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1401 H Street NW
Suite 600
Washington DC
20005-2164

Tel (202) 326-7300
Fax (202) 326-7333
www.usta.org

May 19, 2000

Ex Parte Notice

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, SW – TWB-204
Washington, DC 20554

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MAY 19 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

**CC Docket No. 99-117 – Ameritech Corporation Telephone
Operating Companies Continuing Property Records Audit,
et al.**

**AAD File No. 98-26 – GTE Telephone Operating Companies
Release of Information Obtained During Government Audit**

Dear Ms. Salas:

On April 3, 2000, the Federal Communications Commission (FCC) released a Further Notice of Proposed Rulemaking (FNPRM) in Docket No. 98-137, *1998 Biennial Regulatory Review – Review of Depreciation Requirements for Incumbent Local Exchange Carriers*, CC Docket No. 99-117, *Ameritech Corporation, Telephone Operating Companies Continuing Property Records Audit, et al.* and AAD File No. 98-26, *GTE Telephone Operating Companies Release of Information Obtained During Joint Audit*. Comments were due on April 17, 2000 and replies on April 28, 2000. The United States Telecom Association (USTA) filed both comments and replies in this proceeding.

There were several issues the FCC requested comments on in this proceeding. One of great significance to USTA members is preventing any adverse impact on universal service support. USTA hereby offers its recommendations on the accounting and treatment for universal service purposes of the above-the-line amortization of the difference between the regulated and financial book costs, over a five-year period, for price cap carriers that voluntarily seek FCC approval for such action.



Ms. Magalie Roman Salas
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USTA supports the accounting treatment as proposed in the Coalition for Affordable Local and Long Distance Service (CALLS) *Ex Parte* filing of May 12, 2000, as a voluntary option for price cap ILECs. The CALLS proposal was to allow amortization of the depreciation adjustment over a five-year period above the line. During that period, one-fifth of the total amortization amount would be credited to Account 3100, Depreciation Reserve, with a corresponding debit to Account 6561, Depreciation Expense.

For universal service, USTA proposes to grow the accounts/categories affected by the carriers' amortization of the depreciation adjustment by the growth rate in access lines on a study area basis. These amounts would be used in lieu of the actual amounts booked by the carriers as associated with the depreciation adjustment. This is consistent with that proposed by the National Exchange Carrier Association, Inc. in its comments.

USTA has attached an example to illustrate how one would develop the booked amount that would be reported to the universal service administrator for the subsequent years.

In accordance with Section 1.1206(a)(1) of the Commission's rules, two copies of this Notice are being submitted with your office today for each of the above-referenced proceedings. Please include this submission in the public record for each of these proceedings.

Respectfully submitted,

A handwritten signature in cursive script, reading 'Porter E. Childers', is positioned above the typed name and title.

Porter E. Childers
Executive Director -
Legal and Regulatory Affairs

cc: Kathryn C. Brown
Dorothy Attwood
Rebecca Beynon
Kyle Dixon
Jordan Goldstein
Sarah Whitesell
Lawrence E. Strickling
Carol Matthey
Kenneth P. Moran
Irene Flannery

