage the FCC to act expeditiously in this proceeding and set a new, higher "x-factor". The attached information was used during the meeting.

Sincerely,


Leonard S. Sawicki

Attachment

cc: Mr. Gonzales

No. of Pages to be
Listed as

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PROJECTION OF INDUSTRY RATE CHANGES
1996 ANNUAL FILING
(\$M)

◆	RECURRING ANNUAL PRICE CAP ADJUSTMENTS		(539)
	INFLATION LESS PRODUCTIVITY OFFSET	(483)	
	COMMON LINE FACTOR	(56)	
◆	1996 SPECIFIC ADJUSTMENTS		
	OTHER FACTORS DRIVING RATES DOWN		(169)
	• Sharing Based On 1995 Earnings	(169)	
	FACTORS DRIVING RATES UP		844
	• REVERSAL OF :Sharing Based On 1994 Earnings	498	
	Eleven Month PCI Gross Up	159	
	Back Dating Of X- Factor To 5.3%	75	
	• OTHER EXOGENOUS COSTS	<u>112</u>	
◆	INDUSTRY NET ANNUAL FILING		136

**ESTIMATED PRICE CAP LEC HEADROOM
(\$M)**

◆ PROJECTED HEADROOM GENERATED BY 1996 FILING	\$136
◆ HEADROOM AVAILABLE AS OF FEBRUARY 27, 1996	<u>\$349</u>
◆ POTENTIAL RATE INCREASE	\$485