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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

February 9, 1999

Ex Parte

Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 - 12<sup>th</sup> Street, SW - TW-A325  
Washington, D.C. 20554

Re: CC Docket Nos. 94-1 and 96-262

Dear Ms. Roman Salas:

On February 8, 1999, the undersigned, along with Professor Frank Gollop of Boston College, Dr. Bill Taylor of NERA, Jay Bennett of SBC and Whit Jordan of BellSouth, on behalf of the United States Telephone Association, had three meetings with FCC staff. We met with Linda Kinney of Commissioner Ness' office, Paul Gallant of Commissioner Tristani's office and Kyle Dixon of Commissioner Powell's office. Ed Lowry of Bell Atlantic attended the meetings with Linda Kinney and Paul Gallant; BB Nugent of U S WEST attended the meeting with Kyle Dixon.

Professor Gollop discussed the update of the FCC's productivity model which is contained in Attachment D of USTA's comments filed October 26, 1998, in CC Docket 96-262. Using 1996 and 1997 data, the update shows that the X-factors are 2.1% and 4.1% respectively. Professor Gollop discussed why an interstate-only X is economically meaningless. His remarks were consistent with his report which was included as Attachment C of USTA's reply comments filed November 9, 1998. Dr. Taylor discussed the need for pricing flexibility and the need for a framework to permit price caps LECs to remove competitive services from price cap regulation. Both Dr. Taylor and Professor Gollop urged the Commission not to adopt changes which would destroy the incentives of price cap regulation, which is working to reduce interstate access prices as depicted in Attachment B of USTA's comments. Dr. Taylor's remarks were consistent with his reports included in Attachment A of USTA's comments filed October 26, 1998 and Attachment A of USTA's reply comments filed November 9, 1998.

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Pursuant to Commission Rule 1.1206(b)(2), an original and two copies of this letter for each above-referenced proceeding are being provided to you for inclusion in the public record for these proceedings. Please contact me with any questions.

Sincerely,

A handwritten signature in black ink that reads "Linda L. Kent". The signature is written in a cursive style with a large, looping initial "L" and a distinct "K".

Linda L. Kent  
Associate General Counsel

cc: L. Kinney  
P. Gallant  
K. Dixon  
T. Preiss