



UNITED STATES  
TELEPHONE  
ASSOCIATION

**EX PARTE OR LATE FILED**

December 20, 1996

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

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FEDERAL COMMUNICATIONS COMMISSION

**RE: CC Docket 96-149**

Dear Mr. Caton:

On September 23, 1996, Carol Bjelland of GTE Service Corporation, Jack Holladay of Rock Hill Telephone, Peggy Rettle of Citizens Telecom, and Todd Colquitt and Jim Lowell of USTA met with staff members of the Policy and Program Planning Division of the FCC's Common Carrier Bureau to discuss USTA's position in the above-captioned proceeding. The FCC staff present were Don Stockdale, Craig Brown, Pat DeGraba, Cindy Jackson, and Susan McMaster. During that meeting, Mr. DeGraba inquired as to why an Independent LEC would opt to offer long distance service under dominant regulation rather than simply create a separate affiliate to provide the service under non-dominant regulation. Attached is a letter from Mr. James H. Woody of the Union Telephone Company responding to Mr. DeGraba's inquiry.

In accordance with Section 1.1206(a)(1) of the Commission's rules, two copies of this notice and letter are being submitted. Please include them in the public record of this proceeding.

Sincerely,

Charles D. Cosson  
Regulatory Attorney

cc: Don Stockdale            Craig Brown  
Pat DeGraba                Cindy Jackson  
Susan McMaster

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December 2, 1996

Patrick J. DeGraba  
Industry Economist  
Policy & Program Planning Division  
Federal Communications Commission  
1919 M Street, N.W., Room 544  
Washington, D.C. 20554

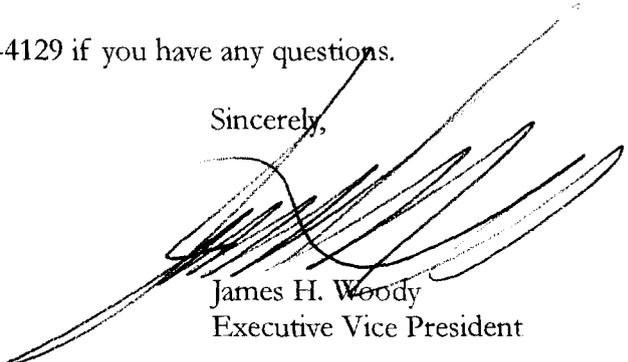
RE: FCC - Docket 96-149

Dear Patrick:

In response to your question raised to the USTA staff on September 23, 1996 as to why a separate affiliate does not work for Union Telephone Company. It is a matter of simple economics. Union is facilities a based carrier. We have continuously provided interstate toll services since our start in 1914. The costs of separate switching and transmission facilities would more than double our costs. Union, through the use of joint facilities, currently provides local exchange, toll services, cellular and cable TV. In the rural areas of Wyoming, Utah and Colorado that we serve, our population densities are such that our small markets can not support duplicate facilities. Our costs are substantially reduced by the sharing of equipment between lines of business. For instance, if a microwave is used 30% for local exchange, 30% for toll service and 40% for cellular, the costs for each service is less than if each service had it own equipment. In the case of an RBOC in an urban area they would probably need the three microwaves anyway to meet their capacity needs, so their costs would not be reduced. While this view is overly simplistic, even an RBOC would have some cost saving by removing the separate affiliate and the separate switching and transmission facilities requirements. This is why the removal of requirements for non-dominance is very important to rural companies.

Please call me on (307) 782-4129 if you have any questions.

Sincerely,



James H. Woody  
Executive Vice President