GTE FLORIDA INCORPORATED

REBUTTAL TESTIMONY OF DOUGLAS E. WELLEMEYER

DOCKET NO. 960980-TP 960847

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Douglas E. Wellemeyer. My business address is 4100 North Roxboro Road, Durham, North Carolina.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?

A. Yes.

Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?

A. The purpose of this testimony is to clarify GTE's position on, and to offer GTE's response to, certain issues discussed in the testimony of MCI witness Mr. Price regarding (1) resale restrictions, and (2) the setting of wholesale rates based on avoided cost studies.

Q. WHAT IS MCI'S POSITION REGARDING RESALE RESTRICTIONS AS DESCRIBED IN THE TESTIMONY OF MR. PRICE?

A. Mr. Price states at page 10 of his testimony that "all of the telecommunications services offered to end-users must be made available to resellers at a wholesale discount" and that "absent this requirement, ILECs will be able to discriminate against resellers by making offers to customers that their retail competitors are unable to match."

Mr. Price also states at page 11 and 12 of his testimony that, with only extremely limited exceptions, GTEFL should not be permitted to impose any restrictions on the resale of services.

Q. WHAT IS GTE'S POSITION REGARDING RESALE RESTRICTIONS?

A. GTE seeks to have several resale restrictions and conditions established in the course of this proceeding in accordance with guidelines and procedures established by the FCC. It is GTE's position that the need for certain resale restrictions is contemplated by the FCC's Part 51 Rules, and authority is reserved to the state commission to permit specific resale restrictions that are reasonable and non-discriminatory. GTE's specific proposals for resale restrictions should, therefore, not be dismissed out of hand based on representations that resale restrictions are prohibited by the FCC's Rules.

In my earlier testimony, I stated that GTE will offer for resale at wholesale rates all of the services it currently offers on a retail basis except for: below-cost services, promotional services, services that are already provided on a wholesale basis, grandfathered services, discounted calling plans, AIN services, non-recurring charge services, pay phone lines, semi-public pay phone lines, and COCOT coin and coinless lines.

The specific resale restrictions proposed by GTE can be classified into two groups: (1) services that GTE will not agree to offer for resale; and (2) services that GTE will not agree to offer for resale at wholesale rates.

Q. CAN YOU OFFER A COMPREHENSIVE SUMMARY OF THE PROVISIONS FOR RESALE RESTRICTIONS THAT ARE INCLUDED IN THE FCC'S PART 51 RULES?

A. Yes. The FCC's Part 51 Rules state that an incumbent local exchange carrier (ILEC) shall not impose restrictions on resale except as explicitly allowed. The following types of resale restrictions are expressly provided for by the Rules:

(1) Cross-class selling. When purchasing for resale services the ILEC offers only to residential customers (or to a limited class of residential customers) a requesting carrier may be prohibited from offering service to customers not eligible to subscribe to the service from the ILEC;

(2) Withdrawn (grandfathered) services. ILEC services offered only to a limited group of customers who subscribed to such a service in the past must also be offered at wholesale rates to requesting carriers for resale to the same limited group of customers;

(3) Promotions. An ILEC is not required to discount special promotional rates, provided such rates will not be in effect for more than 90 days; and

(4) Otherwise, an ILEC may impose such a restriction by proving to the state commission that the restriction is reasonable and nondiscriminatory.

It is important to acknowledge that this fourth provision of the FCC's Part 51 Rules contemplates that further resale restrictions may be required and reserves to the state commission the authority to permit further restrictions that are reasonable and nondiscriminatory.

Q. ARE THERE ANY CHANGES TO THE LIST OF SERVICES IDENTIFIED IN YOU EARLIER TESTIMONY?

A. Yes. GTE will now agree to offer for resale at wholesale rates:

(1) Grandfathered services, subject to the condition prescribed in the FCC's Rules that resale is to be limited to those customers who are eligible to subscribe to the service from GTE;

(2) Discounted calling plans offered in GTE's retail tariffs; and

(3) AIN services that are currently offered in GTE's retail tariffs. However, GTE will not agree at this time to offer all future AIN-

based services for resale. It is my understanding that issues requiring further discussion involve trigger access to a competing carrier's network platform and services.

