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GTE FLORIDA INCORPORATED  
REBUTTAL TESTIMONY OF MICHAEL J. DOANE  
DOCKET NO. 960847-TP

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. Michael J. Doane, Analysis Group Economics, Inc., Two Embarcadero Center, Suite 1160, San Francisco, California, 94111.

**Q. PLEASE STATE YOUR PROFESSIONAL QUALIFICATIONS AND EDUCATIONAL BACKGROUND.**

A. I am Vice President and Principal of Analysis Group Economics, Inc., an economic research and consulting firm. I am manager of the firm's San Francisco office and director of the firm's energy and telecommunications practice areas. My expertise is in applied microeconomics and econometrics, and I have over fifteen years of consulting experience in regulatory economics.

I have conducted economic research on a variety of antitrust and regulatory issues in network industries, including the electric power, natural gas, oil pipeline, and telecommunications industries. My research includes econometric analyses of demand; studies of public utility pricing and design; analyses of alternative regulatory approaches; cost and productivity

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1 measurement; and analyses of competition and industry  
2 performance.

3

4 I have published articles in a number of academic journals,  
5 including the *Journal of Law & Economics*, the *Quarterly Journal*  
6 *of Economics*, the *Journal of Law, Economics & Organization*, and  
7 *the Hume Papers on Public Policy*, among others.

8

9 I received my M.A. in Applied Economics from the University of  
10 California at Santa Barbara, and my B.A. in Economics from the  
11 University of Connecticut.

12

13 **Q. HAVE YOU PREPARED A VITAE THAT DESCRIBES YOUR**  
14 **EDUCATION, PUBLICATIONS, AND EMPLOYMENT HISTORY?**

15 A. Yes. A copy of my most recent vitae is attached as Exhibit No.  
16 DSS-1.

17

18 **Q. DID YOU FILE DIRECT TESTIMONY IN THIS PROCEEDING?**

19 A. No, but I am adopting the Direct Testimony of David Sibley.  
20 Because the GTE Operating Companies are involved in numerous,  
21 concurrent arbitrations with various companies throughout the  
22 country, it is inevitable that scheduling conflicts will arise for the  
23 few witnesses that are available to testify on any given subject.  
24 It thus becomes necessary--as in my case--to substitute one  
25 witness for another after direct testimony is filed.

1       **Q.    DO YOU WISH TO MAKE ANY SUBSTANTIVE REBUTTAL TO**  
2       **AT&T?**

3       **A.    Not at this time. I believe Mr. Sibley effectively rebutted AT&T's**  
4       **costing positions as his testimony was based on AT&T's**  
5       **Arbitration Petition and direct testimony.**

6

7       **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

8       **A.    Yes, it does.**

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## MICHAEL J. DOANE

Michael Doane is a Principal and Vice President of Analysis Group Economics, Inc. and director of the firm's energy and telecommunication practice areas. He is an economist specializing in applied microeconomics. He has provided management and economic counsel to public and private sector clients, primarily in the areas of antitrust and regulatory economics, energy economics, and consumer research. His research includes:

- Analyses of public utility pricing and rate design, cost allocation methodologies, cost and productivity measurement, electricity and natural gas demand, and energy conservation policies and investment
- Economic analysis of entry regulation, rate regulation, and market power; industries examined include natural gas, oil pipeline, electric power and telecommunications.
- Valuation of natural resources for severance tax purposes.
- Evaluation of the effects of mergers on industry structure and competition
- Studies of economic liability and damages in cases involving such issues as copyright infringement, breach of contract, product liability, product tying, and foreclosure
- Development of statistical models for certification and damage calculations in class action complaints
- Development of customer surveys and econometric models for various retail-based industries to predict product choice and market share; industries examined include transportation, telecommunications, retail gasoline, hotel, computers, food products, and home appliances

Mr. Doane received his M.A. in Applied Economics from the University of California at Santa Barbara and has completed additional graduate study in price theory and econometrics. He holds an B.A. in Economics from the University of Connecticut. He is a member of the American Economics Association, the International Association of Energy Economists, and the American Bar Association - Antitrust Section. Prior to joining Analysis Group, he was a Senior Economist with Arthur D. Little, Inc.

