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EX PARTE

March 20, 1997

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

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Federal Communications Commission  
Office of Secretary

**RE: Ex Parte Notice  
CC Docket No. 96-262**

Dear Mr. Caton:

On March 19, 1997, a group representing the United States Telephone Association (USTA) held two meetings with FCC staff. At the first meeting, John Hunter (USTA), Jeff Pursley (Aliant), Tom McKeon (SNET), and Dwyane Downtin (Citizens) met with Jim Schlichting and Jane Jackson of the FCC.

At the second meeting, Mary McDermott (USTA), Elaine Carpenter (Aliant), and Peggy Rettle (Citizens) met with Richard Metzger of the FCC.

At each meeting, the group discussed USTA's Access Reform position and the perspective on those issues of the mid-size price cap companies. The Mid-Size Price Cap Companies: Aliant Communications, Citizens Telecomm, Frontier Corporation and Southern New England Telecom, ("the Companies") emphasized that they had elected price cap regulation and had done so relying on the FCC not to alter crucial parts of the plan to the companies' detriment. If those factors are changed as set forth in the prescriptive approach in the Access Reform Notice of Proposed Rulemaking, the price cap companies and their customers will be adversely impacted immediately. The Companies gave specific examples from their own situations. The ability of these Companies to fund continued investment in their networks would be severely jeopardized absent rate rebalancing and adequate universal service funding.

The USTA group emphasized the following: (1) retain an X-Factor in the 3% range (which was the allowable range when the Companies elected price caps); (2) not retarget the rates of the Price Cap Companies; companies elected price cap regulation under the assumption that any increased earnings achieved would be retained; (3)

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allow per-line recovery of all non-traffic sensitive costs, to prevent competitors' "cream-skimming"; (4) adopt the modified price cap rules and basket structure proposed by USTA in order to allow immediate pricing flexibility and deregulation when the market becomes competitive; and (5) allow the TIC to be shifted to existing and new rate elements as specified by USTA.

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,

A handwritten signature in black ink, reading "Mary McDermott". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

Mary McDermott  
Vice President - Legal & Regulatory Affairs

cc: Jim Schlichting  
Jane Jackson  
Richard Metzger