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November 21, 1996

Ms. Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket Nos. 960847-TP and 960980-TP  
Petitions by AT&T Communications of the Southern States, Inc.,  
MCI Telecommunications Corporation and MCI Metro Access  
Transmission Services, Inc. for arbitration of certain terms and conditions  
of a proposed agreement with GTE Florida Incorporated concerning  
interconnection and resale under the Telecommunications Act of 1996

Dear Ms. Bayo:

ACK \_\_\_\_\_ Enclosed are an original and fifteen copies of a Request for Confidential Classification  
AFA \_\_\_\_\_ and Motion for Protective Order in connection with certain information in the transcript  
APP \_\_\_\_\_ of the panel deposition of Bert Steele and Dennis Trimble on behalf of GTE Florida  
CAF \_\_\_\_\_ Incorporated in the above matter. Service has been made as indicated on the  
CMU \_\_\_\_\_ Certificate of Service. Please call me if you have any questions regarding this matter.

CTR \_\_\_\_\_ Very truly yours,  
EAG \_\_\_\_\_ *Anthony P. Gillman*  
LEG \_\_\_\_\_

LIN \_\_\_\_\_ Anthony P. Gillman  
OPC \_\_\_\_\_ APG:tas  
RCH \_\_\_\_\_ Enclosures

SEC \_\_\_\_\_  
WAS \_\_\_\_\_ A part of GTE Corporation

OTH \_\_\_\_\_

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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition by AT&T Communications )  
of the Southern States, Inc. for arbitration )  
of certain terms and conditions of a proposed )  
agreement with GTE Florida Incorporated )  
concerning interconnection and resale under )  
the Telecommunications Act of 1996 )  
\_\_\_\_\_ )

Docket No. 960847-TP  
Filed: November 21, 1996

In re: Petition by MCI Telecommunications )  
Corporation and MCI Metro Access )  
Transmission Services, Inc. for arbitration of )  
certain terms and conditions of a proposed )  
agreement with GTE Florida Incorporated )  
concerning interconnection and resale under )  
the Telecommunications Act of 1996 )  
\_\_\_\_\_ )

Docket No. 960980-TP

**GTE FLORIDA INCORPORATED'S REQUEST FOR CONFIDENTIAL CLASSIFICATION AND MOTION FOR PROTECTIVE ORDER**


GTE Florida Incorporated (GTEFL) seeks confidential classification and a permanent protective order for certain information in the transcript of the panel deposition of GTE witnesses Dennis Trimble and Bert Steele, taken by Staff on September 30, 1996. All of this information falls within Florida Statutes §364.183(3)(e), which defines the term "proprietary confidential business information" to include "information relating to competitive interests, the disclosure of which would impair the competitive business of the provider of that information."

All of the confidential information discussed in the deposition appears in the cost studies and supporting work papers has already submitted in this docket along with requests for confidential classification. If competitors are able to acquire this detailed and

sensitive costing information regarding GTEFL, they could more easily develop entry and marketing strategies to ensure success in competing with GTEFL. These competitors would be more adept at pricing their own services if they possess details about GTEFL's cost structure. This affords them an unfair advantage while severely jeopardizing GTEFL's competitive position. In a competitive business, any such knowledge obtained about a competitor can be used to the detriment of the entity to which it pertains. This unfair advantage skews the operation of the market, to the ultimate detriment of the consumer. Furthermore, because the information would be disclosed to competitors through a regulatory proceeding—rather than through legitimate market trial and error processes—the marketplace will be skewed, to the ultimate detriment of the consumer. This effect is particularly troublesome in the context of this docket, which is intended to set rules for encouraging rational and efficient competition, rather than providing any entity a competitive advantage.

While a ruling on this request is pending, GTEFL understands that the information at issue is exempt from Florida Statutes, Section 119.01(1) and Staff will accord it the stringent protection from disclosure required by Rule 25-22.006(3)(d). One highlighted, unredacted copy of the confidential material, labeled Exhibit A, is attached to the original of this Request. Redacted copies of these items are attached to this Request as Exhibit B. A detailed justification of the confidentiality of the information at issue is attached as Exhibit C.

