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FEB 02 2000 Ex parte Notice

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY February 2, 2000

Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W. TWB-204  
Washington, D.C. 20554

EX PARTE OR LATE FILED

RE: CC Docket No. 80-286

Dear Ms. Salas:

On February 2, 2000, John Schrottenboer, Larry Sarjeant, and Porter Childers representing the United States Telecom Association (USTA) met with Sarah Whitesell, Commissioner Tristani's office to discuss USTA's position regarding issues in the Federal-State Joint Board on Separations Reform. The attached material was the basis for the presentation and discussion.

The discussion was consistent with USTA's filings in this proceeding.

In accordance with Section 1.1206 (a) (1) of the Commission's rules, two copies of this notice are being submitted to your office today.

Respectfully submitted,

Porter E. Childers  
Executive Director  
Legal and Regulatory Affairs

Attachments

cc: Federal-State Joint Board

072  
U.S. DEPARTMENT OF JUSTICE  
FEDERAL BUREAU OF INVESTIGATION

# **USTA Separations Reform Proposal**

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**CC Docket No. 80-286**

**Jurisdictional Separations Reform and  
Referral to the Federal-State Joint Board**



# **Legal Basis for Jurisdictional Separations**

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- **There is currently a legal requirement to define jurisdictional responsibilities for costs and expenses.**
- **Each jurisdiction must then allow charges at a level designed to fairly compensate LECs for services under its authority.**
- **Jurisdictional separations of costs is necessary so long as local exchange carriers remain subject to federal and state regulations — including price cap regulation.**
- **The Telecom Act of 1996 did not change 47 U.S.C. § 221(c).**



# USTA's Separation Freeze Proposal

## **Two-Tiered Approach:**

### Price Cap Carriers:

- Immediate freeze of allocation factors and categorization relationships as of end of most current year

### Rate of Return Carriers:

- Immediate freeze of allocation factors based on 1995, 1996 and 1997 data
- Continue current categorization process
- Rate of return carriers, may freeze both category relationships and allocation factors at the initiation of the freeze.



# Revenue Requirement Impacts of Different Separations Change

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## REVENUE REQUIREMENT IMPACT OF SEPARATIONS FREEZE

	ARMIS COMPANIES	NECA COMPANIES	TOTAL
<b>NUMBER OF LOOPS</b>	162,771,573	6,399,594	169,171,167
<b>BASE YEAR IS REVENUE REQUIREMENT</b>	\$23,891,373,000	\$1,599,843,160	\$25,491,216,160
<b>USTA FREEZE IS REVENUE REQUIREMENT</b>	\$23,444,698,000	\$1,564,522,284	\$25,009,220,284
<b>COST PER LINE PER MONTH</b>			
Average shift to Intrastate	\$0.23	\$0.46	\$0.24
Maximum shift to Intrastate	\$1.86	\$20.23	\$20.23
Minimum shift to Intrastate	(\$3.31)	(\$43.05)	(\$43.05)

Base year is 1998; ARMIS Cos. Freeze category relationships and allocation factors from 1997 data; NECA Cos. Freeze allocation factors from 1995, 1996 & 1997 data.

48 Companies out of 719, or less than 7%, have shifts greater than +/- \$5.00.



# **USTA Response to June 17, 1999 Letter of State Members of Federal-State Joint Board**

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- **Costs for UNEs should flow through the existing separations process with no unique treatment. Revenues for UNEs should be treated as rent revenues and offset allocated costs.**
- **The Joint Board and the FCC should reaffirm that Internet usage is interstate and should be reflected as interstate for purposes of separations.**
- **NARUC's "three year rolling average" proposal would result in more separations work for incumbent LECs, with no perceived benefit in terms of accuracy or creditability of separations**



# **USTA Response to June 17, 1999 Letter of State Members of Federal-State Joint Board - (Cont'd.)**

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- **The only “new, more rational, structure” of separations that should be considered is a freeze as suggested by USTA and subsequent elimination of requirements for separations.**
- **No changes or integration of FCC Part 64 and Part 36 are required to address increasing competition.**
- **The second sentence of sections 254(k) does not impose any new accounting or separations requirements.**
- **Potential “takings” or “confiscation” liabilities do not impose any constraints on the appropriate level of separations requirements**



# **Advantages of USTA's Separations Freeze Proposal**

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- **Promotes competitive neutrality and administrative simplicity**
- **Significant streamlining of the regulatory process**
- **Continues to allow for the processing of cost data through the FCC Parts 32, 64, 36, and 69 rules**
- **Easily auditable**
- **Continues to provide required data for Federal and State Monitoring Reports**
- **Continues to provide required data for FCC's ARMIS 43-04 Report**

