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June 1, 2001

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RECEIVED

JUN 1 2001

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:

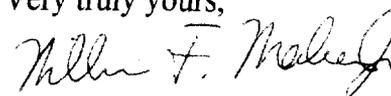
Today, representatives of the Multi-Association Group (the “Group”) met with Rich Lerner, Ted Burmeister, Douglas Slotten, Marvin Sacks, Noel Uri, Paula Cech, and Bill Scher of the Common Carrier Bureau to discuss and express support for the Group’s proposed plan for regulating non-price cap incumbent LECs, which is the subject of the above-captioned proceeding. David Cohen, Margot Humphrey, John Rose, Dan Mitchell, Rick Schadelbauer, and the undersigned attended on behalf of the Group.

The attached sheet was distributed at the meeting and summarizes the meeting. The effect of *Comsat v. FCC*, No. 00-60044 (5th Cir. May 3, 2001) on this proceeding was also discussed, as were filings of the Group and other parties already part of the record in this proceeding.

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.

Attachment
Enclosures
cc: Commission attendees listed above

No. of Copies rec'd of 8
List A B C D E

MEETING WITH FCC STAFF RECEIVED

Multi-Association Group

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I. INCENTIVE REGULATION AS PROPOSED IN THE MAG PLAN SERVES THE PUBLIC INTEREST

Incentive regulation for the non-price cap LECs must avoid the characteristics that made price caps undesirable as an option for these LECs.

- As detailed in MAG's *ex parte* letter of May 24, 2001, the proposed form of incentive regulation is neither price cap regulation nor revenue cap regulation.
- Future revenue growth, in real terms, depends on line growth, not on usage growth as in price cap regulation.
- As the RTF Order recognizes at para. 51, a productivity factor for rural LECs is extremely difficult to determine.

II. A RESIDUAL MECHANISM TO KEEP NON-PRICE CAP LECs WHOLE IS AN ESSENTIAL COMPONENT OF THE MAG PLAN

- In the MAG Plan as filed, the RAS is that residual mechanism for Path A, while access charges - through the CAR - are prescribed.
- If the RAS, or its equivalent, were to be capped, MAG believes that the CAR should not be prescribed. In that case, the CAR should become a target composite rate.

III. OPTIONALITY REMAINS A KEY PART OF THE MAG PLAN

- Under the Plan as filed, the RAS and CAR apply only to Path A.
- If the RAS were to apply to Path B LECs, the access component of Path B could need modification.