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MCI

MCI Telecommunications Corporation

1801 Pennsylvania Avenue, NW
Washington, DC 20006
202 887 2048

Leonard S. Sawicki
Director
FCC Affairs

November 24, 1997

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW Room 222
Washington, DC 20554

Re: Ex Parte Presentation in CC Docket 96-45

Dear Ms. Salas:

On Friday, November 21, 1997, Mary Sisak (MCI), Chris Frentrup (MCI), and the undersigned, met with Chuck Keller, Bob Loube, Natalie Wales, and Claudia Fox. The purpose of the meeting was to discuss issues related to the pending reconsideration proceeding. The attached document briefly outlines the topics discussed.

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(2) of the Commission's rules.

Sincerely,

LSawicki

for Kimberly M. Kirby

cc: Chuck Keller (USB)
Bob Loube (USB)
Natalie Wales (USB)
Claudia Fox (CCB - Competitive Pricing)
Tim Peterson (USB)
Lisa Gelb (USB)

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FEDERAL COMMUNICATIONS COMMISSION
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UNIVERSAL SERVICE RECONSIDERATION ISSUES

I. When universal service support for high cost areas is determined by the model and funded explicitly, interstate access charges must be reduced.

A. Access charges include implicit universal service support

B. When universal service support is provided through the new fund, the implicit subsidies must be eliminated from interstate access

C. The argument espoused by some states and LECs that interstate access charges should not be reduced because universal service is intended to support local rates would lead to the double recovery of universal service support and a change in separations.

II. The Commission did not change Part 36 of the Rules. Therefore, interstate access reductions based on universal service support for high cost areas should be implemented as follows:

A. Support calculated by the model should be used first to offset the HCF and triple DEM.

B. For any additional support calculated by the model, ILECs should reduce interstate access charges.

1. Non-price cap ILECs should be required to reduce their revenue requirement by the amount of support determined for all customers in their service area.

2. Price cap ILECs should be required to make an exogenous adjustment and reduce the common line (CCL and PICC) and switching baskets by the amount of support determined for all customers in their service area.

C. Implementation in this manner would ensure that costs are not shifted to the intrastate jurisdiction.

III. If the Commission continues to allow states to submit their own cost models to determine federal universal service support, the Commission must impose requirements and parameters on the state models.

A. The Commission should specify reasonable ranges for the allocation of joint and common costs to be assigned to supported services; fill factors; input costs; overhead adjustments; retail costs; structure sharing percentages; fiber-copper crossover points; and terrain factors.

B. The parameters imposed on state models should be based on the parameters selected by the Commission for the federal model.

MCI Ex Parte CC Docket No. 96-45 11/21/97