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March 29, 2001

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
Washington, D.C. 20554

Re: Ex Parte Presentation – CC Docket Nos. 00-256, 96-45, 98-77, 98-166, *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*

Dear Ms. Roman Salas:

Today, representatives of the Multi-Association Group (the "Group") met with Commissioner Susan Ness and Jordan Goldstein and Lynne Hewitt of her office to express support for the Group's proposed plan for regulating non-price cap incumbent LECs, which is the subject of the above-captioned proceeding. Mr. David Cohen, Ms. Marie Guillory, Ms. Margot Humphrey, Mr. Stuart Polikoff, and the undersigned attended on behalf of the Group.

The attached summary materials were distributed at the meeting and summarize the content of the meeting. Filings of the Group and others already part of the record in this proceeding also were discussed. Eight copies of this letter and the attachment are enclosed for the use of the Secretary, and a copy of this letter and attachment will be provided to each of the Commission attendees.

If you have any questions on this matter, do not hesitate to call me.

Very truly yours,

William F. Maher, Jr.

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Attachment
Enclosures
cc: Commissioner Susan Ness
Jordan Goldstein
Lynne Hewitt

ADOPTION OF THE MAG PLAN IS IN THE PUBLIC INTEREST

I. The MAG plan accommodates the differences among non-price cap incumbent LECs, the markets they serve, and the costs of service in rural communities

- Non-price cap incumbent LECs (ILECs) may elect one of two different mechanisms, Path A and Path B, to recover their interstate costs
- Path A provides a transition to incentive regulation
- Path B retains rate of return regulation as an option
- Each path supports the continued use of NECA's centralized tariff and pooling functions

II. The MAG plan resolves interrelated FCC proceedings pending for non-price cap ILECs with an integrated reform package

- MAG proceeding, not the Rural Task Force/Joint Board recommendation, should address all access charges issues, incentive regulation, and related regulatory issues
- No portion of the MAG plan should be carved out for later consideration
- Provides regulatory certainty
- Designed to reduce obstacles that non-price cap ILECs face in business planning and justifying investments in their networks

III. The MAG plan builds on the access reforms of the *CALLS Order*

- Proposes to set SLCs at comparable levels to those adopted in the *CALLS Order*
- Proposes to reduce non-price cap ILECs' per-minute access charges

- Adjusts Lifeline support consistent with the *CALLS Order*

- For Path A ILECs, prescribes a Composite Access Rate (CAR) of 1.6 cents per minute, a major decrease in per minute access rates comparable to the percentage decrease mandated in the *CALLS Order*

- Unlike the *CALLS Order*, is the subject of a conventional rulemaking

IV. The MAG plan responds to the Commission's preference for incentive regulation

- The Path A option proposes a freeze, in real dollars, of ILECs' revenues per line

- Accommodates non-price cap ILECs' need for incentive regulation in a pooling environment

- Targets efficiency incentives to each individual pooling ILEC ready for incentive regulation

- Decreases the disparity in regulation between these ILECs and their competitors

V. The MAG Plan Reforms Universal Service

- New portable RAS support, applicable for Path A, is estimated to be smaller than the $650 million per year in support created for price cap carriers in the *CALLS Order*, depending on Path A elections

- Removes the current caps on high cost loop support:

  - Current caps reduce the support available to all high-cost ILECs and CLECs whenever any carrier's costs increase

  - Current caps dampen incentives to invest in "reasonably comparable" rural and urban networks

VI. The MAG plan strengthens enforcement of section 254(g) rate averaging and rate integration

- Recognizes that section 254(g) requires availability of all optional calling plans

- Requires continued elimination of monthly user charges and requires IXC pass-through of access savings in lower long distance rates