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INDIANA UTILITY REGULATORY COMMISSION
302 W. WASHINGTON STREET, ROOM E306

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June 6, 2000

The Honorable William E. Kennard
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

RE: Indiana Utility Regulatory Commission's *Ex Parte* Response to the Florida Public Service Commission's May 25, 2000 *Ex Parte* in Docket Nos. 98-137, 99-117, and 98-26

Dear Chairman Kennard:

The Indiana Utility Regulatory Commission ("IURC") supports the positions taken by the Florida Public Service Commission ("FPSC") in the FPSC's May 25, 2000 *ex parte* letter in Docket Nos. 98-137, 99-117 and 98-26. The FPSC filed this letter in response to a May 8, 2000 *ex parte* letter filed jointly by the incumbent local exchange carriers ("ILECs") participating in the Coalition for Affordable Local and Long Distance Services ("CALLS") Plan.

The May 8 *ex parte* letter was apparently filed due to concerns raised by many parties that state ratepayers would be vulnerable to ILECs' claims to recover significant amounts of amortization expenses resulting from the approach described in the Further Notice of Proposed Rulemaking ("FNPRM") in the aforementioned dockets.

The IURC shares the FPSC's concern that "above-the-line" treatment, even with the commitment described in the ILECs' May 8, 2000 *ex parte* letter, could result in ILEC attempts to seek recovery of the 75 percent allocated intrastate portion of the amortization expense in intrastate operations. We further share the FPSC's concern that while the state commissions ultimately have authority over intrastate cost recovery, FCC approval of the approach described in the FNPRM could lead to the presumption that the intrastate portion of the amortization expense should be recovered through intrastate rates. Given the IURC's small staff and scarce resources, it will be difficult to justify that these amortization expenses should not be recovered through intrastate rates.

The IURC agrees with the FPSC that the FCC must impose safeguards, including below-the-line treatment of the amortization expense, so consumers are not adversely impacted by the actions proposed by the FNPRM. Indeed, as stated in our April 17, 2000 comments in response to the FNPRM, the IURC believes the FCC granted the ILECs a reasonable process to seek a waiver of the depreciation prescription process in the December 30, 1999 Depreciation Order, and would prefer that the FCC abandon this rulemaking altogether.

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