DESCRIPTION	NECA LINE	Contel California - Depr. / Amortization Impact			Source
		99-1 Filing (As Filed Data)	Growth imputed Dased on Loops (estimated @ 4%)	New Amount (Pro Forma)	
TOTAL LOOPS	60	389,007		389,007	Current Book Amount - FCC 36.611
WORKING LOOPS	70	373,374		373,374	Current Book Amount - FCC 36.611
TPIS	160	932,959,482		932,959,482	Current Book Amount - FCC 36.611
M&S	170	1,177,333		1,177,333	Current Book Amount - FCC 36.611
ACCUM. DEPR.	190	504,600,439	20,184,018	524,784,457	12/31/99 balance *(1+loop growth)
AMORT. RESERVE	195	101,188		101,188	Current Book Amount - FCC 36.611
DEF. FIT	210	55,850,743		55,850,743	Current Book Amount - FCC 36.611
NET PLANT	220	373,584,445		373,584,445	Current Book Amount - FCC 36.611
COE- SWITCH	230	196,058,290		196,058,290	Current Book Amount - FCC 36.611
COE- OPH	235	779,979		779,979	Current Book Amount - FCC 36.611
COE- CCT	240	138,599,084		138,599,084	Current Book Amount - FCC 36.611
TOTAL COE	245	335,437,353		335,437,353	Current Book Amount - FCC 36.611
COE- CCT (4.13)	250	37,998,291		37,998,291	Current Book Amount - FCC 36.611
CWF	255	486,048,148		486,048,148	Current Book Amount - FCC 36.611
DEPR. - COE SWIT	260	103,298,546	4,131,942	107,430,488	12/31/99 balance *(1+loop growth)
DEPR. - COE OPH	265	819,322	32,773	852,095	12/31/99 balance *(1+loop growth)
DEPR. - COE CCT	270	82,844,897	3,313,796	86,158,693	12/31/99 balance *(1+loop growth)
TOTAL RES - COE	275	186,962,765	7,478,511	194,441,276	12/31/99 balance *(1+loop growth)
DEPR. - CWF	280	264,951,271	10,598,051	275,549,322	12/31/99 balance *(1+loop growth)
DEF. FIT-COE SW	310	19,734,974	789,399	20,524,373	12/31/99 balance *(1+loop growth)
DEF. FIT-COE OPH	315	200,500	8,020	208,520	12/31/99 balance *(1+loop growth)
DEF. FIT-COE CCT	320	26,523,346	1,060,934	27,584,280	12/31/99 balance *(1+loop growth)
TOTAL TAXES-COE	325	46,458,820	1,858,353	48,317,173	12/31/99 balance *(1+loop growth)
DEF FIT - CWF	330	17,336,129	693,445	18,029,574	12/31/99 balance *(1+loop growth)
NETW. SUPPORT	335	1,231,145		1,231,145	Current Book Amount - FCC 36.611
BENEFITS	340	21,029		21,029	Current Book Amount - FCC 36.611
RENTS	345	55,101		55,101	Current Book Amount - FCC 36.611
GENERAL SUPP.	350	21,694,705		21,694,705	Current Book Amount - FCC 36.611
BENEFITS	355	155,067		155,067	Current Book Amount - FCC 36.611
RENTS	360	3,445,814		3,445,814	Current Book Amount - FCC 36.611
COE SWT EXP.	365	11,211,057		11,211,057	Current Book Amount - FCC 36.611
BENEFITS	370	68,649		68,649	Current Book Amount - FCC 36.611
RENTS	375	9,651		9,651	Current Book Amount - FCC 36.611
OPH EXPENSE	380	240,432		240,432	Current Book Amount - FCC 36.611
BENEFITS	385	409		409	Current Book Amount - FCC 36.611
RENTS	390	0		0	Current Book Amount - FCC 36.611
COE CCT EXP.	395	1,225,280		1,225,280	Current Book Amount - FCC 36.611
BENEFITS	400	71,701		71,701	Current Book Amount - FCC 36.611

<u>DESCRIPTION</u>	<u>NECA LINE</u>	<u>Contel California - Depr. / Amortization Impact</u>			<u>Source</u>
		<u>99-1 Filing</u> (As Filed Data)	<u>Growth imputed</u> Dased on Loops (estimated @ 4%)	<u>New Amount</u> (Pro Forma)	
RENTS	405	2,635		2,635	Current Book Amount - FCC 36.611
TOTAL COE EXP.	410	12,676,769		12,676,769	Current Book Amount - FCC 36.611
CWF EXPENSE	430	9,582,116		9,582,116	Current Book Amount - FCC 36.611
BENEFITS	435	232,561		232,561	Current Book Amount - FCC 36.611
RENTS	440	108,083		108,083	Current Book Amount - FCC 36.611
TOTAL PLT SPEC.	445	45,184,735		45,184,735	Current Book Amount - FCC 36.611
NETW. OPER. EXP.	450	10,063,684		10,063,684	Current Book Amount - FCC 36.611
BENEFITS	455	1,715,555		1,715,555	Current Book Amount - FCC 36.611
DEPR. EXP. - SWIT	510	15,003,652	600,146	15,603,798	<u>12/31/99 balance *(1+loop growth)</u>
DEPR. EXP. - OPH	515	578,589	23,144	601,733	<u>12/31/99 balance *(1+loop growth)</u>
DEPR. EXP. - CCT	520	14,698,461	587,938	15,286,399	<u>12/31/99 balance *(1+loop growth)</u>
TOTAL COE DEPR.	525	30,280,702	1,211,228	31,491,930	<u>12/31/99 balance *(1+loop growth)</u>
DEPR. EXP. - CWF	530	26,573,165	1,062,927	27,636,092	<u>12/31/99 balance *(1+loop growth)</u>
EXEC. & PLAN EXP.	535	976,495		976,495	Current Book Amount - FCC 36.611
BENEFITS	540	(156,999)		(156,999)	Current Book Amount - FCC 36.611
G & A EXPENSE	550	28,287,479		28,287,479	Current Book Amount - FCC 36.611
BENEFITS	555	62,710		62,710	Current Book Amount - FCC 36.611
TOTAL CORP. EXP.	565	29,263,974		29,263,974	Current Book Amount - FCC 36.611
BENEFITS - ALL	600	5,460,058		5,460,058	Current Book Amount - FCC 36.611
RENTS - ALL	610	3,621,993		3,621,993	Current Book Amount - FCC 36.611
OPER. TAXES	650	11,933,681	477,347	12,411,028	<u>12/31/99 balance *(1+loop growth)</u>
AVERAGE CWF	700	472,841,098		472,841,098	Current Book Amount - FCC 36.611
AVE. CAT 1 CWF	710	445,238,872		445,238,872	Current Book Amount - FCC 36.611
AMORT. ASSETS	800	513,121		513,121	Current Book Amount - FCC 36.611
AMORT. ASSETS	805	0		0	Current Book Amount - FCC 36.611
AMORT. ASSETS	810	0		0	Current Book Amount - FCC 36.611
AMORT. ASSETS	815	0		0	Current Book Amount - FCC 36.611
AMORT. ASSETS	820	0		0	Current Book Amount - FCC 36.611
DPR-TANG. ASSET	830	997,347		997,347	Current Book Amount - FCC 36.611
Control Total		<u>5,018,258,302</u>	<u>54,111,970</u>	<u>5,072,370,272</u>	

