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295 North Maple Avenue  
Basking Ridge, NJ 07920

June 26, 1998

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
1919 M. St., NW, Room 222  
Washington, D.C. 20554

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JUN 26 1998

Federal Communications Commission  
Office of Secretary

RE: Ex Parte Presentation – Proxy Cost Models  
CC Docket No. 96-45

Dear Ms. Salas:

On June 25, 1998, AT&T and MCI met with Jim Schlichting, Emily Hoffnar, Craig Brown, Chuck Keller and Brad Wimmer of the Common Carrier Bureau. Joel Lubin and Richard Clarke represented AT&T; Michael Pelcovits, May Sisak and Chris Frentrup represented MCI.

The purpose of this meeting was to provide the Commission with our view as to how the Commission should implement its selection of a cost model for universal service. A copy of the materials presented at this meeting is attached.

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,

A handwritten signature in cursive script that reads "Richard N. Clarke / ha".

Richard N. Clarke

Attachment

cc: Jim Schlichting    Craig Brown  
Emily Hoffnar        Chuck Keller  
Brad Wimmer         Sheryl Todd

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JUN 26 1998

***The HMS' Procedural Recommendations  
for the FCC's Adoption of a Cost Model***

Federal Communications Commission  
Office of Secretary

**The Commission's assumed goal for adopting a forward-looking economic cost model is the quick implementation of a nonrural universal service support calculation mechanism that:**

- maintains affordable universal telephone service in high cost areas through subsidies that are properly sized and directed
- accurately determines costs based on precise data describing customer locations
- accommodates easily to improvements in data inputs
- is competitively neutral, and
- is recognized by the industry as being impartial

**To achieve these goals, the Commission should:**

1. determine immediately its preferred model platform, and take "ownership" of this model
2. determine the modifications to this platform that it believes are necessary to ensure that it meets the appropriate criteria
3. quickly complete its investigation into the data input values that should be used by this platform
4. direct the USAC to contract with the independent platform and data suppliers associated with the chosen model to modify the model to meet the Commission's explicit specifications
5. direct the USAC to run the model to determine the USF entitlements indicated for the nonrural telephone companies