Q. WHAT SERVICES WILL GTE NOT AGREE TO OFFER FOR RESALE?

A. GTE will not offer for resale the following services:

(1) Any services priced below cost. GTE would be prevented from covering its total costs unless these services are excluded from GTE's services offered for resale, or unless the services are first repriced to cover costs. It is noteworthy that the FCC "declined to limit" resale offerings to exclude below-cost services, but did not prohibit a resale restriction.

(2) Any promotional offerings. GTE would be denied the opportunity to respond to competition unless all such offerings are excluded from GTE's services offered for resale. It is noteworthy that if all avoided costs are properly reflected in the wholesale price for the underlying service, then promotional offerings have no anti-competitive implications, regardless of the duration of the offering.

(3) Public pay telephone lines. These are not retail service offerings.

(4) Semi-public pay telephone lines. There are a number of reasons why GTE will not agree to offer these services for resale. The most prominent reason is that GTE will not agree to offer for resale the coin station apparatus essential to the service offering as it is currently defined. In addition, the service is not currently priced to support maintenance and collection activities desired without substantial support from toll collections.

Q. WHAT SERVICES WILL GTE NOT AGREE TO OFFER FOR RESALE AT WHOLESALE RATES?

A. GTE will offer for resale, but not at wholesale rates, the following services:

(1) Any services already priced at wholesale rates. Such services include special access and private line services tariffed under the special access tariff, and COCOT coin and coinless lines.

(2) Operator services and directory assistance services. Because the provision of these services requires the same activities to be performed whether offered on a retail or a resale basis, there are no avoided costs for these services. Except for the DA call allowance bundled with the basic local service offering, the costs for these services are recovered through separate rates, and are not included in the rates for other services offered for resale.

(3) Non-recurring charge services. There are no associated costs that can reasonably be expected to be avoided for these offerings. Therefore, the rates for primary service ordering and installation should not be based on the application of an avoided cost discount to the associated retail rate, but rather on an appropriate study reflecting the costs of the wholesale provisioning process.

Q. ARE THERE ANY OTHER RESALE RESTRICTIONS OR CONDITIONS THAT GTE IS PROPOSING AT THIS TIME?

A. Yes, there is one final restriction. A requesting carrier should not be permitted to purchase unbundled loop and unbundled port services in combination at unbundled service rates for the purpose of avoiding a higher resale rate. The FCC certainly did not intend to enable this sort of tariff arbitrage when they stated that the requesting carrier should be able to combine unbundled elements in any way they wish. It is GTE's position that unbundled loop and port services purchased in combination constitutes the purchase of basic local service for resale, and should be priced accordingly.

Q. WHAT IS GTE'S POSITION WITH RESPECT TO THE OFFERING OF VOICE MAIL AND INSIDE WIRE SERVICES FOR RESALE AS SUGGESTED BY MR. PRICE?

A. These services are not "telecommunications services" as defined in the Telecommunications Act of 1996 (the Act), and GTE is therefore not required to offer them for resale.

Q. WHAT IS GTE'S POSITION WITH RESPECT TO THE OFFERING OF CONTRACT SERVICES FOR RESALE AS SUGGESTED BY MR. PRICE?

A. Contract services are offerings that are made, by definition, on an individual case basis. A rational consideration of this issue requires that a distinction be drawn between existing contract services and new contract offers.

Existing contract services are offered under terms and conditions of a standing contract between a retail customer and GTE. Termination liabilities would be defined in the contract as necessary to protect GTE's investment to provide the service, and would apply if GTE's customer should choose to change to a different service provider during the term of the contract. GTE will not agree to offer existing contract services for resale at wholesale rates.

GTE will agree to offer new contract services for resale. Pricing for these services will be established on a nondiscriminatory individual case basis, and will reflect the avoidance of any costs that would only be associated with the retail provision of the same service.

Q. WOULD YOU NOW PLEASE SUMMARIZE MCI'S POSITION REGARDING THE SETTING OF WHOLESALE RATES AS DISCUSSED IN THE TESTIMONY OF MCI'S WITNESS MR. PRICE?

A. Yes. Mr. Price describes MCI's position in terms that are generally consistent with the requirements stated in the FCC's Part 51 Rules, including the definition of direct and indirect costs that are to be included in determining avoided costs through study. Mr. Price also advocates for the application of the results of the avoided cost study on a "rate-element-by-rate-element" basis.

