



# South Dakota Public Utilities Commission

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ORIGINAL



State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070

September 8, 2000

The Honorable William E. Kennard  
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Re: Ex Parte Response of South Dakota Public Utilities Commission to the August 22, 2000 CALLS ILECs Ex Parte Letter: Two Copies filed in the Depreciation Rulemaking: In the Matters of 1998 Biennial Regulatory Review B Review of Depreciation Requirements for Incumbent Local Exchange Carriers; CC Docket No. 98-137, Ameritech Corporation Telephone Operating Companies' Continuing Property Records Audit, et al.; CC Docket No. 99-117; GTE Telephone Operating Companies Release of Information Obtained During Joint Audit. AAD File No. 98-26 Ex Parte Letter in Docket Nos. 98-137, 99-117 and 98-26

Dear Chairman Kennard:

The South Dakota Public Utilities Commission is very interested in the depreciation docket, CC Docket 98-137, now before the FCC (Commission). Several years ago South Dakota directed Qwest Corporation (formerly U S WEST) to align its regulatory and financial books using below-the-line amortization in accordance with proven regulatory principles.

We are in full agreement with the official NARUC *ex parte* filing on this matter and are convinced that it represents the fairest and most prudent course of action for the Commission. Our state's experience is that the below-the-line amortization used to align Qwest Corporation's regulatory and financial books proved beneficial to both the company and consumers. We are unaware of any argument suggesting that the ILECs would be impaired by this below-the-line treatment. However, we are fully aware that an above-the-line treatment of this alignment would greatly increase the risk to consumers without both the imposition of explicit constraints and the continuing enforcement of those constraints, both of which are unnecessary and imprudent given that the tried and proven below-the-line treatment remains a viable option.

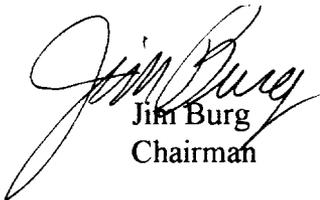
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We are also concerned that the CALLS ILEC proposal would likely raise the national loop cost which could reduce the availability of universal service funding for our state's rural telephone providers. If this potential outcome materialized as a result of the CALLS ILEC proposal, then we will have done a tremendous disservice to rural citizens everywhere whose present aspirations include the availability of broadband services--an aspiration yet to be fulfilled due to the already limited funding available for such beneficial services.

We respectfully urge you to both consider and adopt the recommendations contained in NARUC's *ex parte* filing which includes the adoption of below-the-line amortization.

Sincerely,



Jim Burg  
Chairman



Pam Nelson  
Pam Nelson  
Vice Chair



Laska Schoenfelder  
Laska Schoenfelder  
Commissioner