

EX PARTE



EX PARTE OR LATE FILED

DOCKET FILE COPY ORIGINAL

RECEIVED

NOV - 7 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 7, 1997

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

**RE: Ex Parte Meeting
CC Docket 96-149**

Dear Mr. Caton:

Today, the United States Telephone Association ("USTA") as represented by Jeff Reynolds of ALLTEL, Mary McDermott and Todd Colquitt of USTA, and accompanied by Carl Geppert of Arthur Andersen met with personnel from the Policy and Program Planning Division. Those persons included Craig Brown, Andrea Kearney, Joe Welch, and Michael Kende. The topic of discussion was the Commission's Second Report and Order in the above-referenced proceeding.

The group focused on how the Commission's rules would impact incumbent local exchange carriers providing interexchange service on a resale basis through an affiliate. Toward that end, USTA provided two handouts (attached) as the basis for discussion on how the Commission's present and soon-to-take-effect rules affect cost allocation and accounting procedures. The group also discussed the Commission's concerns about potential non-price discrimination. USTA reiterated its belief that requiring the interexchange affiliate to be a separate legal entity, as called for in the Commission's order, provides for a greater degree of competitive safeguards against anti-competitive and discriminatory behavior. USTA's overall oral comments were consistent with written comments previously submitted by USTA in this proceeding.

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

Sincerely,

A handwritten signature in cursive script that reads "Mary McDermott".

Mary McDermott
Vice President, Legal and Regulatory Affairs

cc: Don Stockdale
Craig Brown
Andrea Kearney
Joe Welch
Michael Kende

No. of Copies rec'd 0+2
List ABCDE

FCC Docket No. 96-149
Ex Parte Meeting

USTA Petition for Reconsideration

November 7, 1997

Accounting Safeguards

- ◆ Existing safeguards are adequate to prevent cross-subsidy
- ◆ Separate long-distance subsidiaries are not necessary
- ◆ Existing safeguards can easily be applied to ILEC provision of in-region long-distance service

Adequacy of Existing Safeguards

- ◆ Independent audits focus on proper application of Part 64 Rules
- ◆ On-going FCC monitoring/audits
- ◆ Commission has strengthened safeguards via CAM Uniformity Order and independent audit guidelines
- ◆ Safeguards significantly strengthened in Accounting Safeguards Order

Accounting Safeguards Application

- ◆ Classify in-region interLATA long-distance services as Nonregulated
- ◆ Use Part 64 Cost Allocation Rules to separate costs

OR

- ◆ Apply Fifth Report and Order nonstructural separation requirements
- ◆ Use §32.27 Affiliate Transaction Rules to record transactions

CC Docket No. 96-149

Long Distance: Relevant Accounts

	Resold LD (Embedded Access)	Resold LD (Separate Access)	Partial Facility LD (Switching)	Full Facility LD (Switching & IX)
ASSET:				
Switching	n/a	n/a	X	X
IX Facility	n/a	n/a	n/a	X
EXPENSE:				
Bulk LD	X	X		
Terminating Access		X	X	X
Originating Access		X	X	X
Sales & Marketing	X	X	X	X
Billing & Collection	X	X	X	X
Facility Lease			X	
Operator/Card Services	X	X	X	X