## SELECTED CASEWORK

### STATE OF CALIFORNIA, PUBLIC UTILITIES COMMISSION

Rulemaking on the Commission's Own Motion to Govern Open Access to Bottleneck Services and Establish a Framework for Network Architecture Development of Dominant Network Carriers. Docket No. R.93-4-003, 1996.

Economic analysis of proposed pricing rules.

### FEDERAL COMMUNICATIONS COMMISSION

Implementation of the Local Competition Provisions in the Telecommunications Act of 1996. CC Docket No. 96-98, 1996.

Economic analysis of the pricing provisions of the Act. Empirical study and affidavit prepared on behalf of GTE Service Corporation.

### STATE OF ILLINOIS, ILLINOIS COMMERCE COMMISSION

Petition for a Total Local Exchange Service Wholesale Tariff from Illinois Bell Telephone Company d/b/a Ameritech Illinois and Central Telephone Company Pursuant to Section 13-505.5 of the Illinois Public Utilities Act, Docket No. 95-0458, 1995.

Economic analysis of the pricing of wholesale telecommunication services

### STATE OF CALIFORNIA, PUBLIC UTILITIES COMMISSION

Order Instituting Rulemaking on the Commission's Own Motion into Competition For Local Exchange Carriers, 1995.

Economic analysis of proposed local competition rules, including whether the rules afford the local exchange carrier an opportunity to earn a fair return on invested capital.

### STATE OF WISCONSIN, PUBLIC SERVICE COMMISSION

Investigation of the Appropriate Standards to Promote Effective Competition in the Local Exchange Market in Wisconsin, Docket No. 05-TI-138, 1995.

Economic analysis of regulatory policy for the establishment of competitive local telephone services, including the pricing of interconnection, unbundled network elements, and wholesale services.

### STATE OF MICHIGAN, PUBLIC SERVICE COMMISSION

In the Matter, on the Commission's Own Motion, to Establish Permanent Interconnection Arrangements Between Basic Local Exchange Service Providers, 1995.

Economic analysis of the pricing of wholesale telecommunication services.

### FEDERAL ENERGY REGULATORY COMMISSION

SFPP, L.P., Docket Nos. OR92-8-000, *et al.*

Economic analysis of proposed ratemaking method for oil pipeline, and assessment of business risk claims, 1995.

STATE OF CALIFORNIA, PUBLIC UTILITIES COMMISSION

In the Matter of Alternative Regulatory Frameworks for Local Exchange Carriers, Docket NO. I.87-11-003.

Economic analysis of customer presubscription for intraLATA toll services, 1995.

FEDERAL COMMUNICATIONS COMMISSION

In the Matter of Market Entry and Regulation of Foreign-Affiliated Entities, IB Docket No. 95-22

Economic analysis of competition in international outbound long distance markets, 1995.

UNITED STATES DISTRICT COURT, DISTRICT OF COLUMBIA

U.S. v. Western Electric, Inc. and AT&T, Civil Action No. 82-0192 (HHG)

Economic analysis of competition in California long distance telecommunications markets, 1994.

UNITED STATES DISTRICT COURT, DISTRICT OF COLUMBIA

U.S. v. AT&T Corp. and McCaw Cellular Communications, Inc.

Economic analysis of proposed merger, 1994.

UNITED STATES DISTRICT COURT, DISTRICT OF COLUMBIA

U.S. v. Western Electric, Inc. and AT&T, Civil Action No. 82-0192 (HHG)

Economic analysis of competition in long distance telecommunications, 1994

FEDERAL ENERGY REGULATORY COMMISSION

Stingray Pipeline Company Docket, No. RP94-301-000

Economic analysis regarding the pricing of interruptible transportation services, 1994.

STATE OF NEW YORK, PUBLIC SERVICE COMMISSION

P.S.C. Case Nos. 94-E-0098 and 94-E-009

Tariff Design for commercial and industrial electricity customers, 1994.

