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August 20, 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:

On August 20, 2001, representatives of the Multi-Association Group (the "Group") met with Matthew Brill of Commissioner Abernathy'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, David Cohen, and the undersigned attended on behalf of the Group. The attached sheets were distributed at the meeting and summarize the discussion 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.

William F. Maher, Jr.

Attachment
Enclosures
cc: Mr. Brill

MAG PLAN OVERVIEW
August 20, 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

THE MAG PLAN HAS MAJOR PUBLIC POLICY AND CONSUMER BENEFITS

- The MAG plan benefits consumers by enforcing rural-urban rate comparability as required by section 254(g) of the Communications Act -- the alternative plan of AT&T, GCI, and Western Wireless does not.

  Many optional calling plans with low per-minute rates are unavailable in much of rural America. But section 254(g), added in 1996, requires long distance carriers to serve rural consumers at prices that are no higher than those in urban areas. By lowering access charges, the MAG plan makes it much easier for long distance companies to comply with section 254(g). The MAG plan adds teeth to the FCC's enforcement of that section.

- AT&T *et al* propose deep cuts in access charges that would benefit only interexchange carriers (IXCs), not consumers. But the MAG plan's proposed decrease in access charges already is greater than the percentage decreases that AT&T has agreed to in urban areas.

  Under MAG, a composite rate of over 3.9 cents per minute would drop to 1.6 cents per minute.

- The MAG plan preserves rural LECs' existing authorized rate of return. This is the best and simplest way to maintain rural infrastructure development.

- The AT&T plan creates forms of "universal service" support that serve only to subsidize lower rates for IXCs but do not benefit consumers.

- The MAG plan is comprehensive, which increases regulatory certainty for small and rural LECs.