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Richard M. Tettelbaum
Associate General Counsel

ORIGINAL

citizens*telecom*

March 24, 1997

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

MAR 2 4 1997

Re: Notice of Ex Parte Presentation --
Docket Nos. 96-45 and 96-262

Suite 500

1400 16th Street N.W.

Washington, DC 20036

office 202-32-5922

fax 202-463-9217

Dear Mr. Caton:

By this letter, Citizens Utilities Company, on behalf of its telecommunications subsidiaries, notifies the FCC of written and oral ex parte presentations pertaining to the above-styled proceedings have been made today to James Coltharp, Special Counsel to Commissioner Quello.

A copy of the written presentation is appended hereto. The written presentation generally summarizes the oral presentations. Copies of this letter and the written presentation have been provided to the foregoing individual.

Yours very truly,

Richard M. Tettelbaum

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List ABCDE

Because ... your call

Universal Service /Access Reform Presentation For FCC Meetings

Citizens Telecom

March 24,1997

Who is Citizens Telecom?.

- *Rural Exchange Carrier serving 850,000 customers in 12 states.*
- *A price cap LEC that is comprised of " Rural Telephone Companies" as defined in the Act.*
- *We serve fringe suburban and rural, high cost areas almost exclusively.*
- *Through affiliates, we are also engaged in competitive telecommunications services.*

Our Major Areas of Concern

- ***The Universal Service Proceeding:***
  - *Finding a proper measure for defining the costs of universal service.*
  - *A critical issue for Citizens Telecom is that we serve a large preponderance of high costs areas.*
- ***The Access Reform Proceeding:***
  - *The "prescriptive" approach is contrary to Congressional directive that competition function as the driver of access rates towards costs.*
  - *The present incarnation of the "market-based" approach offers little to rural price cap LECs.*

Universal Service Talking Points

- ***As the FCC approaches the May 8 th deadline for a new universal service system, Citizens Telecom urges Congress and the FCC to consider the following to help ensure a smooth transition to a competitive market place:***
  - *It's imperative that the FCC clearly and appropriately craft a cost determination mechanism for universal service providers.*
- ***The decisions made by the Commission in the interconnection order and the access reform rulemaking will profoundly affect local telephone rates and universal service.***

Universal Service Talking Points. cont'd

- *The implementation of forward looking pricing is likely to result in upward pressure on residential rates, & a reduction in investment for infrastructure in rural high cost areas.*
- *In order for the Joint Board's estimate of $2.25 billion for schools & libraries to be realized, a bi-jurisdictional funding mechanism must be established.*

Access Reform Talking Points

- ***Price cap carrier access reform must recognize the Act's provisions for rural telephone companies***
  - *"One size fits all" treatment of price cap LECs is inappropriate.*
- ***Telecommunications Act of 1996 focuses on opening the telecommunications market and reliance on competition.***
  - *Competition, not administrative fiat, should be the driver of access rates toward cost.*
- ***Costs assigned to interstate jurisdiction are real costs of doing business.***
  - *The allocation process is public policy driven.*
- ***The Commission must allow ILECs pricing flexibility to foster the opportunity to compete and ensure efficient market entry.***
  - *Particularly true in case of rural LECs, which will experience access competition before full local exchange competition.*

Access Reform
Talking Points. cont'd

- *The TIC is not a cost subsidy like USF or DEM weighting, which were created to address specific high cost needs and universal service concerns.*
  - *The TIC represents the difference between an underlying cost assignment mechanism for switched transport and a new pricing structure correlated to the pricing of special access services.*
  - *The TIC was an unyielding compromise in the transition to cost based transport charging.*
  - *The "real underlying costs" in the TIC should be transferred to other access rate elements.*

1996 Citizens LEC Operations Revenue Summary

	TOTAL	%
LOCAL	$ 229,972,230	33.39%
Interstate access - incl. SIC	$ 201,414,204	29.24%
Intrastate access - incl. SLC	$ 111,667,031	16.21%
Interstate USF	$ 56,968,748	8.27%
Billing & Collection	$ 19,401,978	2.82%
Long distance message	$ 27,160,605	3.94%
Other	$ 42,261,376	6.14%
Total LEC Revenues	**$ 688,846,172**	**100.00%**

1996 Citizens Local Exchange Revenue

	TOTAL	%	% of Total
LOCAL Business Single Line	$ 34,696,464	15.09%	5.04%
Local Business Multi Line	$ 26,595,653	11.56%	3.86%
Local Residence Single Line	$ 106,355,226	46.25%	15.44%
Local Residence Multi Line	$ 266,419	0.12%	0.04%
EAS Business	$ 5,769,186	2.51%	0.84%
EAS Other	$1,242,202	0.54%	0.18%
Other Local -Note 1	$ 55,047,080	23.94%	7.99%
Total LEC Revenues	**$ 229,972,230**	**100.00%**	**33.39%**

Note1 - Includes ancillary services provided to Business and Residential Customers

Switched Access TELRIC vs. Access Charges
Revenue Impact

	TELRIC	Access	Difference.
Interstate	$27,780,425	$71,363,626	$(43,583,201)
Intrastate	$12,705,671	$37,050,597	$(24,344,926)
Line Term	$3,460,663	NA	$(3,460,663)
Total	**$ 43,946,759**	**$108,414, 223**	**$(64,467,464)**

Percent of total LEC Revenue **-9.63%**

Notes: TELRIC revenue projected using 1996 demand units. Access revenue is actual 1996 revenue for switched access elements- switching, transport, Information Services, and 800

Transitional Interconnection Charge

Current Interstate	
Transitional Interconnection Charge	*$24,474,603*
Percent of Total Interstate Access Revenues	*12.15%*
Percent of Total Citizens LEC Revenues	*3.55%*

Initial estimate of TIC component which will require transfer to other access rate elements upon elimination of the TIC

	TOTAL	%
Tandem Switching	$ 5,997,871	24.51%
Analog Switch Ports	$ 692,306	2.83%
Host/Remote Configurations	$ 1,664,273	6.80%
Tandem Switched Transport Redefinition	$ 6,816,177	27.85%
COE Maintenance allocation correction	$ 1,762,171	7.20%
SS7 cost allocation	$ 1,245,757	5.09%
Correct allocation of termination counts	$ 4,224,316	17.26%
Unassigned TIC costs	$ 2,071, 731	8.46%
Total TIC	**$ 24,474,603**	**100.00%**