Respectfully submitted on November 21, 1996.

By: 

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Attorneys for GTE Florida Incorporated

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MS. CANZANO: And this deposition is  
confidential.

MR. POWELL: Yes, it is.

MS. CANZANO: Are you ready to go back on?

Q (By Ms. Canzano) Can you please turn to  
A-2. See, I guess it's the 5th column over, and it  
says -- but there's a number that says [REDACTED] then  
[REDACTED] [REDACTED]

A (By Witness Steele) Yes, we see that.

Q What do those numbers represent?

A The [REDACTED] represents one cost component in  
determining the total cost for the unbundled loop  
element, which consists of a weighting of residence  
and business customers in the state of Florida.

Q I mean, where does it come from compared to  
the other chart, other columns to the left of it?

A To the left of that, a number you'll see --  
a number that's [REDACTED]

Q Yes.

A That is what it would cost if GTE used the  
consensus -- excuse me -- the census of residential  
customers in the state of Florida; and if you go down  
at the bottom under Business and see the [REDACTED], that's  
the -- for business customers the [REDACTED] is a weighted

1 average of those two numbers.

2 Q And what does the [REDACTED] represent?

3 A It indicates that for residence and business  
4 customers on the average, the loop length beyond  
5 between 12 kilofeet is [REDACTED] feet. You will see the  
6 number falls between what it is for residence of  
7 [REDACTED] and [REDACTED]

8 Q And what about the [REDACTED] Is that the -- and  
9 that's the same thing for that?

10 A Yes, it is.

11 Q Is that also true for each of the short  
12 columns, I'll call them, on this page, the [REDACTED] and  
13 [REDACTED]

14 A Yes. The [REDACTED] is for the medium density,  
15 and the [REDACTED] is for the low density.

16 Q Also, do you have a copy of the cost studies  
17 from 984? Yes, the 984 docket. We can show you ours  
18 if you don't have it with you. What we're looking for  
19 is how can the number under the medium band for  
20 residential, the [REDACTED] why has that number grown from  
21 the state preceding number; and I think that number is

22 [REDACTED] I'm sorry; that's the difference. Sorry.

23 A I didn't go back and look at this specific  
24 sheet, but I did notice that the costs were slightly  
25 different on the average, and I did check that.

1 kilofoot band.

2 Q And how do you count feet from the host?

3 A We have a series of systems which we prepare  
4 an inquiry to, and that system will categorize  
5 customers into the kilofoot bands, as you see on the  
6 exhibit in 0 to 1, 1 to 2, et cetera, from the serving  
7 central office all the way to the customer's premise.  
8 So the base unit that you describe is the central  
9 office that we measure one point at, and the  
10 customer's location is where we measure the other  
11 point at, and the percentage distribution is the route  
12 mileage.

13 Q Is this airline miles?

14 A No, these are route; the actual physical  
15 facilities, which is necessary in order to determine  
16 the cost.

17 Q For the medium -- well, for all three, high,  
18 medium and low for residential, I see [REDACTED] in that  
19 column. Does this mean there are [REDACTED] residential  
20 customers in that first band, 0-1 band?

21 A No. This is a sample of customers that we  
22 have in that medium density area. It doesn't mean  
23 that there are [REDACTED]

24 Q So this is sample data?

25 A Yes, this is sample data.

1 investment, identify it on Line 1 by USOA account, and  
 2 multiplying it times that. For example, in the one  
 3 that you were looking at, 2411.10, the investments for  
 4 that particular item for one kilofoot is [REDACTED] cents, and  
 5 when you multiply that times [REDACTED] or the [REDACTED] if you  
 6 will, accounts for material loading, you get [REDACTED]  
 7 cents -- excuse me [REDACTED] accounts for the total loading,  
 8 which gives you [REDACTED] cents; and then Line 3 adds those  
 9 up to give you a [REDACTED], [REDACTED]

