



EX PARTE NOTIFICATION

ORIGINAL

MCI WorldCom, Inc.  
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Washington, DC 20006  
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RECEIVED

OCT 29 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas  
Office of the Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

Re: Notification of *Ex Parte* Contact in CS Docket 97-151

Dear Ms. Salas:

On Thursday, October 19, 1998, representatives of MCI WorldCom met with members of the Financial Analysis and Compliance Division of the Cable Services Bureau. Representing MCI WorldCom were Larry Fenster, Robert Chozick, and Len Sawicki. The Financial Analysis and Compliance Division was represented by Margaret Egler, Cheryl King, and Wayne McKee.

The purpose of the meeting was to discuss issues surrounding its Petition for Reconsideration submitted in CS Docket 97-151. A copy of issues raised in our meeting is attached.

Should any questions arise concerning this *ex parte* notification, please contact me at 202-887-2180.

Sincerely,

Larry Fenster  
Senior Economist

cc: Margaret Egler  
Cheryl King  
Wayne McKee

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# MCI WorldCom's Local Strategy Is Facilities-Based

- Over 9,000 local right of way miles
- Presence in more than 100 local markets.

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# Leasing Conduit and Pole Space from Incumbents is a Crucial Aspect of Local Entry

- Self-build may not permit timely entry.
- Leasing required for redundancy with self-build.

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# Purpose of New § 224 is to Remedy Inequitable Pole Charges Facing Facilities-based CLECs

“Such regulations shall ensure that a utility charges just, reasonable, and nondiscriminatory rates for pole attachments.” 47 U.S.C. § 224(e)(1)

“Section 105 of the House amendment is intended to remedy the inequity of charges for pole attachments among providers of telecommunications services.”

*Joint Explanatory Statement of the Committee of Conference, House of Representatives, Report 104-458, p. 206*

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The logo for MCI WorldCom, featuring the letters 'MCI' in a bold, sans-serif font, followed by 'WORLD' in a smaller font, and 'COM' in a larger, bold font. A small star is positioned above the 'I' in 'WORLD'.

**MCIWORLD.COM**

# Congress Expected New Attachments to be Telecom Attachments

- Congress strictly limited the cable attachment rate to cable services in 224(d)(3).
- Congress did not limit telecom attachment rate to telecom services in 224(e), so any services except cable may receive the telecom rate.

# Commission Rules Deny CLECs Affordable Access to Conduit

- Regulated conduit rates currently about \$1/ft.
- Unregulated conduit rates approximately \$7/ft.
- CLECs will be charged \$13 /ft per FCC rules.
- Commission rules do not correct unregulated market abuses and are inequitable.

# Errors In Conduit Formula

- Unuseable conduit space is mostly confined to maintenance space, about 25% of conduit.
- Commission said > 90% is not useable.
- Electric companies should not be excluded from the entity count.
- Innerduct convention should be 3.5, not 2.

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# Correcting Errors Yields More Reasonable Conduit Rates

	<u>FCC Formula</u>		<u>Corrected Formula</u>
	<u>Cable</u>	<u>CLEC</u>	<u>CLEC</u>
\$/ft	1	13	2
	<ul style="list-style-type: none"><li>- \$100 per foot investment</li><li>- 70% depreciated</li><li>- 70% carrying charge</li></ul>		

# FCC's Conduit Rules Are A Major Entry Barrier

- Increase cost of entry by 26% in DC.
- Increase cost of entry by 53% in Chicago.

<u>City</u>	<u>Conduit Share of Total Cost</u>	
	<b>FCC Rules</b>	<b>Corrected Rules</b>
DC	32%	6%
Chicago	64%	11%

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# Attachments to Electric Transmission Poles Should Receive The Same Treatment as Wireless Attachments

- Transmission towers are safer, and at times, more efficient than distribution poles.
- Commission has determined that electric transmission facilities are “poles” under 224(f)(1). *Local Competition Order*, ¶ 1184

# Commission Rules Deny CLECs Affordable Access to Poles

- Cable pole rates currently \$5 per attachment
- Unregulated pole rates  $\cong$  \$25 per attachment
- Commission rules result in \$15 for a telecom pole attachment
- Rules do not sufficiently correct unregulated market abuses and are inequitable.

# Errors In Pole Formula

- Relies on outdated presumption of one foot per communication attachment.
- 3” is a more accurate presumption.
  - Two strands may be attached in one foot of space.
  - Each strand may be overlashed at least once.
- Electric and government attachments should be counted as entities.

# Correcting Errors Yields More Reasonable Pole Rates

FCC Formula

Corrected Formula

Cable   CLEC

CLEC

\$5

\$15

\$7

- \$150 investment per pole
- 33% pole assets depreciated
- 70% carrying charge
- Average attachment space is 3 inches