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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY



July 17, 2000

Ms. Magalie R. Salas, Secretary
Federal Communications Commission
445 12th Street S.W., TW-A325
Washington, D.C. 20554

Re: Ex Parte Notice
CC Docket Nos. 96-262, 94-1, 99-249, 96-45

Dear Ms. Salas:

On Thursday, July 13, 2000, L. Marie Guillory of the National Telephone Cooperative Association, Margot S. Humphrey of Holland and Knight, LLP, representing the National Rural Telecom Association (NRTA) and Kathryn Kaercher of OPASTCO met with Kathryn C. Brown Chief of Staff of Chairman Kennard's office and Dorothy Attwood Chief of the Common Carrier Bureau. In that meeting we discussed the Holistic Plan being developed by the four major incumbent local exchange carrier associations.

In accordance with the FCC's rules, I am submitting two copies of this letter and the outline distributed at the meeting. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "L. Marie Guillory". The signature is written in black ink and is positioned above the typed name and title.

L. Marie Guillory
Vice President
Legal & Industry

LMG:rhb

cc: Kathryn C. Brown
Dorothy Attwood

MAG PLAN BENEFITS

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 mandates geographic toll rate averaging.

- ❑ MAG insures that SLCs for rural customers in ROR companies' service areas do not exceed the "reasonably comparable" level by establishing rural SLC levels at CALLS SLC caps, as long as they are reasonably comparable.
- ❑ Reduces toll rates for all customers by requiring IXCs to pass through substantial access savings.
- ❑ 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 optional calling plan availability.
- ❑ Reflects CALLS plan elimination of millions of dollars in PICC charges imposed by IXCs on ROR ILEC customers although ROR companies were never subject to PICCs and elimination of "low volume" minimum toll charges from rural ILEC customers' telephone bills.
- ❑ Removes arbitrary caps that withhold necessary and sufficient high cost support to keep rates affordable and allow needed investment.
- ❑ Increases Lifeline support for low-income customers per CALLs plan.

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

- ❑ Provides stable and predictable revenues and support to 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.
- Reduces the need for costly and burdensome cost studies, while maintaining pooling.
- Lessens regulatory costs by providing a comprehensive resolution of issues and phase-out of ROR regulation for the vast majority of access lines now under rate of return regulation.

MAG PLAN PROPOSAL

This plan 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 most of the nation's rate of return access lines from ROR to incentive regulation and follow the intent of Congress.

Access Reform

- Prescribes transition for ROR ILECs to Price Cap SLC caps. Lowers usage-based Carrier Access Rates (CAR) to prescribed \$0.016 composite average level 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 according to their share of the national interstate toll market.
- Requires IXCs to pass through access savings in lower long distance charges, eliminate minimum long distance charges and PICCs and to comply fully and 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 average schedule formulas, current universal service provisions and frozen 11.25 % authorized ROR. Then, frozen-revenue-per-line incentive-based regulation and frozen universal service support per line basis become mandatory, subject to an exemption for the smallest and lowest density carriers.
- Permits a Low End Adjustment Formula (LEAF) showing that would bring returns up to 50 basis points below the 11.25% frozen ROR for single study area incentive plan carriers and multiple study area incentive plan carriers that would otherwise be eligible for exemption and up to 100 basis points below for other incentive plan carriers.

Universal Service Reform

- Immediately removes "interim" cap on high cost loop support and disaggregates

support per line into up to three zones per wire center. Incentive regulation establishes study area universal service support flows at current levels, subject to annual inflation adjustments and sufficient additional frozen support when the definition of supported services evolves.