However, Mr. Price claims at page 17 of his testimony that GTE's substitute wholesale costs of offering service for resale, rather than on a retail basis "will be quite small" and "should be minimal". In support of this claim, Mr. Price notes that "(t)he FCC addresses this issue by treating only 90 percent of the costs in certain of the directly avoided categories as avoided . . .". MCI's avoided cost study is based on the FCC's presumptive avoided cost factors for each of the six direct expense accounts.

In addition, Mr. Price claims at page 18 of his testimony that it is necessary to use separated ARMIS data in the analysis of avoided costs since interstate access services will not be subject to the wholesale discount.

Based on these claims and on MCI's analysis, Mr. Price suggests the use of an avoided cost discount of 17.26% to set GTEFL's resale rates. I believe, based on my previous work with MCI's models, that this discount is calculated based on the ratio of avoided costs to total operating expenses, although this calculation is not presented in Mr. Price's testimony.

Q. HOW DOES GTE'S POSITION DIFFER FROM THAT OF MCI?

A. GTE's position differs from that of MCI in two significant respects. First, and most importantly, the continued use of the FCC's presumptive factors is inappropriate given that analysis of GTE's avoided costs is available. In fact, GTE has filed two avoided cost studies, both of which are based on actual costs and an appropriate analysis of the work functions that can reasonably be expected to be avoided when services are offered for resale. Second, MCI's analysis improperly calculates the avoided cost discount rate based on total expenses rather than on revenues for retail services that are to be offered on a wholesale basis for resale. This approach is in conflict with the Act.

Q. CAN YOU BRIEFLY DESCRIBE THE TWO STUDIES GTE HAS CONDUCTED?

A. Yes. Both of these studies are discussed in my earlier testimony. The first of these studies, which is referred to as "GTE's Avoided Cost Study" was prepared in response to the Act. The study determines avoided costs for each of five service groups. Avoided cost discounts range from about 5% for the residence category to about 15% for advanced services. GTE believes this study best represents the intent of the Act, and continues to recommend that this study be used to set resale rates for GTEFL in this proceeding.

The second of these studies, which is referred to as "GTE's Modified Avoided Cost Study", was prepared in response to the FCC's First Report and Order and conforms precisely with the FCC's avoided cost rules. This study includes an analysis to determine avoided cost factors for the six direct expense accounts that are appropriate for use in place of the FCC's presumptive factors. The study uses state-specific ARMIS data to calculate a recommended avoided cost discount rate of 11.25% for GTEFL, which should be used to set resale rates if the Commission chooses to follow the FCC's methodology.

Q. WOULD YOU PLEASE DESCRIBE YOUR PREVIOUS WORK WITH MCI'S AVOIDED COST STUDY MODELS?

A. Yes. I first worked with MCI's models in June, 1996. MCI filed testimony, which was later withdrawn, in California *(Rulemaking on the Commission's Own Motion to Govern Open Access to Bottleneck Services and Establish a Framework for Network Architecture Development of Dominant Carrier Networks, R. 93-04-003 and I. 93-04-002)*. The model filed in California was the same model filed by

MCI with the FCC in response to the NPRM, which the FCC relied upon for its analysis which is discussed in the First Report and Order. GTE's Modified Avoided Cost Study was designed based in part on this analysis. A comparative analysis between MCI's model and GTE's Modified Avoided Cost Study is included as Exhibit No. DEW-1 with this testimony. This analysis is based on MCI's previous use of unseparated ARMIS data, as opposed to the separated data referred to in Mr. Price's testimony in this proceeding.

Based on my previous work with MCI's model, I believe the analysis offered by Mr. Price is not suitable for use in setting resale rates for GTEFL.

Q. WHY DO YOU BELIEVE MCI'S ANALYSIS CANNOT BE USED?

A. There are three reasons for this opinion:

(1) MCI does not have sufficient data available to it to conduct a reliable analysis of costs that can reasonably be avoided. Analysis of data more detailed than that available from the ARMIS reporting system is needed to make reliable judgments about specific work functions that will or will not be avoided. For example, Account 6623, Customer Service Expenses, includes substantial expenses incurred for account maintenance for carrier access; none of the expenses associated with carrier access work functions can be avoided.

Yet, Mr. Price's analysis, as well as that of the FCC, makes no allowance for this reality, because their analyses use data that lacks the necessary detail to support judgments about what costs can reasonably be avoided.

