

W. Scott Randolph  
Director - Regulatory Matters



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May 12, 2000

Ms. Magalie R. Salas  
Secretary  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, DC 20554

**Ex Parte: 1998 Biennial Regulatory Review – Review of Depreciation  
Requirements of Incumbent Local Exchange Carriers - CC Docket  
No. 98-137**

Dear Ms. Salas,

On Thursday, May 11, 2000, Dennis Weller and I, representing GTE met with Carol Matthey, Ken Moran, JoAnn Lucanik and Deena Shetler of the Common Carrier Bureau regarding the proceeding referenced above. Specifically, we discussed the use of economic depreciation inputs for cost studies. The attached material was used in the discussions.

Pursuant to Section 1.1206(a)(1) of the Commission's rules, and original and one copy of this letter are being submitted to the Office of the Secretary. Please associate this notification with the record of CC Docket 98-137.

If you have any questions regarding this filing, please call me at (202) 463-5293.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. Scott Randolph".

W. Scott Randolph  
Director - Regulatory Matters

Attachment

cc: Carol Matthey  
Ken Moran  
JoAnn Lucanik  
Deena Shetler

# Depreciation Inputs for Cost Studies

- Commission already requires “economic” depreciation for UNEs, USF
- Factors used for financial reporting are “economic”
  - If financial factors are a reasonable basis for writing down several billion dollars of plant, why are they not reasonable for forward-looking studies?
  - Not open to manipulation by ILECs

# Depreciation Inputs for Cost Studies

- Commission should not prejudge what is “economic” in this proceeding
- FCC and state Commissions will each make determinations as needed for cost study inputs
- Commission should not continue to collect information (other than ARMIS) or develop depreciation ranges