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NOTICE OF EX PARTE PRESENTATION

February 28, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445-12th Street, SW
Room TW-A325
Washington, DC 20554

RE: (1) Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation CC Docket No. 98-77

(2) Federal-State Joint Board on Universal Service CC Docket No.96-45

Dear Ms. Roman Salas:

On February 25, 2000, the undersigned, on behalf of the United States Telecom Association (USTA); David Cohen, USTA; Marie Guillory, National Telephone Cooperative Association; John Rose, Organization for the Protection and Advancement of Small Telecommunications Companies (OPASTCO); Stuart Polikoff, OPASTCO; Margot Humphrey, National Rural Telecom Association; Robert DeBroux, TDS; Roger Nishi, Waitsfield Telecom; Jeffrey Reynolds, ALLTEL; and Robert Williams, Oregon Farmers Mutual Telephone Company (collectively Multi-Association Group or "MAG") met with FCC Commissioner Susan Ness and Jordan Goldstein, legal advisor to Commissioner Ness. During the meeting, the MAG discussed a proposed framework for the reform of the interstate access charge structure that is currently applicable to incumbent local exchange carriers subject to rate of return regulation. The attached summary of the presentation was provided to Commissioner Ness and Mr. Goldstein and is being provided to you for inclusion in the record in the above-referenced dockets.

In accordance with FCC rule 1.1206(b)(1), I have enclosed four copies of the summary of this presentation, two for each proceeding. If you have questions, please contact me at your convenience.

Respectfully submitted,

Lawrence E. Sarjeant
VP Regulatory Affairs and
General Counsel

Attachment

cc: Commissioner Susan Ness
Jordan Goldstein

MAG PLAN FOR RATE OF RETURN REGULATED SERVICES

I. Blueprint for Transition to Post-Rate of Return (ROR) Regulation

Responds to Chairman Kennard's challenge to develop a "holistic" plan for ROR ILECs' that would resolve pending universal service, access charge, separations and rate of return proceedings, move from ROR to incentive regulation and follow the intent of Congress.

Access Reform

- Prescribes transition for ROR ILECs to Price Cap (PC) SLC caps. Lowers usage-based Carrier Access Rates (CAR) to prescribed levels for NECA pool members.

- Prescribes NECA pool settlements based on frozen pre-incentive plan ROR revenues per line adjusted annually for inflation and recovers the pool's residual revenue requirement (beyond the prescribed SLC and access revenues) through a flat-rated Bulk Access Charge (BAC) on access customers.

- Assumes IXCs will pass through access savings in lower long distance charges, eliminate minimum long distance charges and PICCs and allows IXCs to comply fully with the statutory geographic toll rate averaging mandate, including nationwide availability of optional calling plans.

- For ILECs that leave NECA pools in return for greater pricing flexibility, prescribes parallel SLCs and initial CAR levels, but does not permit a BAC.

- Assumes LEC industry proposal on separations freeze.

Incentive Regulation

- Allows each study area up to a 5-year transition period to settle with NECA pools under current cost-based ROR or frozen average schedule formulas, current universal service provisions and frozen 11.25 % ROR before frozen-revenue-per-line incentive-based regulation becomes mandatory and universal service support is frozen on a per line basis.

- Permits a Low End Adjustment Formula (LEAF) showing that would bring returns for single- and multi-study area ILECs with RORs below specified levels to a backstop set below the 11.25% frozen ROR and narrowly tailored temporary exemptions.

Universal Service Reform

- Immediately removes "interim" cap on high cost loop support and disaggregates support per line into three zones. When a study area begins incentive regulation, freezes universal service support flows at current levels, subject to annual inflation adjustments and sufficient additional frozen support when the definition of supported services evolves.

II. Benefits of the MAG Plan

Consumer Rates – Congress intends its universal service principles to provide rural and urban consumers affordable, reasonably comparable rates and reasonably comparable availability of all services, including interexchange, advanced and information services, and requires geographic toll rate averaging.

- MAG insures that SLCs for rural customers in ROR companies' service areas do not exceed the "reasonably comparable" level by capping at PC SLC caps.
- Reduces toll rates for all customers by enabling IXCs to pass through substantial access savings.
- Eliminates millions of dollars in PICC charges currently imposed by IXCs on ROR ILEC customers although ROR companies are not subject to PICCs.
- Enables IXCs to charge geographically averaged toll rates and make optional calling plans available to rural customers and substantially narrows the disparities between access charges of PC and ROR ILECs that now drive IXC efforts to deaverage, reduce rural service and limit optional calling plan availability.
- Assumes elimination of "low volume" minimum toll charges from rural ILEC customers' telephone bills.
- Removes arbitrary caps that withhold necessary and sufficient high cost support.
- Increases Lifeline support for low-income customers per CALLs plan.

Consumer Services – Congress intends broadband capabilities and advanced services to benefit rural areas.

- Stable and predictable revenues and support encourage deployment of new network capabilities and services.
- Alleviates obstacles to rural network investment caused by today's regulatory uncertainties and unfunded mandates.

Efficiency Benefits

- Encourages carriers to control costs through incentive-based frozen revenue per line access and support levels.
- Moves recovery of non-traffic sensitive costs towards flat rate basis.
- Fairly allocates the costs of originating and terminating interstate long distance services.
- Eliminates the routine need for costly and burdensome cost studies and development of average schedules, while maintaining pooling.
- Lessens regulatory costs by providing a comprehensive resolution of issues and phase-out of ROR regulation.