10 Q We still don't understand how you actually  
 11 calculated that [REDACTED]. What --

12 A Okay. I'm sorry. I misunderstood the  
 13 question.

14 Q -- assumptions went into that calculation?

15 A I can tell you the material loading is  
 16 provided by our financial organization, and it's done  
 17 by USOA account. I cannot tell you precisely what  
 18 goes into the calculation. I know that all the items  
 19 that are in the numerator are items that we are not  
 20 capturing in number 1; that is, they are -- they do  
 21 not -- the specific production unit, they do not  
 22 include the physical piece of cable. Item No. 2 will  
 23 cover over items which are needed to identify the  
 24 total investment.

25 Q And what -- also on that same column, the



1 identical in all cases, but it will be close. In this  
 2 case, you can -- it is identical.

3 Q How is it used in this table? Is it  
 4 multiplied by some investment?

5 A Yes, it is multiplied times -- excuse me.  
 6 No, it's not multiplied times investment. In this  
 7 case it's as an expense, a factor. It applies to the  
 8 cross-connect and jumper costs that you see above.

9 Q Can you explain how it's used? Just work us  
 10 through the formula or calculation. I mean, just work  
 11 us through the formula or calculations.

12 A Sure. The factors at the bottom of  
 13 approximately [REDACTED] is multiplied times the  
 14 cross-connect investment. Let's take the DS zero  
 15 interconnection, which is either a single digital  
 16 channel or a single voice grade channel. It's  
 17 [REDACTED] cents. So [REDACTED] cents times [REDACTED] gives us [REDACTED] or  
 18 [REDACTED] cents for land and buildings.

19 Q And is that [REDACTED] cents reflected on this  
 20 chart?

21 A Yes, it is. It is on the land and buildings  
 22 under the columns high, medium and low and combined.  
 23 Same thing would be true for like DS-1 interconnection  
 24 where you'll see [REDACTED] cents. It is the [REDACTED] times the  
 25 same factor.

1 Q You just multiply it by the cross-connect to  
2 determine the land and building cost; is that correct?

3 A Yes.

4 Q Next please turn to Page A-125. This is  
5 similar to a question we had earlier about the  
6 material loading factor. How specifically are those  
7 numbers calculated? We would like to ask for a  
8 late-filed exhibit at this time, too.

9 A That's fine. They're the relationships  
10 between the investments that are identified in No. 1  
11 and the material loadants for supply and other  
12 miscellaneous materials; and we'll be happy to provide  
13 those two you.

14 Q And the only others on this page that we're  
15 interested in would be the ones that fall under  
16 account 2232.23. So we're just really interested in  
17 one, and we also want the ACF factors that fall under  
18 it, and we'll call that Determination of Material  
19 Loading Factor for Account 2232.23 and ACS on Page  
20 A-125.

21 (Late-Filed Exhibit 3 identified.)

22 Q (By Ms. Canzano) Next let's turn to Page  
23 A-128. On the engineering objective fill factor where  
24 you have a percentage, [REDACTED], what is the basis of that  
25 [REDACTED] figure?

1           **A**     **(By Witness Steele)** That GTE must always  
2 maintain a level of inventory to provide service to  
3 its customers, and the same would be the case for  
4 ALECs. So the facilities that we're using in here,  
5 which is a test point and cables from the physical  
6 location, the cage, if you will, to the demarcation  
7 point at the main distribution frame, there's a  
8 certain level of inventory that GTE must carry; and  
9 the [REDACTED] by dividing that by the material cost  
10 accounts for those additional costs.

11           So [REDACTED] if you will, adjustment recognizes  
12 that any particular point in time GTE will have  
13 inventory on hand, and there is a cost associated with  
14 that.

15           **Q**     Is that [REDACTED] the same for GTE's operations  
16 itself, to have internally an objective engineering  
17 fill of [REDACTED]

18           **A**     The [REDACTED] was a judgment on my part. GTE does  
19 not have a specific objective fill factor to measure  
20 the level of standby capacity costs that we have.