FEDERAL COMMUNICATIONS COMMISSION

PP Docket No. 93-253

Implementation of Section 309(j) of the Communications Act Competitive Bidding.

Auction Design for Personal Communications Services, 1994.

FEDERAL ENERGY REGULATORY COMMISSION

Mojave Pipeline Docket, No. CP93-258-000

Economic analysis of bypass in the natural gas industry, 1993.

STATE OF CALIFORNIA, PUBLIC UTILITIES COMMISSION

Application of GTE California for Review of the Operations of Incentive Based Regulatory Framework Adopted in Decision 89-10-031.

Economic analysis related to the role of productivity in the price-cap formula, 1993.

**FEDERAL ENERGY REGULATORY COMMISSION**

Great Lakes Gas Transmission Limited Partnership, Docket No. RP 91-143-000

Prepared Direct and Rebuttal Testimonies. Economic analysis regarding the pricing of pipeline expansion projects, 1992.

**MATTER OF ARBITRATION**

Between ProGas Limited and Texas Eastern Transmission Corporation.

Economic analysis regarding the redetermination of a gas purchase contract, 1992.

**U.S. DISTRICT COURT, NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION**

The Protectoseal Company v. Charles Barancik

Economic analysis pertaining to interlocking directorates, 1992.

**INTERNATIONAL CHAMBER OF COMMERCE**

Court of Arbitration, Paris, France

Panhandle Eastern Pipeline Company v. Northwest Alaskan Pipeline Company

Affidavit and arbitration testimony. Economic analysis regarding the redetermination of a gas purchase contract, 1992.

**MATTER OF ARBITRATION**

Between W&T Offshore, Inc. and Texas Eastern Transmission Corporation

Deposition and arbitration testimony. Economic analysis regarding the performance of a natural gas purchase contract, 1991.

**FEDERAL ENERGY REGULATORY COMMISSION**

Great Lakes Gas Transmission Limited Partnership, Docket No. RP 91-143-000

Prepared Direct Testimony. Economic analysis regarding the pricing of pipeline expansion projects, 1991.

**SUPERIOR COURT OF THE STATE OF CALIFORNIA**

City of Long Beach v. Pacific Refining Corporation

Deposition testimony and economic analysis of breach of contract claim, 1991.

**FEDERAL ENERGY REGULATORY COMMISSION**

Texas Eastern Transmission Corporation, Docket No. CP90-2154

Economic analysis of competition in the natural gas industry, 1991.

**CANADIAN RADIO-TELECOMMUNICATIONS COMMISSION**

Unitel and B.C. Rail/Lightel Applications to provide public long distance voice services and related resale and sharing issues.

Economic analysis of entry into the long-distance voice service market, 1991.

STATE OF ALASKA, DEPARTMENT OF REVENUE

Marathon Oil Company, Docket No. 89314

Economic analysis of alternative methods for valuing natural gas for severance tax purposes, 1990.

U.S. DISTRICT COURT, DISTRICT OF CONNECTICUT

Great Northern Nekoosa Corporation v. Georgia Pacific Corporation and NM Acquisition Corp., a wholly owned subsidiary of GP Corporation

Economic analysis of the proposed acquisition, 1989-1990.

PUBLIC UTILITIES COMMISSION, STATE OF CALIFORNIA

Southern California Edison Company and San Diego Gas and Electric Company, Docket No. CP88-12-035

Economic assistance to counsel during merger review, 1989.

U.S. DISTRICT COURT, WESTERN DISTRICT OF TEXAS

JJ - CC Limited v. Transwestern Pipeline Corporation and Enron Corporation

Economic analysis regarding the performance of a natural gas take-or-pay contract, 1988.

FEDERAL ENERGY REGULATORY COMMISSION

Mojave Pipeline Company, et al, Docket No. CP85-437-000

Economic analysis of the impact of bypass in a regulated natural gas market, 1987.

