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August 8, 2000

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

Re: *Ex parte* Filing In CC Docket Nos. 98-137 and 99-117,
AAD File No. 98-26

Dear Chairman Kennard:

The National Association of State Utility Consumer Advocates (NASUCA) is, as you know, an organization made up of 42 agencies from 39 states whose statutory obligations are to protect the interests of consumers of telecommunication services, among others. Most of NASUCA's members are state agencies with consumer advocacy responsibilities under state statutes. Most of NASUCA's members focus their efforts on intrastate regulatory issues affecting residential and small commercial customers.

We are writing to you in our official capacities as NASUCA President and Chair of the NASUCA's Telecommunications Committee to again express our unequivocal opposition to the so-called CALLS depreciation proposal being reviewed in CC Docket Nos. 98-137 and 99-117 and AAD File No. 98-26.¹ NASUCA has taken an active role in FCC proceedings thus far opposing the various CALLS proposals, including filing Reply Comments on May 1, 2000 and an *ex parte* letter to Mr. Lawrence E. Strickland on May 24, 2000, opposing the CALLS depreciation proposal. We are writing again to join NARUC in reacting to continuing efforts by the ILEC CALLS members, including their *ex parte* letter of June 1, 2000, to push through this anti-consumer proposal. NASUCA wholeheartedly supports all of the comments made by NARUC in its letter to you of July 17, 2000, signed by its General Counsel, J. Bradford Ramsey.

¹ Pursuant to 47 CFR §1.1206(a)(1), two copies of this *Ex Parte* presentation have been submitted to the Commission's Secretary

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On the one hand, the ILEC proponents of this proposal have not provided any evidence nor any sound policy reason for why the FCC should completely reverse the depreciation policies and requirements it adopted in its December, 1999 Depreciation Order in CC Docket No. 98-137. These policies include, if an ILEC elects to deregulate its federal depreciation expenses: a commitment to a below the line write-off of the difference between regulatory net book costs and financial accounting net book costs; use of the same depreciation factors and rates for both regulatory and financial accounting purposes; a commitment not to seek recovery of the write-off through a low-end or other price cap adjustment; and a commitment to submit certain specified information. In contravention of these requirements, the ILECs now propose an above-the-line treatment with a five-year amortization period; use of financial depreciation factors for regulatory purposes during this five-year period; the possible use of low-end or other price cap adjustments to recover revenue needs caused by greatly increased depreciation expense due to the use of financial factors in the regulatory arena; and a commitment to provide relevant information only when the ILECs themselves decide that such information is relevant.

On the other hand, as fully detailed in our Reply Comments of May 1, 2000 and NARUC's various comments, including specifically their July 17, 2000 *ex parte* letter, it is almost a virtual certainty that the approval of the CALLS depreciation plan will lead to large increases, in the range of \$4.4 billion per year, in State jurisdictional depreciation expense. This expense is in addition to the huge intrastate portion of the five-year net book reconciliation amortization expense over which the FCC has no jurisdiction. Rest assured that these companies, given the pressures of competition and Wall Street, will use every political and regulatory avenue to increase the revenues available to them under regulation.

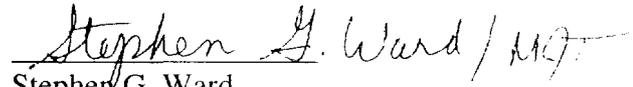
If you adopt this proposal, residential and small commercial local service customers of the CALLS ILEC companies, which still monopolize this service, will be the victims of an anti-consumer outcome. As NARUC has pointed out in its July 17 letter, state regulators who actually have jurisdiction over these services will be hard pressed to protect these consumers at all:

It would be unfortunate and unreasonable if the FCC were to decide to use above-the-line treatment with no clearly enunciated benefit at the federal level and with a real and large liability at the State level. Indeed, it is a peculiar approach --especially coming from an agency of the federal government charged with acting in the public interest.

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NASUCA urges you not to saddle consumers of a service you do not regulate
with these huge liabilities.

Sincerely,


Stephen G. Ward
President

The National Association
of State Utility Consumer
Advocates


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Chair, NASUCA
Telecommunications
Committee