

ORIGINAL  
EX PARTE OR LATE FILED

**BELLSOUTH**

**BellSouth**  
Suite 900  
1133-21st Street, N.W.  
Washington, D.C. 20036-3351

robert.blau@bellsouth.com

**Robert T. Blau, Ph.D., CFA**  
Vice President-Executive and  
Federal Regulatory Affairs

202 463-4108  
Fax 202 463-4631

June 1, 2000

EX PARTE

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
The Portals  
445 12th Street, SW  
Washington, DC 20554

RECEIVED  
JUN - 1 2000  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: Review of Depreciation, CC Docket 98-137

Dear Ms. Salas:

Today ILEC members of the Coalition for Affordable Local and Long Distance Service ("CALLS") submitted the attached letter regarding depreciation to Mr. Lawrence E. Strickling, Chief, Common Carrier Bureau.

As required by Section 1.1206(b)(2) of the Commission's rules, I am filing two copies of this notice for placement in the record for the proceeding identified above.

Sincerely,

*Robert T. Blau*

Attachment

No. of Copies rec'd 0+1  
List A B C D E

cc: Lawrence E. Strickling

June 1, 2000

Mr. Lawrence E. Strickling  
Federal Communications Commission  
Chief Common Carrier Bureau  
445 Twelfth Street, SW Room – 5-C450  
Washington, D.C. 20554

**RE: Review of Depreciation, CC Docket 98-137  
State Depreciation Chart – Treatment of the Reserve Difference**

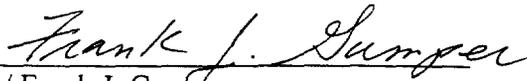
Dear Mr. Strickling,

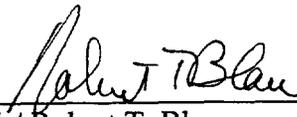
Enclosed is a table that reflects (except for the US West territory) the current status of State depreciation lives/rates and how the reserve difference is being reduced in the states for the CALLS ILECs. We are providing this additional data in support of our May 8, 2000 and May 23, 2000 letters in which we urged the Commission to allow the ILECs to amortize their reserve differences on an above-the-line basis over five-years. As you will see from the table, our proposed treatment of the reserve difference is entirely consistent with State Public Service Commission practices.

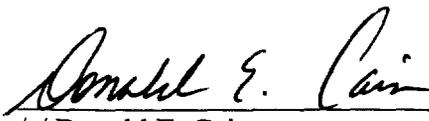
The “reserve difference,” as you know, is the difference between the reserve levels generated by regulatory depreciation policies vs. the reserve levels that result from application of financial accounting policies. At the State level, two generally accepted methods have been used to eliminate the reserve difference: 1) adoption of shorter lives for regulatory purposes (which results in a gradual reduction of the difference), and/or 2) amortization of the whole reserve difference amount over a set period.

The attached table shows, consistent with our May 23, 2000 statement, that nine states have chosen to deal with the reserve difference through an amortization while in 26 states the reserve difference is being reduced by the use of shorter depreciation lives. (Two of these states are using both methods.) Fourteen states have not yet addressed the matter. In no case, however, has a state mandated any below-the-line treatment. Only five of the listed States are currently requiring a CALLS ILEC to use depreciation lives and/or rates that are the same as the FCCs.

We hope that this table is helpful in your deliberations on this matter.

  
/s/ Frank J. Gumper  
Vice President Regulatory and  
Long Range Planning  
Bell Atlantic Network Services

  
/s/ Robert T. Blau  
Vice President, Executive and  
Federal Regulatory Affairs  
BellSouth Corporation

  
/s/ Donald E. Cain  
Vice President Federal Regulatory  
SBC Telecommunications, Inc.

  
/s/ Alan F. Ciamporero  
Vice President, Regulatory Affairs  
GTE Service Corporation

cc: K. Brown  
D. Attwood  
R. Beynon  
J. Goldstein  
S. Whitesell  
K. Dixon  
C. Matthey  
K. Moran

## State Depreciation Analysis

(States served by CALLS ILECS)

	Are State depreciation lives/rates the same as the FCCs?	Is reserve difference being reduced by shorter State depreciation lives or through an amortization?	Has State required Below-the-Line treatment?
Alabama	No	Shorter Lives	No
Arkansas	No	Shorter Lives	No
California-SBC	No	Amortization	No
California-GTE	No	Both	No
Connecticut-BA	No	Shorter Lives	No
Connecticut-SBC	No	Amortization	No
Delaware	No	Amortization	No
D.C.	No	Shorter Lives	No
Florida	No	Shorter Lives	No
Georgia	No	Shorter Lives	No
Hawaii	No		
Idaho	No	Shorter Lives	No
Illinois-SBC	No	Amortization	No
Illinois-GTE	No	Shorter Lives	No
Indiana-SBC	No		
Indiana-GTE	No	Shorter Lives	No
Kansas	Yes		
Kentucky	No	Shorter Lives	No
Louisiana	No	Shorter Lives	No
Maine	No	Amortization	No
Maryland	No	Shorter Lives	No
Massachusetts	No	Amortization	No
Michigan-SBC	No		
Michigan-GTE	No	Shorter Lives	No
Mississippi	No	Shorter Lives	No
Missouri	No	Shorter Lives	No
Nevada-SBC	Yes		
Nevada-GTE	No	Shorter Lives	No
New Hampshire	Yes		
New Jersey	No	Shorter Lives	No
New York	No	Both	No
N. Carolina	No	Shorter Lives	No
Ohio-SBC	Yes		
Ohio-GTE	No		
Oklahoma	Yes		
Oregon	No		
Pennsylvania-BA	No	Amortization	No
Pennsylvania-GTE	No	Shorter Lives	No
Rhode Island	No		
S. Carolina	No	Shorter Lives	No
Tennessee	No	Shorter Lives	No
Texas	No	Shorter Lives	No
Vermont	No		
Virginia-BA	No	Amortization	No
Virginia-GTE	No		
Washington	No		
West Virginia	No	Shorter Lives	No
Wisconsin	No	Shorter Lives	No