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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 12, 2001

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 September 10, 2001, representatives of the Multi-Association Group (the "Group") met with Carol Mattey, Jack Zinman, and Eric Einhorn of the Common Carrier Bureau to express support for and discuss issues associated with the Group's proposed plan for regulating non-price cap incumbent LECs, which is the subject of the above-captioned proceeding.[1] Stuart Polikoff, Ed Kania, Marie Guillory, Margot Humphrey, and the undersigned attended on behalf of the Group. In the meeting, the Group representatives presented orally the substance of the Group's written ex parte presentation in these dockets of September 5, 2001, which was addressed to Ms. Jane E. Jackson and Ms. Katherine Schroder of the Common Carrier Bureau (the September 5 letter).

While stressing that the Group associations continue to urge adoption of the MAG plan as filed, the Group representatives also presented to the Commission staff a "second-best" access reform approach, which is summarized with assumptions and numerical estimates listed in the attached sheet. That approach would apply to all non-price cap LECs. It would transition SLCs according the schedules proposed in the MAG plan. It would use a proxy of 30% of local switching costs for the reallocation of local switching line ports to common line, and also move marketing expenses to common line. The revenue requirement recovered by the Transport Interconnection Charge would remain in place under current rules applicable to non-price cap LECs, as would General Support

[1] This notice is filed pursuant to sections 1.1206(b)(2) and 1.4(e)(1), (2) of the Commission's Rules, recognizing that the Commission closed early on September 11, 2001.

Facilities. The access changes in this approach would substantially decrease per-minute access charges associated with transport and switching.

The approach would impose a flat-rated, per-line Primary Interexchange Carrier Charge ("PICC") on IXCs that purchase access from non-price cap LECs in order to recover NTS common-line costs not recovered through SLCs. The Group had discussed the rationale for using a PICC in its September 5 letter, which noted that the CALLS Order retained a PICC for multiline business lines. Recognizing the diversity of costs and operating conditions faced by non-price cap LECs, the PICC would be established to recover the line port revenue requirement shifted to common line. In this way, the shifted line port costs would be recovered from the cost-causers. The same PICC would be charged the IXCs without distinctions among types of lines. Consistent with the geographic rate averaging provisions of Section 254 of the Act, IXCs would recover those PICCs from end users on a nation-wide averaged basis, if at all, which would minimize their impact.

Under this "second-best" approach, per-minute carrier common line ("CCL") charges would be reduced as SLCs increase and would be eliminated when SLCs reach their maximum levels, thus reducing implicit subsidies. An explicit universal service support mechanism, portable to ETCs, would recover the residual common line revenue requirement not otherwise recovered by SLCs, PICCs, and the interim CCL charge, if applicable. The Group representatives believe that while the MAG plan best serves the public interest, the foregoing "second-best" approach is a reasonable alternative.

The Group representatives also stressed the necessity of maintaining the current authorized rate of return, which is a fundamental component of the MAG plan. This is especially important because of the increasingly risky business and operating environment faced by non-price cap LECs.

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

MAG ANALYSIS: 1243 CL POOL STUDY AREAS: PICC vs. CCL Charge

SCENARIO: PORTRRQ TRANSFERRED to CL, GROWS at 3.4%, and FULLY RECOVERED via a PICC

MARKETING EXPENSES TRANSFERRED TO CL

TICRRQ REMAINS In TSSW

SLCs TRANSITION TO $9.20 and $6.50

LINE		July 1, 2001 (A)	Jan 1, 2002 Current Rules (B)	Jan 1, 2002 MAG Rules (C)	July 1, 2002 (D)	July 1, 2003 (E)	July 1, 2004 (F)	July 1, 2005 (G)	July 1, 2006 (H)
1	CL RRQ	$1,592,588,093	$1,655,832,153	$1,930,347,187	$2,001,195,288	$2,151,144,356	$2,312,826,275	$2,487,177,362	$2,675,209,301
1b	TSSW RRQ	$1,311,758,087	$1,333,871,581	$1,059,356,548	$1,077,215,080	$1,113,840,393	$1,151,710,966	$1,190,869,139	$1,231,358,690
	TOTAL RRQ	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	TOTAL LOOPS	12,842,532	13,090,566	13,090,566	13,343,391	13,863,783	14,404,471	14,966,245	15,549,928
3	- MLB LOOPS	2,452,428	2,499,793	2,499,793	2,548,073	2,647,448	2,750,698	2,857,975	2,969,436
4	- OTHER LOOPS	10,390,104	10,590,773	10,590,773	10,795,318	11,216,335	11,653,773	12,108,270	12,580,492
5	MLB SLC	$6.00	$6.00	$7.00	$8.00	$9.20	$9.20	$9.20	$9.20
6	OTHER SLC	$3.50	$3.50	$5.00	$6.00	$6.50	$6.50	$6.50	$6.50
7	SLCREV	$612,959,184	$624,797,568	$845,429,001	$1,021,877,878	$1,167,152,373	$1,212,671,315	$1,259,965,497	$1,309,104,151
8	SUPPORT (LTS+LSSCL)	$484,222,824	$486,674,051	$591,382,371	$594,680,349	$601,333,779	$608,084,620	$614,873,816	$621,762,323
9	RESIDUAL CCL RRQ	$495,406,085	$544,360,535	$493,535,814	$384,637,061	$382,658,204	$492,090,339	$612,338,049	$744,342,827
10	CHMOU	35,986,574,156	36,927,906,738	36,927,906,738	37,893,862,586	39,902,237,303	42,017,055,860	44,243,959,842	46,588,889,714
	PICC			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	REV from PICC (= Port RRQ)			$254,177,876	$258,462,782	$267,250,517	$276,337,034	$285,732,494	$295,447,398
	CCL RATE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	REV from CCL RATE	$495,406,085	$544,360,535	$119,678,969	$63,087,139	$0	$0	$0	$0
	TSSW COMP. RATE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	TSSW REV	$965,489,507	$984,843,845	$815,037,132	$830,948,866	$863,633,919	$897,501,189	$932,592,006	$968,949,122
	[illegible]			[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NOTE: Line Port RRQ is assumed to be 30% of LS RRQ, and equals $254m on 1/1/02.
Marketing Expenses are assumed to be $20.3m on 1/1/02.
Assumes support is available only to pooling companies.

Growth Rates: CLRRQ=8.1% SWRRQ=3.4% LTS=1% LSS=1.6%
LOOPS=3.9% CHMOU=5.3% PORTRRQ=3.4%