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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW, Room TWB-204
Washington, D.C. 20554

Re: Notice of Ex Parte Meeting
In the Matter of Access Charge Reform, CC Docket No. 96-262; Price Cap Performance Review for Local Exchange Carriers, CC Docket No. 94-1; Interexchange Carrier Purchases of Switched Access Services Offered by Competitive Local Exchange Carriers, CCB/CPD File No. 98-63; Petition of US West Communications, Inc. for Forbearance from Regulation as a Dominant Carrier in Phoenix, Arizona MSA, CC Docket No. 98-157.

Dear Ms. Roman Salas:

On Tuesday, January 11, 2000, Paul Malandrakis and I, of AT&T, met with Rich Lerner, Deputy Chief of the Competitive Pricing Division of the Common Carrier Bureau, and Thomas Navin, also of the Common Carrier Bureau, concerning matters related to the referenced proceedings. The attachment was referred to during the discussion.

Two copies of this Notice are being submitted to the secretary of the FCC in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

Pat H. Merrick

Attachment

cc: Rich Lerner
Thomas Navin

Pricing Flexibility

CC Docket No. 96-262, 94-1, 98-63
and 98-157

AT&T - 1/11/2000

Pricing Flexibility - FNPRM

- Geographic deaveraging
- Conditions for Phase II relief
- Continued Phase II constraints
- Price cap mechanisms
- CLEC switched access charges

Conditions For Common Line Geographic Deaveraging

1. 254 (g) forbearance
2. Elimination of CCLC, PICC and ILEC Flowback
3. All remaining carrier access charges must be at forward looking economic cost in the study area
4. Deaveraged UNE loops must be available in the study area where deaveraging relief is requested.

Geographic Deaveraging of Common Lines

- Use of a straightforward adaptation of the FCC's universal service cost proxy model to develop costs for each UNE zone
- Allow SLC to rise to cover loop, line port, and retail marketing expense
- Establish an interstate access-related USF to ensure that universal service is preserved in areas with high loop costs, but keep USF reasonable

No Geographic Deaveraging of Traffic-Sensitive Elements

- No geographic deaveraging of traffic-sensitive local switching and tandem switching elements because costs do not materially vary geographically within a study area
- And most states have not deaveraged UNE switching

Conditions for Phase II Relief of Common Line and Traffic-Sensitive Service

- All deaveraging preconditions
- Facilities-based competition exists for each component of access throughout MSA
- Price and quality of competitive access must be comparable to that of the LEC
- Competitors' services must be available to 75% of subscriber locations in MSA
- 50% of subscriber locations must actually be served by alternate facilities-based providers in the MSA
- Facilities-based competitors must have sufficient capacity to absorb substantial amounts of LEC traffic

Continued Constraints Once Phase II Relief Is Achieved

- No deaveraging of traffic-sensitive rates
- Common line rates must not be deaveraged below UNE zones and there should be a maximum of 4 UNE zones
- All common line costs and USF contribution expense charged to the end user

Local Switching Price-Cap Mechanism

- Rates are well above cost as evidenced by exorbitant returns and must be set closer to economic costs immediately
- The traffic-sensitive PCI must be adjusted for growth in traffic volumes
- A "q" factor will properly adjust the LECs' PCIs going forward
- But a one time PCI adjustment is also needed to establish the proper PCI at the level that would have resulted if a q-factor had been incorporated in 1991

Common Line Price Cap Mechanism

- Common line revenue must be capped on a revenue per line basis, or using a full g with a requirement that total revenue from SLC and PICC be capped per line
- Common line revenue will increase with the average growth rate of all common lines, avoiding excess revenue generated by MLB PICC charges introduced in January 1998

Common Line Price Cap Mechanism

- The g/2 factor will be eliminated so LECs with CCL charges will no longer generate excess revenue
- Reduce PCIs to levels that would have resulted had the FCC incorporated a full g-factor in common line PCI formula at the inception of price caps

CLEC Switched Access Charges

- If CLEC switched access charges do not exceed the ILEC level, the CLEC may file tariffs with streamlined review or enter into contractual arrangements with IXCs
- If CLEC switched access charges do exceed the ILEC level in the same service area
  - CLECs that file tariffs must justify those charges in traditional, non-streamlined review proceedings with full cost support or
  - proceed on a detariffed (i.e. contractual) basis with IXCs that desire to do business with them

CLEC Switched Access Charges

- Approach is market-based and avoids the complication of geographic rate-deaveraging and calling/called-party pays regime.