(2) In the absence of the necessary data, MCI has relied on the FCC's presumptions of avoided costs for the direct expense accounts, which in turn determine the amount of avoided indirect expenses. It is noteworthy that the FCC did not support their presumptions that direct expenses would be avoided, nor their assumptions that the substitute costs for these functions performed on a wholesale basis would amount to ten percent of retail costs. With respect to the latter, the FCC stated at paragraph 928 of the First Report and Order: "Given the lack of evidence, and the wide range of estimates that have been made by these states, we find it reasonable to assume, for purposes of determining a default range of wholesale discount rates, that ten percent of the costs in accounts 6611, 6612, 6613, and 6623 are not avoided by selling services at wholesale."

(3) In failing to attempt the necessary analysis, MCI has failed to identify significant expenses that I believe even MCI would agree cannot reasonably be avoided, many of which are recorded to Account 6623 (Customer Services) to which Mr.

Price refers at page 17 of his testimony. More detailed information than that available in the ARMIS reports, such as the workcenter data of the type used in both of GTE's studies, is necessary to enable identification of these expenses.

Q. WHY IS IT INAPPROPRIATE TO USE THE FCC'S PRESUMPTIVE AVOIDED COST FACTORS?

A. The FCC created their presumptions about avoided direct expenses for the purpose of establishing a default avoided cost discount range, and nothing more. The FCC made their intent clear when they stated at paragraph 909 of the First Report and Order that "our rules for identifying avoided costs are cast as rebuttable presumptions", and further clarified their expectations at paragraph 917, stating that "(t)hese presumptions regarding accounts 6611-6613 and 6621-6623 may be rebutted if an incumbent LEC proves to the state commission that specific costs in these accounts will be incurred with respect to services sold at wholesale, or that costs in these accounts are not included in the retail prices of the resold services."

Q. WHAT IS YOUR RESPONSE TO MR. PRICE'S SUGGESTION REGARDING THE USE OF SEPARATED ARMIS DATA?

A. Mr. Price's suggested use of separated ARMIS data is without merit. The problem Mr. Price seeks to solve with this approach, if there is a problem at all, arises from a deficiency in MCI's methodology for calculating the avoided cost discount rate: MCI's studies compute the discount rate as the ratio of avoided costs to total expenses. This methodology is in conflict with the Act, which requires that resale rates be set based on retail rates, *i.e.*, revenues, minus avoided costs.

It is only because the MCI methodology is deficient by design that such a perceived problem arises at all. GTE's studies both properly avoided costs in relation to revenues in conformance with the Act, and each in a manner consistent with their intended application. For example, access expenses and revenues are, by design, not included in the numerator or the denominator, respectively, of the percent avoided cost calculation. This is the correct calculation of avoided costs, and the proper way to achieve the consistency Mr. Price claims to be seeking, as well.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

