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July 12, 1996

William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W. - Room 222
Washington, D.C. 20554

RE: Ex Parte Notice
CC Docket No. 96-98

Dear Mr. Caton:

On July 12, 1996, Jeff Reynolds, Vice President - ALLTEL Telephone Service Corporation; Michael Conrad, President and General Manager - Champaign Telephone Company; as well as Keith Townsend and the undersigned, both of USTA, met with James Casserly, Legal Advisor to Commissioner Ness.

The USTA group highlighted the perspective of the small and mid-size local exchange carriers in this docket. The discussion was consistent with USTA's filed comments and with the attached handout summarizing USTA's filed position in this docket.

An original and one copy of this ex parte notice are being filed in the Office of the Secretary. Please include this notice in the public record of these proceedings.

Respectfully submitted,

Mary McDermott

Mary McDermott
Vice President -
Legal & Regulatory Affairs

attachments
cc: J. Casserly
J. Reynolds
M. Conrad
K. Townsend

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SMALL AND MIDSIZE COMPANY PERSPECTIVE

USTA Position on Interconnection Implementation

CC Docket No. 96-98

- o **Small and Midsize Companies Fully Support the USTA Position.**

  Interconnection is no substitute for access charges. It is wrong for competitors to be able to buy unbundled network elements from LECs and reassemble them into what are access services.

  It is confiscatory and illegal to price LEC networks for interconnection using the artificially optimized TS LRIC standard, by which networks are theoretically reconfigured with today's technology and priced at incremental cost. LECs past investment and associated costs in embedded facilities is non-discretionary, and must be compensated.

  Access charge revenues comprise a great majority of total revenues for most small and midsize LECs. Two thirds is about the average, and figures as high as 80 percent exist.

  A particular point of interconnection should be determined by negotiating an agreement between the parties. If negotiations fail, the Section 251(2)(2)(B) guidelines for "technical feasibility" should be flexible and take into account the demand on the resources of small and midsize companies.

- o **Particular Small and Midsize Company Concerns are Part of the USTA Position.**

  Rural LECs are exempt from interconnection requirements until a bona fide request for interconnection is received. Basic guidelines for such a request should include:

  - The requesting carrier must offer service within one year following agreement or arbitration, and the agreement must provide for a one-year minimum service period (states should be free to require a longer period).
  - The points where interconnection is sought must be identified, network components and quantities must be specified, and the date when interconnection is desired must be given.
  - The LEC must be able to recover any investment required and/or expenses incurred to satisfy an interconnection or unbundling request through charges paid by the requesting carrier, and these charges must be reflected in the agreement or arbitration order (states may require additional assurances, such as deposits or performance bonds).

LECs with less than two percent of the nation's access lines installed nationwide may petition their state commissions for modification or suspension of interconnection requirements. The Commission should adopt consistency standards for national uniformity purposes and to assist the states in ruling on these petitions.

Existing agreements between non-competing neighboring LECs is not interconnection, and they are unaffected by Section 251 of the 1996 Act. They remain in effect.

Small and midsize LECs need greater pricing flexibility and much simpler tariffing procedures to be able to compete effectively after a competitor enters their serving area through the bona fide request process.

In order to foster timely interconnection arrangements, access charges are a suitable proxy for unbundled interconnection in the provision of transport and termination arrangements. Also, special access rates may additionally serve as a proxy for unbundled interconnection elements in certain other arrangements.