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NOTICE OF EX PARTE PRESENTATION

March 7, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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 March 6, 2000, the undersigned, on behalf of the United States Telecom Association (USTA); David Cohen, USTA; Marie Guillory, National Telephone Cooperative Association; and Margot Humphrey, National Rural Telecom Association; (collectively Multi-Association Group or "MAG") met with Kyle Dixon, legal advisor to Commissioner Michael Powell. 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 Mr. Dixon 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,

Larry Sarjeant

Lawrence E. Sarjeant
VP Regulatory Affairs and
General Counsel

Attachment
cc w/o att: K. Dixon

MAG REFORM 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" reform 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 PC SLC caps and usage-based Carrier Access Rates (CAR) comparable to PC rates for NECA pool members.

- Prescribes parallel SLCs and initial CAR levels, but does not permit a residual Bulk Access Charge (BAC), for ILECs that leave NECA pools in return for greater pricing flexibility.

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

- Requires IXCs to pass through access savings in lower long distance charges, eliminate minimum long distance charges and PICCs and to comply fully with the statutory geographic toll rate averaging mandate, including nationwide availability of Optional Calling Plans.

Universal Service Reform

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

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 and support become mandatory (with narrowly tailored temporary exemptions).

- 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.

Separations Reform

- Freezes separations factors.

II. Benefits of the MAG Reform Plan

Consumer Rates – Whether they are labeled "aspirations" or mandates, Congress undeniably 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.

- MAG insures that SLCs for rural customers in ROR companies' service areas do not exceed the "reasonably comparable" level Congress intends by capping at PC SLC caps.
- Prescribes pooling and non-pooling Carrier Access Charges at substantially reduced levels supports requiring IXCs to pass through access savings in reduced toll rates for all customers.
- Eliminates [$120 million in] PICC charges currently imposed by IXCs on rural ILEC customers although their telephone companies are not subject to PICCs.
- Requires 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 calling plan availability.
- Eliminates "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.

Investment Incentives – Congress intends broadband capabilities and advanced services to benefit rural areas.

- Permits ILEC management to evaluate whether and when it is feasible to deploy new network capabilities and services through stable and predictable revenues and support.
- Alleviates obstacles to rural network investment caused by today's crippling regulatory uncertainties.

Efficiency Benefits

- Encourages carriers to cut costs through incentive-based frozen revenue per line access and support levels encourage carriers to cut costs.
- Terminates usage sensitive recovery of non-traffic sensitive access costs.
- Holds IXCs responsible for a fair share of the costs of originating and terminating their customers' interstate long distance services.
- Eliminates the routine need for costly and burdensome cost studies.
- Lessens regulatory costs by providing a comprehensive resolution of issues and phase-out of ROR regulation.