PUBLIC UTILITIES COMMISSION, STATE OF CALIFORNIA

Application of Southern California Gas Company for authority to sell and leaseback its Headquarters Property, Application No. 87-07-041

Economic analysis regarding the regulatory treatment of the sale and leaseback of headquarters property, 1987.

U.S. DISTRICT COURT, WESTERN DISTRICT OF NORTH CAROLINA

H. Deadwyler, et al. v. Volkswagen of America, Inc.

Econometric analysis of the lost resale value of automobiles with design flaws, 1987.

U.S. DISTRICT COURT, DISTRICT OF COLUMBIA

Joseph A. Albert, et al. v. General Motors Corporation

Economic analysis of damages, 1986.

U.S. INTERNATIONAL TRADE COMMISSION

Investigation No. 337-TA-194, Certain Aramid Fibers

Statistical analysis of titanium prices, 1985.

**INTERSTATE COMMERCE COMMISSION**

Sante Fe-Southern Pacific Corporation, Control, Docket No. 30400

Statistical analysis of stock market prices at the time of announced merger, 1985.

**ARTICLES IN REFEREED JOURNALS**

"Transmission Access Pricing and 'Non-Bypassable' Competitive Transition Charges" (forthcoming), *Energy Law Journal* (with Paul W. MacAvoy)

"Forty Years of Regulatory Reform in the Natural Gas Industry," (forthcoming), *Oil and Gas Tax Journal*, (with Paul W. MacAvoy and Michael A. Williams)

"System Average Rates and Management Efficiency: A Statistical Benchmark Study of U.S. Investor-Owned Electric Utilities," *The Energy Journal*, Volume No. 17, No. 3 (with Ernst R. Berndt and Roy J. Epstein)

"Competitive Entry into Regulated Monopoly Services and the Resulting Problem of Stranded Costs." in *Humes Papers on Public Policy: Deregulation and Privatization in the United States*, Volume 3, No.3, University of Edinburgh, Scotland, (with Michael A. Williams).

"Evolution of the U.S. Spot Market for Natural Gas," *Journal of Law & Economics*, (1994) *Volume XXXVII* (2), (with D.F. Spulber). Also Kellogg Graduate School of Management, Discussion Paper No. 91-48, Northwestern University. Invited paper presented at the State of California Public Utilities Commission's "En Banc Conference on Natural Gas Procurement," February 1992.

"Consumer Rationality and the Status Quo," *Quarterly Journal of Economics*, (1991) February, (with R.S. Hartman and C.K. Woo).

"Status Quo Bias in the Measurement of Value of Service," *Resources and Energy*, (1990) Vol. 12, (with R.S. Hartman and C.K. Woo) .

"Households' Perceived Value of Electrical Service Reliability: An Analysis of Contingent Valuation Data," *The Energy Journal*, (1988) Vol. 9, (with R.S. Hartman and C.K. Woo) .

"Household Preference for Interruptible Rate Options and the Revealed Value of Electric Service Reliability," *The Energy Journal*, (1988) Vol. 9, (with R.S. Hartman and C.K. Woo) .

"The Use of Hedonic Analysis for Certification and Damage Calculations in Class Action Complaints," *Journal of Law, Economics, and Organization*, (1987) Fall, (with R.S. Hartman).

"Taking the Con Out of Conservation Program Evaluation," *Resources and Energy*, (1987) Vol. 9, (with R.S. Hartman). Also in *Papers and Proceedings of the 8th Annual North American Conference*, (1987) Massachusetts Institute of Technology.

"The Estimation of the Effects of Utility-Sponsored Conservation Programmes," *Applied Economics*, (1986) January, (with R.S. Hartman) .

"Household Discount Rates Revisited," *The Energy Journal*, (1986) Vol. 7, (with R.S. Hartman).

#### **OTHER ARTICLES/WORKPAPERS/BOOK CHAPTERS**

"Electric Utility Rates and the Evaluation of Management Performance" (1995), *Electricity Journal*, August/September (with Ernst R. Berndt and Roy J. Epstein)

"Environmental Damages," (1995) Book Chapter in *Litigation Services Handbook, Second Edition*, Edited by Roman Weil, Michael Wagner, and Peter Frank, John Wiley & Sons, Inc. New York, New York, (with Mark Eglund).