Tariff Entity: GTFL
GTE Florida

GTE Avoided Cost Study
Analysis of MCI's ARMIS Model

09/30/96
12:51 AM

Source: ARMIS - FCC Report 4303 *(Jan 95 - Dec 95; $000's omitted)*		***MCI's ARMIS model as filed***			***MCI's ARMIS model as modified by the FCC***			***FCC's ARMIS model using GTE's direct expense factors***			***GTE's modified avoided cost study***		
Acct	Description	Total Operating Expenses	Avoided Retail Percent	Avoided Retailing Expenses	Total Operating Expenses	Avoided Retail Percent	Avoided Retailing Expenses	Total Operating Expenses	Avoided Retail Percent	Avoided Retailing Expenses	Total Operating Expenses	Avoided Retail Percent	Avoided Retailing Expenses
		(a)	(b)	(c)=(a)x(b)	(d)	(e)	(f)=(d)x(e)	(g)	(h)	(i)=(g)x(h)	(j)	(k)	(l)=(j)x(k)
	SUMMARY:												
1	***Total Operating Revenues***											$1,269,937	
2	***plus Uncollectibles***											$26,126	
3	***Total Revenues plus Uncollectibles***											$1,296,063	
4	***less Network Access Revenues***											$456,051	
5	***less Operator Services Revenues***											$56,540	
6	***less Public Telephone Revenues***											$14,468	
7	***less MTC/International Revenues***											$0	
8.1	***Revenue Base for Resale Discount***											$769,004	
8.2	***Total Operating Expenses***		$908,638	[ARMIS]		$908,638	[ARMIS]		$908,638	[ARMIS]			
	Avoided Retailing Costs:												
9	***Marketing Expenses***		$35,325	[ln 21c]		$31,793	[ln 21f]		$22,260	[ln 21i]		$22,260	[ln 21l]
10	***Customer Service Expenses***		$97,866	[ln 25c]		$90,714	[ln 25f]		$33,292	[ln 25i]		$33,292	[ln 25l]
11	***Support Expenses***		$28,354	[ln 29c]		$12,644	[ln 29f]		$5,732	[ln 29i]		$8,518	[ln 29l]
12	***Maintenance Expenses***		$5,793	[ln 41c]		$0	[ln 41f]		$0	[ln 41i]		$0	[ln 41l]
13	***Access Expenses***		$0	[ln 60c]		$0	[ln 60f]		$0	[ln 60i]		$0	[ln 60l]
14	***Depreciation Expenses***		$0	[ln 61c]		$0	[ln 61f]		$0	[ln 61i]		$2,824	[ln 61l]
15	***Corporate Operations Expenses***		$71,930	[ln 67c]		$21,773	[ln 67f]		$9,873	[ln 67i]		$14,669	[ln 67l]
16	***Other Expenses***			[ln 81c]			[ln 81f]			[ln 81i]		$0	[ln 81l]
17	***Uncollectibles***			[ln 84c]			[ln 84f]			[ln 84i]		$1,721	[ln 84l]
18	***Return and Taxes***			[ln 87c]			[ln 87f]			[ln 87i]		$3,252	[ln 87l]
19	***Total Avoided Retailing Costs***		$239,268	[ln 9 .. ln 18]		$156,924	[ln 9 .. ln 18]		$71,157	[ln 9 .. ln 18]		$86,536	[ln 9 .. ln 18]
20.1	***Percent Avoided Costs*** *(Calculated to represent the discount rate applicable to retail prices in conformance with the Telecommunications Act of 1996.)*											11.25%	[ln 19 ÷ ln 8.1]
20.2	***Percent Avoided Costs*** *(Calculated to represent the ratio of total avoided retailing costs to total expenses.)*		26.33%	[ln 19 ÷ ln 8.2]		17.27%	[ln 19 ÷ ln 8.2]		7.83%	[ln 19 ÷ ln 8.2]			

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Rebuttal Testimony of Doug E. Wellemeyer
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Tariff Entity: GTFL
GTE Florida