21           **Q**     Could you explain your rationale a little  
22 bit more, please, regarding how you determined that  
23 90% was the appropriate level?

24           **A**     Yes. The -- GTE has objectives and fill  
25 factors primarily for interoffice transport and feeder

1 cables. The objectives identify the trigger point at  
 2 which additional capacity is added to the network.

3 We never have a situation where you as a  
 4 customer comes to GTE -- we attempt never to have a  
 5 situation where you as a customer comes to GTE, place  
 6 an order, and then we go place an order with our  
 7 vendor to buy cables and facilities for you and you  
 8 wait four or five months before you establish service.

9 The market dictates a reasonable response  
 10 time to customers of several days, possibly a week,  
 11 depending on the service type that's in the tariff.  
 12 And this [REDACTED] is an attempt to address those types of  
 13 costs that are actually incurred by GTE.

14 If we had [REDACTED] in there, then that would say  
 15 that -- provisioned facilities, we would have to place  
 16 an order with a vendor, and you as a ALEC would have  
 17 to wait a substantial time for those inventories to be  
 18 received on GTE's loading dock to be sent to the  
 19 designation -- designated office that would be  
 20 required to have an interconnection and provide  
 21 service to you via collocation.

22 Q For the [REDACTED], what is called adjusted  
 23 material, what is this and how did you calculate the

24 [REDACTED]

25 A Simply [REDACTED] is divided by [REDACTED] It is saying

1 that for every [REDACTED] units that are demanded by a  
2 customer for these facilities, we must purchase [REDACTED]  
3 because at any given point in time, [REDACTED] units out of  
4 [REDACTED] are required to support the service because of our  
5 standby capacity and associated obligations.

6 MS. CANZANO: Could we take a break for a  
7 few minutes?

8 (Brief recess.)

9 - - - - -

10 Q (By Ms. Canzano) During the break, we  
11 discussed the question that had arisen regarding your  
12 sponsoring of the collocation cost study and the  
13 nonrecurring cost portion of your cost study. Your  
14 direct testimony indicates that you would be  
15 sponsoring that; is that correct?

16 A (By Witness Trimble) That is correct.

17 Q You are sponsoring the cost study?

18 A (By Witness Trimble) No.

19 Q Oh, it's correct that the testimony  
20 indicates that?

21 A (By Witness Trimble) It is correct that the  
22 testimony indicates that. The objective of the direct  
23 testimony, or the thought behind the direct testimony  
24 is that pieces of it would be adopted by other  
25 witnesses. The NRC study piece was one of those areas

1     Could you turn to Page A-129, please?

2                     Okay. Please explain the difference between  
3 what's calculated on this page verses the state  
4 proceeding where the RCF costs are [REDACTED], an  
5 additional path is [REDACTED] And we'll give you this copy  
6 of what was amended in the state proceeding.

7             A        (By Witness Steele) Let me give a summary  
8 first, then I'll give you the details.

9             Q        Okay.

10            A        (By Witness Steele) First of all, what you  
11 see on this Exhibit A-129 is wrong. There is an error  
12 in the template that pulled this together. The number  
13 at the top, [REDACTED] is correct. The number that's below  
14 it, [REDACTED], is not correct. There should be actually  
15 two numbers there. One's for the initial, which is  
16 [REDACTED]. And for the additional is [REDACTED].

17                    Second is this exhibit that you've just  
18 handed me, Attachment 2 is incorrect. It does two  
19 things that are not correct. First, it only captures  
20 the cost associated with the Nortel DMS in 5A. It  
21 should capture the cost that GTE will actually incur  
22 in the future which are representative of the GTD-5,  
23 the Nortel product in the 5-E. That's the first error  
24 in it.

25                    And second, an additional line that's on the

1 5-E, is now, says, there's no line termination  
 2 provision, which is not correct on the 5-E. Every  
 3 time you provide a remote call forward number, there  
 4 is a physical line termination that's required.

