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April 14, 2000

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, SW
Washington, DC 20554

Re: Coalition for Affordable Local and Long Distance Service Proposal – CC Dockets 96-262, 94-1, 96-45, 99-249

Dear Ms. Salas:

I sent the attached letter to Larry Strickling today.

In accordance with FCC rules, I am filing copies of this letter in each of the above-captioned dockets.

Sincerely,

John T. Nakahata/ KRS

John T. Nakahata

Counsel to the Coalition for Affordable Local and Long Distance Service

JTN/krs
Attachment

April 14, 2000

Mr. Larry Strickling
Chief, Common Carrier Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Coalition for Affordable Local and Long Distance Service Proposal
CC Dockets 96-262, 94-1, 96-45, 99-249

Dear Mr. Strickling:

As noted in VALOR Telecommunications Company's ("VALOR") comments filed in April 3, 2000, in the above-captioned dockets, VALOR and the Coalition for Affordable Local and Long Distance Service ("CALLS") have had ongoing discussion regarding the best manner in which to address the concerns articulated by VALOR in its comments, while also accommodating concerns of various CALLS members regarding the some of VALOR's proposal on overall CALLS proposal.

VALOR and CALLS agree that VALOR's concerns are best addressed as follows:

- Any holding company with a holding company average teledensity (defined as total holding company SLC lines per square mile of area served) of less than 19 lines per square mile can elect to have a target rate of $0.0095 with respect to all exchanges owned by that holding company on July 1, 2000, or which that holding company is, as of April 1, 2000, under a binding and executed contract to purchase.[1] For the purposes of calculating a holding company average teledensity, all of the properties VALOR is, as of April 1, 2000, under contract to purchase shall be considered as included in the VALOR holding company.
- For properties that close after June 30, 2000, but during tariff year 2000, and that are subject to the $0.0095 target rate, the Average Traffic Sensitive Rate charged by the purchaser for that property will be the greater of $0.0095 or the Average Traffic Sensitive Rate for that property. This ensures that, as a matter of transition into the Modified CALLS plan, a purchasing company is not prejudiced by the fact that a closing may be before or after July 1, 2000. CALLS and VALOR will work to determine the most feasible means of achieving this result while also minimizing rate churn.

[1] The Rural Task Force found that rural companies have an average teledensity of 19 lines per square mile. The Rural Difference, Rural Task Force – White Paper 2 (January 2000) (available at www.wutc.wa.gov/rtf).

- A company electing a $0.0095 target rate will, in the year in which it reaches the .0095 target rate target price cap reductions from all baskets within a given filing entity other than special access first to the Average Traffic Sensitive Charges until the Average Traffic Sensitive Charge reaches the target rate, then to the CMT basket until CCL is eliminated. In subsequent years, until the earlier of June 30, 2004 or when CCL is eliminated, the company will apply the price cap formula using an X of 6.5% to the CMT basket (with all other baskets except special access applying a X equal to inflation), and reduce CMT revenues accordingly until CCL is eliminated. Thereafter, except as provided in the CALLS agreement with respect to special access, the X-factor for that filing entity of the company electing a 0.0095 target rate will equal inflation.
- The .0095 target rate would not apply to properties contracted for purchase after April 1, 2000. In the event of the purchase of such properties by a company that had elected a .0095 target rate, those properties retain their pre-existing target rate. If those properties are merged into a filing entity with a .0095 target rate, the target rate for the merged filing entity will be the weighted average of .0095 and the preexisting target rate for the acquired properties, with the average weighted by local switching minutes. When a property acquired as a result of a contract for purchase executed after April 1, 2000 is merged with .0095 target rate properties, the obligation to apply price-cap reductions to reduce CCL does not apply to the properties purchased under contracts executed after April 1, 2000, but continues to apply to the other properties.

VALOR and CALLS therefore jointly request that when the Commission adopts the Modified CALLS Proposal, that proposal be further modified in accordance with this letter. With these modifications, VALOR fully supports the Modified CALLS Proposal and urges its prompt adoption. Under separate cover, VALOR and CALLS will file proposed rule changes to implement the modifications outlined in this letter.

Sincerely,

Anne K. Bingaman /KLS

Anne K. Bingaman
Chairman and CEO
VALOR Telecommunications Southwest, LLC

John T. Nakahata /KLS

John T. Nakahata
Counsel for the Coalition for Affordable Local
and Long Distance Service

cc: Mr. Jordan Goldstein, Legal Advisor to Commissioner Ness
Ms. Rebecca Beynon, Legal Advisor to Commissioner Furchtgott-Roth
Mr. Kyle D. Dixon, Legal Advisor to Commissioner Powell
Ms. Sarah Whitesell, Legal Advisor to Commissioner Tristani
Mr. Jack Zinman, Common Carrier Bureau
Ms. Jane Jackson, Chief, Competitive Pricing Division, Common Carrier Bureau
Mr. Richard Lerner, Deputy Chief, Competitive Pricing Division, Common Carrier Bureau
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