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# State of North Carolina
# Utilities Commission

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RALEIGH, NC 27699-4325

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September 15, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW - TW-A325
Washington, D.C. 20554

Re: *Ex Parte* Response of the North Carolina Utilities Commission to the August 22, 2000 CALLS ILECs' *Ex Parte* Letter in Docket Nos. 98-137, 99-117, and 98-26

Dear Ms. Salas:

Enclosed are the original and two copies of an *ex parte* letter to Chairman Kennard from the North Carolina Utilities Commission regarding this Commission's full and unequivocal support of the position taken earlier in these proceedings by the National Association of Regulatory Utility Commissioners (NARUC) concerning write-offs of certain depreciation reserve differences.

The enclosed letter has been previously submitted electronically to your office. The enclosures are being sent under separate cover for inclusion in the public record pursuant to FCC Rule 1.1206, regarding *ex parte* presentations.

Very truly yours,

J. Daniel Long

J. Daniel Long
Commission Staff Attorney

JDL/DRH

Enclosures (3)

cc: J. Bradford Ramsay, NARUC

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List A B C D E

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The Honorable William E. Kennard
Office of the Chairman
Federal Communications Commission
445 Twelfth Street
Washington, D.C. 20554

**RE: Ex Parte - Two Copies Filed in the Depreciation Rulemaking:** *In the Matters of 1998 Biennial Regulatory Review - 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*

Dear Chairman Kennard:

The North Carolina Utilities Commission (NCUC) submits this *ex parte* letter in full and unequivocal support of the position taken earlier in these proceedings by the National Association of Regulatory Utility Commissioners (NARUC) concerning write-offs of depreciation reserve differences. NARUC's position in this regard is contained in J. Bradford Ramsay's, NARUC's General Counsel, letter to you dated July 17, 2000. That letter was in response to the June 1, 2000 *ex parte* letter filed jointly by the incumbent local exchange carriers (ILECs) participating in the Coalition for Affordable Local and Long Distance Service (CALLS) plan. The ILECs' letter was in response to the Federal Communications Commission's (FCC's) Further Notice of Proposed Rulemaking (FNPRM) in CC Docket No. 98-137 regarding accounting for depreciation expense.

The FNPRM sets forth a proposal which would allow an ILEC to elect depreciation deregulation, if it agrees to write-off any difference that may exist between the ILEC's financial and regulatory book costs through above-the-line amortization of such difference over a five-year period, and provided the ILEC makes a commitment not to seek recovery

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of the amortization and not to base any application for federal or state rate increases on any portion of the amortization over the course of the five-year period. NARUC has identified several concerns with this proposal and indicated that, despite any conditions the FCC may impose, an above-the-line treatment would burden State commissions and could lead to substantial upward pressure on local rates without any clear benefit at the federal level. The NCUC joins NARUC in urging the FCC to consider the significant risks at the State level before making its final decision in this matter.

In keeping with NARUC's March 8, 2000 Resolution adopted by its Board of Directors, the NCUC agrees that the conditions for waiver adopted December 17, 1999, by the FCC in its Report and Order in CC Docket No. 98-137, Memorandum Opinion and Order in ASD 98-91, provide consumer protections while promoting competition. As noted in NARUC's July 17th letter, that Order does not contemplate the above-the-line treatment suggested in the ILEC proposal. If the FCC goes forward with depreciation regulatory relief, the NCUC urges the FCC to require that the subject costs be written off below the line.

Very truly yours,

Jo Anne Sanford

Jo Anne Sanford
Chair

JAS

cc: The Honorable Susan Ness
The Honorable Harold W. Furchgott-Roth
The Honorable Michael K. Powell
The Honorable Gloria Tristani
Magalie Roman Salas, FCC
Brad Ramsay, NARUC
Members of the NCUC
Robert P.Gruber, Public Staff — NCUC