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			(a)	(b)	(c)=(a)x(b)	(d)	(e)	(f)=(d)x(e)	(g)	(h)	(i)=(g)x(h)	(j)	(k)	(l)=(j)x(k)
21		***Marketing Expenses***	$35,325		$35,325	$35,325		$31,793	$35,325		$22,260	$35,325		$22,260
22	6611	Product Management	$6,370	100.0000%	$6,370	$6,370	90.0000%	$5,733	$6,370	1.7600%	$112	$6,370	1.7600%	$112
23	6612	Sales	$17,454	100.0000%	$17,454	$17,454	90.0000%	$15,709	$17,454	64.2300%	$11,211	$17,454	64.2300%	$11,211
24	6613	Product Advertising	$11,501	100.0000%	$11,501	$11,501	90.0000%	$10,351	$11,501	95.1000%	$10,937	$11,501	95.1000%	$10,937
25		***Customer Service Expenses***	$97,866		$97,866	$97,866		$90,714	$97,866		$33,292	$97,866		$33,292
26	6621	Call Completion Services	$11,343	100.0000%	$11,343	$11,343	100.0000%	$11,343	$11,343	0.0000%	$0	$11,343	0.0000%	$0
27	6622	Number Services	$14,998	100.0000%	$14,998	$14,998	100.0000%	$14,998	$14,998	24.3000%	$3,645	$14,998	24.3000%	$3,645
28	6623	Customer Service	$71,525	100.0000%	$71,525	$71,525	90.0000%	$64,373	$71,525	41.4500%	$29,647	$71,525	41.4500%	$29,647
29		***Support Expenses***	$93,313		$28,354	$93,313		$12,644	$93,313		$5,732	$93,313		$8,518
30	6110	Network Support Expenses	($466)			($466)			($466)			($466)		
31	6112	Motor Vehicles	$1,486	0.0000%	$0	$1,486	0.0000%	$0	$1,486	0.0000%	$0	$1,486	0.0000%	$0
32	6113	Aircraft	$817	100.0000%	$817	$817	0.0000%	$0	$817	0.0000%	$0	$817	0.0000%	$0
33	6114	Special Purpose Vehicles	$3	0.0000%	$0	$3	0.0000%	$0	$3	0.0000%	$0	$3	0.0000%	$0
34	6115	Garage & Work Equipment	$55	0.0000%	$0	$55	0.0000%	$0	$55	0.0000%	$0	$55	0.0000%	$0
35	6116	Other Work Equipment	($2,827)	0.0000%	$0	($2,827)	0.0000%	$0	($2,827)	0.0000%	$0	($2,827)	0.0000%	$0
36	6120	General Support Expenses	$93,779			$93,779			$93,779			$93,779		
37	6121	Land & Buildings	$29,495	29.3631%	$8,661	$29,495	13.4825%	$3,977	$29,495	6.1138%	$1,803	$29,495	9.0834%	$2,679
38	6122	Furniture & Artworks	$2,248	29.3631%	$660	$2,248	13.4825%	$303	$2,248	6.1138%	$137	$2,248	9.0834%	$204
39	6123	Office Equipment	$4,734	29.3631%	$1,390	$4,734	13.4825%	$638	$4,734	6.1138%	$289	$4,734	9.0834%	$430
40	6124	General Purpose Computers	$57,302	29.3631%	$16,826	$57,302	13.4825%	$7,726	$57,302	6.1138%	$3,503	$57,302	9.0834%	$5,205
41		***Maintenance Expenses***	$214,164		$5,793	$214,164		$0	$214,164		$0	$214,164		$0
42	6210	Central Office Switching	$54,873	0.0000%	$0	$54,873	0.0000%	$0	$54,873	0.0000%	$0	$54,873	0.0000%	$0
43	6220	Operator Systems	$4,462	0.0000%	$0	$4,462	0.0000%	$0	$4,462	0.0000%	$0	$4,462	0.0000%	$0
44	6230	Central Office Transmission	$5,445	0.0000%	$0	$5,445	0.0000%	$0	$5,445	0.0000%	$0	$5,445	0.0000%	$0
45	6310	Information Orig/Term Expenses	$10,385			$10,385			$10,385			$10,385		
46	6311	Station Apparatus	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0
47	6341	Large PABX	$0	100.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0
48	6351	Public Telephone Equipment	$3,428	100.0000%	$3,428	$3,428	0.0000%	$0	$3,428	0.0000%	$0	$3,428	0.0000%	$0
49	6362	Other Terminal Equipment	$6,957	0.0000%	$0	$6,957	0.0000%	$0	$6,957	0.0000%	$0	$6,957	0.0000%	$0
50	6410	Cable & Wire Facilities	$60,539	0.0000%	$0	$60,539	0.0000%	$0	$60,539	0.0000%	$0	$60,539	0.0000%	$0
51	6510	Other PP&E Expenses	$2,365			$2,365			$2,365			$2,365		
52	6511	Property Held for Future Use	$0	100.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0
53	6512	Provisioning	$2,365	100.0000%	$2,365	$2,365	0.0000%	$0	$2,365	0.0000%	$0	$2,365	0.0000%	$0
54	6530	Network Operations Expenses	$76,095			$76,095			$76,095			$76,095		
55	6531	Power	$6,486	0.0000%	$0	$6,486	0.0000%	$0	$6,486	0.0000%	$0	$6,486	0.0000%	$0
56	6532	Network Administration	$18,814	0.0000%	$0	$18,814	0.0000%	$0	$18,814	0.0000%	$0	$18,814	0.0000%	$0
57	6533	Testing	$22,283	0.0000%	$0	$22,283	0.0000%	$0	$22,283	0.0000%	$0	$22,283	0.0000%	$0
58	6534	Plant Operations Administration	$19,602	0.0000%	$0	$19,602	0.0000%	$0	$19,602	0.0000%	$0	$19,602	0.0000%	$0
59	6535	Engineering	$8,910	0.0000%	$0	$8,910	0.0000%	$0	$8,910	0.0000%	$0	$8,910	0.0000%	$0