5           The second thing that's wrong with this  
 6 Attachment 2 is that it does not capture the  
 7 additional cost for transporting and switching that  
 8 call to the ALEC. It only captures the cost  
 9 associated with the switch feature, identified as  
 10 remote call forwarding. That is, it identifies the  
 11 cost associate memory and real-time requirements for  
 12 that remote call forward number. It does not capture  
 13 the switch path that's being held up, nor the  
 14 transmission facilities from that central office to  
 15 the ALEC.

16           That last component of cost is the one  
 17 that's in the [REDACTED] and the [REDACTED] which is called  
 18 TSLRIC per simultaneous call capability on the sheet  
 19 that you have.

20           Q     Is it [REDACTED] or [REDACTED]

21           A     (By Witness Steele) [REDACTED] for initial and  
 22 [REDACTED] for additional.

23           Q     We have -- let's call it TSLRIC per  
 24 simultaneous call capability. Is that the same as an  
 25 additional line -- sorry, an additional path?

1           A       (By Witness Steele) No, it is not. The  
 2 exhibit that you gave me, Attachment 2, is only  
 3 dealing with the first item that's on Page A-129.  
 4 That is the TSLRIC per remote call forwarding feature  
 5 of [REDACTED]

6                   In this Attachment 2 analysis that you gave  
 7 me, it calculates the cost for the first line, an  
 8 additional line. The exhibit shows me on the second  
 9 page that the cost for the first line includes a line  
 10 card and the cost for the additional line excludes the  
 11 cost in the line card. Of the two technologies that  
 12 are shown in this page, only the Lucent Technology 5-E  
 13 requires a line card, the Nortel does not.

14                   So the person that put this exhibit together  
 15 excluded the line card on the second line for the 5-E.  
 16 And I've been told by our technical support personnel  
 17 out of operations that that is not the case in the 5-E  
 18 in the physical line termination on each number that  
 19 you are forwarding, whether that be used for an end  
 20 user, have subscriber or as an interim portability  
 21 solution. The Nortel does not.

22                   On the Exhibit A-129, the GTD-5 has been  
 23 included, and it requires a physical line termination  
 24 a portion of the time. It has the capability to  
 25 provide the remote call forwarding feature under



1 software option as a limited amount. And the study  
 2 incorporates the hardware component based on technical  
 3 parameters provided by operations about [REDACTED] of the  
 4 time. That is the physical hardware component is  
 5 required [REDACTED], and a software solution can be handled  
 6 [REDACTED] of the time.

7 The study Attachment 2 does not have any  
 8 costs associated with originating the call at the  
 9 office. It provides the remote call forwarding  
 10 feature. And probably the reason for that is,  
 11 typically, under retail environment, you would  
 12 provision that as -- it would be a toll call. Someone  
 13 would pay toll rates.

14 I believe the person who was doing this  
 15 analysis didn't really understand what this was being  
 16 used for, didn't understand that they were trying to  
 17 capture all the costs associated with remote call  
 18 forwarding as a service provided as per interim number  
 19 portability.

20 Typically when you do remote call forwarding  
 21 for retail service, the toll tariff or the EAS tariff  
 22 or some other tariff would pick up the usage  
 23 component. The reason it must be captured in these  
 24 costs is there's no other provision that GTE has to  
 25 recover the costs associated with originating that

1 call. Again, this is for originating a call, not for  
2 terminating a call is originating a call to the ALEC.  
3 What happens is a call is forwarded to GTE because the  
4 world thinks that GTE owns the telephone number, GTE  
5 must look up in memory and determine what to do with  
6 that call. And what happens in this case is it says  
7 we must forward that to a specific ALEC, such as MCI.  
8 We'll at that point originate that call again and send  
9 it onto MCI. And the switch path in GTE's switch will  
10 be held up during the duration of that call until the  
11 customer hangs up, and that costs us money.

