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RICHARD M. TETTELBAUM *Associate General Counsel*

CITIZENS communications

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

November 13, 1997

Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Notice of Ex Parte Presentation --
CC Docket Nos. 94-1 and d 96-262

Dear Ms. Salas:

By the original and copy of this letter, Citizens Utilities Company, on behalf of its local exchange telecommunications subsidiaries (the "Citizens LECs"), notifies the FCC of an oral ex parte presentation pertaining to the Commission's Fourth Report and Order in CC Docket No. 94-1 and Second Report and Order in CC Docket 96-262 (hereinafter referred to as the "*Price Cap Order*")[1] and the Emergency Petition For Waiver of Sections 61.45(b)(1) and 61.45(c) of the Commission's Rules Filed By the Citizens Utilities Company Local Exchange Companies (the "Emergency Petition").

The ex parte presentation was made today to Richard Metzger, Chief, Common Carrier Bureau, and Thomas Power, Legal Advisor to Chairman Kennard.

In the ex parte presentation, the Messrs. Metzger and Power were presented with copies of this notice and the attached presentation. The presentation served as the platform for discussion of the issues raised in the Emergency Petition and the Citizens LECs' related petition for reconsideration of the *Price Cap Order*.

Yours very truly,

Richard M. Tettelbaum

[1] In the Matter of Price Cap Performance Review for Local Exchange Carriers and Access Charge Reform, Fourth Report and Order in CC Docket No. 94-1 and Second Report and Order in CC Docket No. 96-262, CC Docket Nos. 94-1 and 96-262, FCC 97-159, rel. May 21, 1997.

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Emergency Petition For Waiver Of Sections 61.45(b)(1) and 61.45(c)

Citizens Communications

Exparte with

Federal Communications Commission

Transition to Competition

Competition is evolving in Citizens CSA's

CLECs requesting resale agreements:

- *Network 1*
- *US Telco Inc.*
- *Telecon Inc.*

➢ *Areas impacted*

- *NY, PA, WV, TN, UT, CA*

➢ *Competition which targets high usage customers reduces productivity gains*

Transition to Competition Cont'd

- *Incremental implementation costs and the reduction in revenues restrict LEC productivity opportunities.*
- *Cap on corporate operations expense limits universal service.*
- *Incremental resources are not available to increase demand, invest in new services, or maintain universal service.*

Implementation Mandates

- *Resale*
- *Interconnection/Unbundled Network elements*
- *Local Number Portability*
- *Access Reform*
- *Intralata Equal Access*
- *CALEA*
- *Year 2000*
- *Price Cap Reform*

Estimated Costs Impact of the "96" Act to Citizens ILECs 1998-2000

Implementation costs

Resale	*$ 14,214,332*
UNE	*$ 6,059,000*
LNP	*$ 35,431,800*
Provision of Single Party Service	*$ 46,620,000*
Access reform	*$ 1,721,440*
Intalata Equal Access	*$ 44,155*
Total	*$ 104,490,727*

- ***Cost based on IS and Engineering requirements-on-going costs not shown.***
- ***These mandates restrict resources to invest in continuing universal service.***

Estimated Revenue Impact

USF

1998 Receipts	*$ 56,858,262 w/o Corp. Exp. impact*
	$ 47,531,349 w/ Corp. Exp. impact
	$ (9,326,913) Corp. Op. Exp. impact
1997 Receipts	*$ 55,575.468*

Price Caps

Impact full year	*$ (4,500,000)*
1996 reachback	*$ (2,100,000)*
Total Initial Impact	*$ (6,600,000)*

Price Cap Reform

The 6.5% productivity factor is not appropriate for elective/rural price cap LECs.

- *Based solely on BOC data*
- *Distorts the complicated competitive process*
- *Inconsistent with the transitional treatment accorded rural telephone companies in the universal service order, and the 1996 Telecommunications Act..*
- *Approach is counterproductive in this rapidly changing environment because of the need to attract capital for network investment.*
- *Adverse impact on universal service principles and policies.*