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August 9, 2001

EX PARTE OR LATE FILED

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:

On August 9, 2001, representatives of the Multi-Association Group (the "Group") met with Commissioner Kevin Martin and Samuel Feder of Commissioner Martin's office to discuss the Group's proposed plan for regulating non-price cap incumbent LECs. That plan is the subject of the above-captioned proceeding. Marie Guillory, Margot Humphrey, John Rose, Ed Kania, and the undersigned attended on behalf of the Group. The attached sheet was distributed at the meeting and summarizes the points covered by the Group's representatives at the meeting. Also discussed were filings of the Group and other parties already in 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

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MAG PLAN OVERVIEW
August 9, 2001
Multi-Association Group
NRTA, NTCA, OPASTCO and USTA

ADOPTION OF THE MAG PLAN IS IN THE PUBLIC INTEREST

I. **The MAG plan is designed to resolve issues pending in CC Docket Nos. 00-256, 96-45, 98-77, and 98-166 for non-price cap incumbent LECs (ILECs) – the ILECs that serve rural America –with an integrated reform package**

- Designed to address issues regarding access charges, universal service, incentive regulation, rate of return, and others pending for non-price cap ILECs
- Provides regulatory certainty
- Designed to reduce obstacles that non-price cap ILECs face in business planning and justifying investments in their networks

Status: MAG plan filed on October 20, 2000. Pleading cycle is closed. Rural Task Force/Joint Board Order addressed many universal service issues but deferred consideration of rural access charge issues to the MAG proceeding

II. **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 ILECs would elect one of two different mechanisms, Path A and Path B, to recover their interstate costs
- Path A would provide a transition to incentive regulation
- Path B would retain rate of return regulation as an option

Status: Proposal is being evaluated in light of recent *Comsat v. FCC* decision by the Fifth Circuit

- The Plan supports the continued use of NECA's centralized tariff and pooling functions
- The Plan would maintain the existing authorized rate of return

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

- Proposes to reduce non-price cap ILECs' per-minute access charges, to the benefit of IXCs, LECs, and their customers
- Proposes to set SLCs at comparable levels to those adopted in the CALLS Order
- Would adjust Lifeline support consistent with the CALLS Order
- For Path A ILECs, would prescribe 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 proposes a form of incentive regulation that functions with pooling

- 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
- Seeks to target 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 strengthens enforcement of section 254(b)(3) and (g) rate averaging and rate integration

- Recognizes that section 254(g) of the Act requires availability of all optional calling plans, consistent with section 254(b)(3)
- Would require elimination of monthly user charges and requires IXC pass-through of access savings in lower long distance rates

VI. Conclusion

- MAG representatives are working with Commission staff to address issues with the Plan