12 That's expressed on a flat rate basis based  
13 on average calls where the first or initial cost of  
14 [REDACTED] is for a combination of all terminating traffic  
15 of the type that we'd have where we'd have additional  
16 costs. That [REDACTED] represents all costs that would be  
17 multioffice exchange costs, all costs that come into  
18 the exchange from outside the exchange, such as toll  
19 terminating traffic and switched access terminating  
20 traffic.

21 The exhibit also shows you what the cost per  
22 minutes is. The cost per minute is shown down at the  
23 bottom on the far right-hand column.

24 Q Now, this sheet that you just handed me, is  
25 this a corrected copy of this Page A-129?

1 MR. MELSON: Off the record for a minute.

2 MS. CANZANO: We'll go off.

3 (Discussion off the record.)

4 A (By Witness Steele) The item on the bottom  
5 in the far right-hand column is a total, is the cost  
6 per minute which includes the cost for originating  
7 that call both switching and transport.

8 Q And just so that's reflected in the record,  
9 the accurate number now in the replacement page is  
10 [REDACTED] is that right?

11 A (By Witness Steele) Yes [REDACTED] For the  
12 initial and [REDACTED] for the additional.

13 Q Next is -- are these costs on this Page due  
14 to not having a permanent number portability  
15 mechanism?

16 A (By Witness Steele) These calls are due to  
17 using remote call forwarding as a mechanism to provide  
18 local number portability. When we have remote call  
19 forwarding, we had two specific cost elements. The  
20 first cost element we call TSLRIC for remote call  
21 forwarding feature is a cost that GTE incurs to  
22 provision remote call forwarding for each number that  
23 the ALEC requires that we forward to their office.

24 The TSLRIC per simultaneous call capability  
25 is a flat rate cost that recovers all the costs

1 associated at the originating and terminating the call  
 2 on behalf of the ALEC. If GTE was proposing a flat  
 3 rate charge, then the price for that switching and  
 4 transport would be measured from that TELRIC or  
 5 TSLRIC. Again, measured from the reference point of  
 6 TSLRIC for simultaneous call capability.

7 If GTE was proposing a measured rate for  
 8 that switching and transport capability, it would be  
 9 the -- the relative reference cost would be the TSLRIC  
 10 per originating minute, as we just said the .004363 --  
 11 excuse me, [REDACTED] and [REDACTED], which are identified  
 12 on those two pages I gave you.

13 Q 527?

14 A (By Witness Steele) That's [REDACTED] for the  
 15 additional.

16 Q If a permanent number portability mechanism  
 17 were in place, would GTE incur these costs?

18 A (By Witness Steele) They would not incur  
 19 these costs, they would incur another set of costs.  
 20 These costs are only for provisioning interim number  
 21 portability via remote call forwarding.

22 Q Does GTE propose to charge the ALECs  
 23 directly for these costs?

24 A (By Witness Steele) Yes. Mr. Trimble's  
 25 testimony addresses the rates for these items.

1 additional, if that's okay.

2 Q That would be great.

3 A (By Witness Steele) He has the two pages.

4 Q Oh, it's 129 and 129-1.

5 A (By Witness Steele) Yes, ma'am.

6 Q Okay. Next turn to Page A-130. On Line 1,  
7 under Account 2212, what does ██████ represent?

8 A (By Witness Steele) It is the weighted cost  
9 for remote call forwarding, a feature provided on the  
10 GTD-5, the Nortel, and the Lucent Technology product  
11 line.

12 Q Okay. Next, we are asking questions  
13 regarding your factors again. On Line 4, before  
14 Account 2212, we are interested in how you determine  
15 the ██████ and the corresponding ACFs. And this -- I  
16 mean, I'll let you respond if you want to, but we'd  
17 also like it as a late-filed exhibit as we have  
18 before.

19 A (By Witness Steele) Lines 6 through 12 and  
20 20 through 26, if they're applicable, which they are  
21 not in this page, would be the same as I testified  
22 earlier provided by the finance organization. The  
23 Line 4, EF&I is the item that addresses the  
24 engineering and labor costs associated with installing  
25 digital switching equipment.