"System Average Rates of U.S. Investor-Owned Electric Utilities: A Statistical Benchmark Study" (1995) Massachusetts Institute of Technology, Center for Energy and Public Policy Research, Workingpaper, MIT-CEEPR 95-005WP (with Ernst R. Berndt and Roy J. Epstein).

"An Evaluation of Public Preferences for Superfund Site Cleanup (January 1995) ," University of Colorado, Dept. of Economics, Workingpaper, Presented at the American Economic Association, Annual Meetings, Washington, D.C.

"Design and Implementation of Electric Utility Curtailable Rate Programs," (1990) Kellogg Graduate School of Management, Discussion Paper No. 90-30, Northwestern University, (with D.F. Spulber).

"Policy and Competitiveness Issues in California Long Distance Telephone Service Markets," (December 94), Yale School of Management, Working Paper Series C, #39, Government-Business Relations, (with Paul W. MacAvoy and Michael A. Williams).

"Federal Energy Regulatory Commission Order 636: Divestiture Of Gas Ownership By The Pipelines As The Penultimate Regulatory Reform In The Natural Gas Industry," (December 1994), Yale School of Organization and Management, Working Paper Series C, #38, (with Paul W. MacAvoy and Michael A. Williams).

#### **PRESENTATIONS**

"Transmission Access Pricing and 'Non-Bypassable' Competitive Transition Charges," University of New Mexico Law School, Invited Paper, July 1996.

"Comments on Phase II Proposed Decisions: Wholesale Rates Established by Local Exchange Carriers," California Public Utilities Commission, All Party Exparte Meeting, February 1996.

"Competitive Entry Into Regulated Monopoly Services and the Resulting Problem of Stranded Costs," *Conference on Deregulation and Privatization in the United States*, John M. Olin Foundation Research Program for the Study of Markets and Regulatory Behavior, Yale School of Management, New Haven, May 1995.

"On the State of Competition in Long Distance Telecommunication Markets," Presented at Economic Round Table of San Francisco, April 1995.

"The Design and Implementation of Electricity Curtailment Programs," presented at the *Journal of Regulatory Economics* Editors' Conference, San Diego, October 1992.

"The Evolution of the U.S. Spot Market for Natural Gas," presented at the 14th Annual International Association for Energy Economics' North American Conference, New Orleans, October 1992.

"The Impact of Open-Access Regulation on the Geographic Scope of the Natural Gas Spot Market," Presented at the Center for Regulatory Studies Conference: "At the Crossroads -- Restructuring the Natural Gas Industry," Chicago, October 1991.

"Outage Costs as Design Criteria for Product Differentiation," (with C.K. Woo) New Service Opportunities for Electric Utilities: Creating Differentiated Products, Symposium sponsored by the Electric Power Research Institute and the University of California, Berkeley, September 1990.

"Estimating the Welfare Loss of Electrical Power Outages Using Contingent Valuation Survey Methods," presented at the Electric Power Research Institute Conference: New Dimensions in Pricing Electricity, Syracuse, NY, September 1988.

"The Contingent Market for Priority Electric Service," (with B. Neenan), presented at Rutgers University's Advanced Workshop in Regulation and Public Utility Economics, New Paltz, NY, May 1988.

"Taking the Con Out of Conservation Program Evaluation," presented at the 8th Annual International Association of Energy Economists North American Conference, MIT, Cambridge, MA, 1987.

"Measuring the Impact of Utility Conservation Programs," presented at the Electric Power Research Institute Symposium: Buildings and Their Energy Systems, Chicago, IL, 1985.

## RESEARCH REPORTS

*An Assessment of the Factors Affecting San Diego Gas & Electric Company's Electric Rates*, prepared for San Diego Gas & Electric Company, May 1995.

*An Evaluation of Public Preferences for Superfund Site Cleanup, Volume 1: A Preliminary Assessment* (with W. Schulze, et al.). USEPA Cooperative Agreement # CR-821980, Office of Policy, Planning and Evaluation, U.S. Environmental Protection Agency, March 1994.

