NECA

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June 17, 2003

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: **Notice of Ex Parte Presentation** — National Exchange Carrier Association, Inc. Petition for Rulemaking to Amend Section 69.104 of the FCC Rules. RM No. 10603

Dear Ms. Dortch:

Today, Paul Pederson and Ron Grimm of TDS Telecom, Scott Duncan of JSI Inc., Rick Askoff, Bill Cook and I of the National Exchange Carrier Association, Inc. (NECA) met with Judith Nitsche, Aaron Goldschmidt, Jay Atkinson, and Douglas Slotten, of the FCC's Wireline Competition Bureau to discuss NECA's Petition for Rulemaking to Amend Section 69.104 of the Commission's Rules. In particular, the discussion focused on how current rules create artificial, uneconomic incentives for customers and carriers to favor ISDN. In addition, an earlier estimate of a $13 million reduction in subscriber line charge revenue was found to be only $11.5 million after taking revenue recovered from port charges into consideration. The presentation is summarized in the attached material.

In accordance with the Commission's rules, a copy of this Notice has been filed electronically in the above referenced docket.

Regards,

Colin Sandy

cc: Tamara Preiss,
Judith Nitsche
Aaron Goldschmidt
Jay Atkinson
Douglas Slotten
Qualex International

TDS Telecom, NECA, JSI Consulting

Application of SLCs on Derived Channel T1 Services

Ex Parte Presentation on NECA's Petition to Amend Section 69.104 of the FCC Rules.

June 17, 2003

Chronology

- **September 2002** -- NECA files Petition for Rulemaking
- **November 2002** -- FCC Issues Public Notice seeking comments.
- **December 2002** -- Comment cycle ends
    - OPASTCO, USTA, Alltel, TDS, NTCA, and GVNW support, AT&T opposes.
    - TDS, USTA, Verizon, Century, Alltel, and NECA reply to AT&T, demonstrate that reducing the number of SLCs imposed on channelized T-1 will not cause improper cost shifts to carrier access charges or USF.
- **January – March 2003** – Ex parte filings provide additional supporting data.
- **March 2003 –** Price Cap tariff goes into effect eliminating EUCL charges on derived voice channels provisioned over DSL.
- **April 2003** – Price cap tariff goes into effect applying only 2 EUCLs to DTS service.

Key Points

- NTS costs are adequately recovered by no more than five SLCs.
  - Data shows that cost relationship is 5:1 <u>or less</u>.
- Amending the rule will not cause unreasonable cost shifts to access or USF.
- Current rules create artificial, uneconomic incentives for customers and carriers.
  - Above-cost rates send wrong price signals to the marketplace.
  - Rural carriers may need to build out ISDN infrastructure unnecessarily.
- Rules unfairly burden customers in rural areas where ISDN is not generally available.

Next Steps?

- Commission to issue NPRM with broader scope?
- Action is needed soon on T1 lines.
  - Delaying change in the current rules will exacerbate problems as facility investment decisions are made to meet current market demand.
- Recommended solution: Issue limited 5:1 waiver for T1 EUCLS in NPRM pending resolution of broader issues.
  - Conforms T1 treatment to ISDN.
  - No prejudice to customers since data shows 5:1 ratio is maximum.