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Tariff Entity: GTFL
GTE Florida

GTE Avoided Cost Study
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12:51 AM

Source:	ARMIS - FCC Report 4303 (Jan 95 - Dec 95; $000's omitted)		MCI's ARMIS model as filed			MCI's ARMIS model as modified by the FCC			FCC's ARMIS model using GTE's direct expense factors			GTE's modified avoided cost study		
	Acct	Description	Total Operating Expenses	Avoided Retail Percent	Avoided Retailing Expenses	Total Operating Expenses	Avoided Retail Percent	Avoided Retailing Expenses	Total Operating Expenses	Avoided Retail Percent	Avoided Retailing Expenses	Total Operating Expenses	Avoided Retail Percent	Avoided Retailing Expenses
			(a)	(b)	(c)=(a)x(b)	(d)	(e)	(f)=(d)x(e)	(g)	(h)	(i)=(g)x(h)	(j)	(k)	(l)=(j)x(k)
60	6540	***Access Expenses***	($1)	0.0000%	$0	($1)	0.0000%	$0	($1)	0.0000%	$0	($1)	0.0000%	$0
61	6560	***Depreciation Expenses***	$306,484		$0	$306,484		$0	$306,484		$0	$306,484		$2,824
62	6561	Telecommunications Plant in Service	$305,589	0.0000%	$0	$305,589	0.0000%	$0	$305,589	0.0000%	$0	$305,589	0.9241%	$2,824
63	6562	Property Held for Future Use	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0
64	6563	Amortization - Tangibles	$895	0.0000%	$0	$895	0.0000%	$0	$895	0.0000%	$0	$895	0.0000%	$0
65	6564	Amortization - Intangibles	$0	100.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0
66	6565	Amortization - Other	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0
67		***Corporate Operations Expenses***	$161,487		$71,930	$161,487		$21,773	$161,487		$9,873	$161,487		$14,669
68	6710	Executive & Planning	$7,914			$7,914			$7,914			$7,914		
69	6711	Executive	$4,869	39.7354%	$1,935	$4,869	13.4825%	$656	$4,869	6.1138%	$298	$4,869	9.0834%	$442
70	6712	Planning	$3,045	39.7354%	$1,210	$3,045	13.4825%	$411	$3,045	6.1138%	$186	$3,045	9.0834%	$277
71	6720	General & Administrative	$153,573			$153,573			$153,573			$153,573		
72	6721	Accounting & Finance	$14,152	39.7354%	$5,623	$14,152	13.4825%	$1,908	$14,152	6.1138%	$865	$14,152	9.0834%	$1,285
73	6722	External Relations	$8,367	100.0000%	$8,367	$8,367	13.4825%	$1,128	$8,367	6.1138%	$512	$8,367	9.0834%	$760
74	6723	Human Resources	$11,009	39.7354%	$4,374	$11,009	13.4825%	$1,484	$11,009	6.1138%	$673	$11,009	9.0834%	$1,000
75	6724	Information Management	$64,222	39.7354%	$25,519	$64,222	13.4825%	$8,659	$64,222	6.1138%	$3,926	$64,222	9.0834%	$5,834
76	6725	Legal	$2,125	39.7354%	$844	$2,125	13.4825%	$287	$2,125	6.1138%	$130	$2,125	9.0834%	$193
77	6726	Procurement	$1,536	39.7354%	$610	$1,536	13.4825%	$207	$1,536	6.1138%	$94	$1,536	9.0834%	$140
78	6727	Research & Development	$4,515	100.0000%	$4,515	$4,515	13.4825%	$609	$4,515	6.1138%	$276	$4,515	9.0834%	$410
79	6728	Other General & Administrative	$47,647	39.7354%	$18,933	$47,647	13.4825%	$6,424	$47,647	6.1138%	$2,913	$47,647	9.0834%	$4,328
80	6790	Provision for Uncoll Notes Rec	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0	$0	0.0000%	$0
81		***Other Expenses***										$9,423		$0
82	7370	Special Charges										$3,519	0.0000%	$0
83	7540	Other Interest Deductions										$5,904	0.0000%	$0
84	5300	***Uncollectibles***				$26,126		$2,554	$26,126		$1,158	$26,126		$1,721
85	5301	Uncollectibles - Telecommunications				$18,946	13.4825%	$2,554	$18,946	6.1138%	$1,158	$18,946	9.0834%	$1,721
86	5301	Uncollectibles - Other				$7,180	0.0000%	$0	$7,180	0.0000%	$0	$7,180	0.0000%	$0
87		***Return and Taxes***										$351,876	0.9241%	$3,252