*An Evaluation of Public Preferences for Superfund Site Cleanup, Volume 2: Pilot Study* (with W. Schulze, et al.). USEPA Cooperative Agreement # CR-821980, Office of Policy, Planning and Evaluation, U.S. Environmental Protection Agency, March 1994.

*Recommended Rate Redesign for the SC-3 and SC-3A Service Classes*, prepared for Niagara Mohawk Power Corporation, 1993.

*Analysis of the Electricity Tariffs of the Comision Federal de Electricidad*, prepared for Secretary of Energy, Mines, and State Industries (SEMIP), 1993.

*The Market for Electric Power in Niagara Mohawk Power Corporation's Service Territory*, prepared for Niagara Mohawk Power Corporation, 1993.

*Industrial Outage Cost Survey* (with D. McClland, W. Schulze and C.K. Woo), prepared for Niagara Mohawk Power Corporation, 1990.

*Residential Outage Cost Survey* (with D. McClland, W. Schulze and C.K. Woo), prepared for Niagara Mohawk Power Corporation, 1990.

*Recommended Approach for Collecting Data on Outage Cost and the Value of Service Reliability* (with R.S. Hartman, W. Schulze and C.K. Woo), prepared for Niagara Mohawk Power Corporation, 1988.

*A Review of Electricity Demand Price Elasticity Estimates*, prepared for Southern California Edison Company, (with D. Aigner and E. Berndt), 1988.

*An Econometric Analysis of Customer Subscription to the E-20 Interruptible Rate*, prepared for Pacific Gas and Electric Company, (with C.K. Woo), 1988.

*An Analysis of the Determinants Space Heating Fuel Choice*, prepared for Brooklyn Union Gas Company under subcontract to Opinion Research Corp., January 1988.

*Recent Contributions to the Theory and Measurement of Customer Value of Service Reliability*, prepared for Niagara Mohawk Power Corp., September 1987.

*The Determinants of Savingpower Audit Participation: An Analysis of the Market for Home Energy Audits*, prepared for Niagara Mohawk Power Corp., April 1986.

*An Analysis of Space Heating Fuel Choice in the Homeowner Replacement and New Construction Markets*, prepared for the American Gas Association, May 1986.

*A Survey of Residential Outage Costs*, prepared for Pacific Gas and Electric Company under subcontract to Meta Systems, Inc., (with A. Sanghi and K. Van Lier) December 1986.

*An Analysis of the Fuel Choice Decisions of Commercial Firms*, prepared for Boston Gas Company under subcontract to Arthur D. Little, Inc., 1985.

*A Critical Review of the Maryland Power Plant Siting Commission's Econometric Electricity and Natural Gas Demand Forecasting Models*, prepared for the Maryland Power Plant Siting Commission, 1985.

*Measuring the Impact of Residential Conservation, Volume II: An Econometric Analysis of Portland Electric Company Data*, (with R.S. Hartman) prepared for the Electric Power Research Institute, EA-3606, September 1984.

*Measuring the Impact of Residential Conservation, Volume III: An Econometric Analysis of General Public Utilities Data*, (with R.S. Hartman), prepared for the Electric Power Research Institute, EA-3606, September 1984.

*Measuring the Impact of Residential Conservation, Volume IV: An Evaluation of Alternative Methods*, (with R.S. Hartman), prepared for the Electric Power Research Institute, EA-3606, September 1984.

*Electricity and Natural Gas Conservation Potential in the San Diego Gas and Electric Company Service Area*, prepared for San Diego Gas and Electric Company before the California Public Utilities Commission, 1982.

*Southern California Edison Projections of Conservation Goals: 1982-1986*, prepared for Southern California Edison Company before the California Public Utilities Commission, October 1981.

*Forecasting the Peak Demand for Residential Natural Gas*, prepared for Pacific Gas and Electric Company, 1980.

## **REFEREE**

*The Energy Journal, Journal of Economics and Management Strategy, and Science.*