Contel California - Depr. / Amortization Impact

DESCRIPTION	NECA LINE	99-1 Filing (As Filed Data)	Growth imputed Dased on Loops (estimated @ 4%)	New Amount (Pro Forma)	Source
					<u>(YR. 2000 & SUBSEQUENT FILING)</u>

ALGORITHM NUMBER	DESCRIPTION	USF ALGORITHM CALCULATIONS	USF ALGORITHM CALCULATIONS
AL1	CWF to Subscriber (Cat 1)	457,674,957	457,674,957
AL2	COE Circuit to Subscriber (4.13)	37,998,291	37,998,291
AL3	"A" Factor--CWF Cat. 1 / Total CWF	0.941625	0.941625
AL4	"B" Factor--CCT. Cat. 4.13 / Total COE	0.113280	0.113280
AL5	"C" Factor--CWF Cat. 1 / Total TPIS	0.490563	0.490563
AL6	"D" Factor-- CCT. Cat. 4.13 / Total TPIS	0.040729	0.040729
AL7	M&S to CWF Subscriber (Cat 1)	577,555	577,555
AL8	M&S to COE CCT Subscriber (Cat 4.13)	47,951	47,951
AL9	Depr. & Def. FIT to CWF (Cat 1) Subsc	265,808,797	276,441,149
AL10	Depr. & Def. FIT to COE (Cat 4.13) Sub	26,441,960	27,499,638
AL11	"E" Factor--CWF	0.514988	0.514316
AL12	"F" Factor--Circuit	0.031054	0.029835
REVENUE REOT. CALCULATION			
AL13	CWF Maint. Exp. to Cat 1 Subscriber	8,701,999	8,701,999
AL14	COE Maint. Exp. to Cat 4.13 Subscriber	1,418,685	1,418,685
AL15	Netw. Sup. Exp. & GSF Exp. to Subscriber	10,226,741	10,226,741
AL16	Netw. Oper. Exp. assigned to Subscriber	4,435,288	4,435,288
AL17	Depr. & Amort. Exp. to CWF Subscriber	25,021,949	26,022,827
AL18	Depr. & Amort. Exp. to COE Subscriber	3,430,193	3,567,401
AL19	Corp. Exp. to COE & CWF Subscriber	15,597,789	15,597,789
AL20	Oper. Taxes to COE & CWF Subscriber	6,340,261	6,593,871
AL21	Benefits to COE & CWF Subscriber	2,900,881	2,900,881
AL22	Rents to COE & CWF Subscriber	1,924,333	1,924,333
AL23	Return (11.25%) for CWF Subs. Cat 1	21,649,918	20,453,778
AL24	Return (11.25%) for COE Subs. Cat 4.13	1,305,482	1,186,493
AL25	Sum AL 13 - AL 24 Total Loop Cos	102,953,520	103,030,087
AL26	Cost per Loop (AL 25 / total Loops)	\$264.66	\$264.85

Total Change w/ Loop Growth

\$0.19