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Rebuttal Testimony of Doug E. Wellemeyer
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Tariff Entity: GTFL
GTE Florida

GTE Avoided Cost Study
Analysis of MCI's ARMIS Model

09/30/96
12:51 AM

Source: *ARMIS - FCC Report 4303 (Jan 95 - Dec 95; $000's omitted)*

Acct / Description	*MCI's ARMIS model as filed* — Total Operating Expenses (a)	Avoided Retail Percent (b)	Avoided Retailing Expenses (c)=(a)x(b)	*MCI's ARMIS model as modified by the FCC* — Total Operating Expenses (d)	Avoided Retail Percent (e)	Avoided Retailing Expenses (f)=(d)x(e)	*FCC's ARMIS model using GTE's direct expense factors* — Total Operating Expenses (g)	Avoided Retail Percent (h)	Avoided Retailing Expenses (i)=(g)x(h)	*GTE's modified avoided cost study* — Total Operating Expenses (j)	Avoided Retail Percent (k)	Avoided Retailing Expenses (l)=(j)x(k)
88 A = Known Avoidable Expenses, i.e.,100% avoidable		$152,683	[Analysis]									
89 B = Total Expenses - General Support Expenses		$814,859	[ln 8.2 - ln 36a]									
90 C = Total Expenses - Depreciation Expenses		$602,154	[ln 8.2 - ln 61a]									
91 GS = General Support Expenses		$93,779	[ln 36a]									
92 GA = General & Administrative Expenses to be allocated, i.e., less External Relations and R&D		$148,605	[ln67a-ln73a-ln78a]									
93 GA Avoid % = (BxA)/(CxB-CxGS-BxGA)		39.7354%	[Complex Formula]									
94 GS Avoid % = (CxA)/(BxC-BxGA-CxGS)		29.3631%	[Complex Formula]									
95 External Relations and R&D Avoid %		100.0000%	[Manual Entry]									
96 Total Operating Expenses					$908,638	[ARMIS]		$908,638	[ARMIS]		$918,061	[ARMIS]
97 Total Depreciation Expenses					$0			$0			$306,484	[ln 61a]
98 Total Operating Expenses less Depreciation					$908,638	[ln 96 - ln 97]		$908,638	[ln 96 - ln 97]		$611,577	[ln 96 - ln 97]
99 Avoidable Marketing Expenses					$31,793	[ln 12c]		$22,260	[ln 12c]		$22,260	[ln 12c]
100 Avoidable Customer Service Expenses					$90,714	[ln 16c]		$33,292	[ln 16c]		$33,292	[ln 16c]
101 Avoidable Direct Expenses					$122,507	[ln 99 + ln 100]		$55,552	[ln 99 + ln 100]		$55,552	[ln 99 + ln 100]
102 Retail Share of General Expenses					13.4825%	[ln 101 ÷ ln 98]		6.1138%	[ln 101 ÷ ln 98]		9.0834%	[ln 101 ÷ ln 98]
103 2001 Telecommunications Plant in Service											$3,807,067	[ARMIS]
104 2111 Land											$21,135	[ARMIS]
105 2121 Buildings											$208,668	[ARMIS]
106 2122 Furniture & Artworks											$9,954	[ARMIS]
107 2123 Office Equipment											$71,564	[ARMIS]
108 2124 General Purpose Computers											$75,999	[ARMIS]
109 Subtotal Land & Support Plant											$387,320	[ln 104 .. ln 108]
110 Land & Support Share of Plant in Service											10.1737%	[ln 109 ÷ ln 103]
111 Retail Share of General Expenses											9.0834%	[ln 102]
112 Retail Share of Plant-Related Expenses											0.9241%	[ln 110 x ln 111]
113 Net Operating Revenues											$1,269,937	[ARMIS]
114 Total Operating Expenses											$918,061	[ARMIS]
115 Return and Taxes (incl Other Operating Taxes)											$351,876	[ln 113 - ln 114]

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