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May 25, 2000

EX PARTE – Via Electronic Filing

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:

The attached letter was hand delivered to Richard Lerner today.

In accordance with the rules, a copy of this letter and the attachment are being filed electronically in the above-captioned dockets.

Sincerely,

John T. Nakahata

Counsel to the Coalition for Affordable Local and Long Distance Service

JTN/krs
Attachment
cc: Mr. Larry Strickling, Chief, Common Carrier Bureau
Ms. Jane Jackson, Chief, Competitive Pricing Division
Ms. Dorothy Attwood, Legal Advisor to the Chairman
Ms. Sarah Whitesell, Legal Advisor to Commissioner Tristani
Mr. Kyle Dixon, Legal Advisor to Commissioner Powell
Ms. Rebecca Beynon, Legal Advisor to Commissioner Furchtgott-Roth
Mr. Jordan Goldstein, Legal Advisor to Commissioner Ness

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May 25, 2000

Via Hand Delivery

Mr. Richard Lerner, Deputy Chief
Competitive Pricing Division
Common Carrier Bureau
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

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

Dear Rich:

This letter follows up on our meeting with you and other staff of the Competitive Pricing Division regarding appropriate procedures to follow in filing tariffs for exchanges sold by a CALLS participating price cap LEC to another CALLS participating price cap LEC where the sale straddles the July 1 implementation date for the CALLS proposal. These sales present unique implementation issues with respect to exchanges under a binding contract for sale as of April 1, 2000, especially when the closing will occur after July 1, 2000. These procedures can best be illustrated by application to the exchanges purchased by Valor from GTE.

Under the provisions of the CALLS proposal as they would apply to Valor and GTE, Valor has the option of a \$0.0095 target rate, as opposed to GTE's \$0.0055 target rate or the \$0.0065 target rate applicable to other mid-sized price cap LECs. The CALLS proposal, modified by the Valor/CALLS ex parte, would have Valor charge a rate after closing that is the same as what Valor would have been charging if it had owned the properties on July 1, 2000 when the CALLS proposal was implemented.

The Valor purchases from GTE fall into 3 basic categories:

1. Purchases of whole filing entities from GTE that close prior to July 1, 2000 (the effective date of the 2000 annual access tariffs);
2. Purchases of whole filing entities in which the purchase closes after July 1, 2000;
3. Purchases of partial filing entities in which the purchase closes after July 1, 2000.

We will discuss each of these categories separately. The treatment we propose below could be applied to any purchase of exchanges under contract as of April 1, 2000, by a company with a $0.0095 target rate.

1. Purchases of whole filing entities that close prior to July 1, 2000, and which were under contract as of April 1, 2000.

Valor's purchase of GTE's Oklahoma study areas falls into this category, assuming closing occurs on schedule. Because Valor is purchasing a whole study area, Valor can file tariffs on June 15, 2000, for rates to take effect July 1, 2000, applying the appropriate rules applicable to Valor, including expected amounts from the interstate access universal service fund. For convenience of the parties, the FCC should also allow GTE to file tariffs on June 15, 2000, applying the rules applicable to Valor, and Valor can then concur in the tariff. In order to facilitate this second option, we request that, at the time it adopts the CALLS proposal, the FCC grant a blanket waiver to participating price cap LECs selling whole filing entities under contract as of April 1, 2000, to file tariffs for those filing entities applying the rules applicable to the purchaser, regardless of whether the sale has closed as of the effective date of the 2000 annual access tariffs.

2. Purchases of whole filing entities that close after July 1, 2000, and which were under contract as of April 1, 2000.

Valor's purchase of GTE's New Mexico study areas falls into this category, as closings are not scheduled to occur prior to July 1, 2000. Because Valor will not actually own these properties as of July 1, 2000, it does not have the option to file tariffs on its own behalf. In order to minimize rate churn and avoid consumer confusion, the FCC should permit GTE to file tariffs on July 1, 2000, applying the appropriate rules applicable to Valor, including expected amounts from the interstate access universal service fund, and Valor can then concur in the tariff after closing. In order to facilitate this result, at the time it adopts the CALLS proposal we request that the FCC also grant a blanket waiver to those participating price cap LECs selling whole filing entities under contract as of April 1, 2000, to file tariffs for such filing entities applying the rules applicable to the purchaser, regardless of whether the sale has closed as of the effective date of the 2000 annual access tariffs.

3. Purchases of partial filing entities that close after July 1, 2000, and which were under contract as of April 1, 2000.

Valor's purchase of portions of GTE's Texas study areas falls into this category, as closings are not scheduled to occur prior to July 1, 2000, and only a part of GTE's Texas filing entities are being sold to Valor. We propose that GTE (and any other similarly situated participating price cap LEC) be allowed to proceed in the following manner:

a. For each existing study area involved in the transaction, GTE would prepare two parallel TRPs. One TRP would cover the lines being retained by GTE. Rates for this portion of the study area would be developed pursuant to the CALLS rules applicable to GTE.

The second TRP would cover the lines being sold. Rates for this second portion of the study area would be developed pursuant to the rules applicable to the purchaser. Both TRPs would reflect expected amounts from the interstate access universal service fund for the respective portion of the study area.

b. On June 15, 2000, GTE would file a set of "blended" rates for the entire existing GTE study area, including both the portion to be retained and the portion to be sold. These rates would represent the average, weighted by lines, of the rates developed for GTE and for the purchaser.

c. Once the sale closes, these averaged rates would be "unblended" into separate tariffs for GTE and for the purchaser. The purchaser could file its own tariff, or GTE could file a tariff for the purchased lines, in which the purchaser would then concur.

d. After closing, both GTE and the purchaser would have the appropriate rates, based on the CALLS rules applicable to each company. The "unblending" of rates at closing would be revenue neutral.

The CALLS companies believe that this procedure will provide the most efficient means for implementing CALLS for partial study area sales, and that it will minimize rate churn and confusion, both for the ILECs and their customers. In order to facilitate this result, at the time it adopts CALLS the Commission should grant a blanket waiver to any price cap LEC that has a contract in effect as of April 1, 2000 to sell a portion of a study area to another price cap carrier. The waiver should permit the seller to file on June 15, 2000 blended rates developed in the manner described above.

In addition, in order to ensure that both the retained portion and the sold portion of the study area receive appropriate USF support, we request that, for the initial submissions, the Commission permit GTE (or any other similarly situated price cap LEC) to submit the information that would be required to determine USF support as if the retained exchanges were one study area and the exchanges to be sold were a second study area. GTE (or other similarly situated LEC) would receive support for each set of exchanges on that basis until the sales closed, at which time support for the sold exchanges would go to the purchasing price cap LEC.

Sincerely,

John T. Nakahata

Counsel to the Coalition for Affordable Local and Long Distance Service

JTN/krs