1 actually part of our network, as well as what portion  
 2 of the costs would be provided by another carrier,  
 3 another LEC on our behalf, which is not relevant in  
 4 this state. You see zeros under the columns Contel,  
 5 LEC 2, Independent 3 -- IND-3, excuse me, or  
 6 Independent 3. There are a number of cases where GTE  
 7 when providing switched access service will use, for  
 8 example, an RBOC or Bell Telephone Company to provide  
 9 the tandem capability, and this template allows us to  
 10 capture those.

11 As the first part shows in No. 3, it says  
 12 that 100% is provided by GTE. The next item down is  
 13 Item 4, DS-1 input, and Item 5, DS-3 input, are for  
 14 the two items of entrance facility as GTE provides  
 15 under switched access. It identifies the system sizes  
 16 that GTE uses, a large, medium and small system size  
 17 for the DS-1. And a three -- actually, a capability  
 18 of handling four system sizes, which are three  
 19 identified for the DS-3. Those system sizes are  
 20 weighted together based on the weighting factors that  
 21 are shown in the exhibit to identify a composite or  
 22 average cost for DS-1 entrance facilities, as well as  
 23 DS-3 entrance facilities.

24 For example, in DS-1, you'll see a line that  
 25 says percent systems. It says large, [REDACTED]

1 Q And --

2 A (By Witness Steele) The volume insensitive  
3 factors for direct trunk transport of [REDACTED] reflects an  
4 average fill for interoffice transport of [REDACTED].

5 Q How was that calculated?

6 A (By Witness Steele) [REDACTED] divided by [REDACTED] or  
7 [REDACTED] is GTE's design or objective fill for interoffice  
8 transport.

9 Q And that's what you had talked about earlier  
10 in our discussion?

11 A (By Witness Steele) Right. It explains  
12 under Tab 1 of the methodology, describes that. So if  
13 you take GTE's objective fill of [REDACTED], and divide it by  
14 its actual fill of [REDACTED] -- actual forward-looking fill  
15 of [REDACTED], you get [REDACTED]. The same objective fill factor  
16 was used for DS-1 and DS-3. That's why you see 0.38  
17 there.

18 On tandem switching there are three  
19 elements: Termination, facility and tandem.  
20 Termination, facility are the common rate elements,  
21 and -- so they're interoffice transport, if you will.  
22 And the 65% was used there.

23 The end office switching of [REDACTED] was -- in  
24 Tab 2 it explains how switching was performed. What  
25 we did is we analyzed the cost for the volume

1 sensitive cost or capacity cost, if you will,  
2 multiplied those times the units of demand and  
3 subtracted from the total cost of the switch. Because  
4 by definition, the total cost of the switch is the  
5 volume sensitive, plus the volume insensitive. And  
6 the residual difference between the total cost, less  
7 the volume insensitive -- excuse me, less the volume  
8 sensitive cost is the volume insensitive cost.

9           What GTE did was take its offices for the  
10 Nortel 5-E and GTD-5 technologies and analysed them  
11 from a total cost perspective, as well as a volume  
12 sensitive or marginal cost perspective, if you will,  
13 and performed a statistical analysis on that and  
14 regression analysis. So we have a cost function that  
15 varies by line size for the Nortel, the Lucent  
16 Technology and the GTD-5.

17           Q     Does that include the 5-E?

18           A     (By Witness Steele) It includes the Lucent  
19 Technology 5-E, it includes the Nortel, and it  
20 includes the GTD-5.

21           Q     What about under Tandem Switching? The  
22 number for tandem is also [REDACTED] Could you explain  
23 that?

24           A     (By Witness Steele) Yes. We used the same  
25 factor for switching as we used -- composite for the



1 from a network element basis whether they be used to  
 2 provide entrance facilities, used to provide special  
 3 access for private line, and used to provide unbundled  
 4 service. So throughout the analysis you'll see that  
 5 the two-wire and four-wire costs are the same.

6 So if you look at the entrance facility cost  
 7 on 357, the [REDACTED] and [REDACTED] for two wire and four  
 8 wire, those are the same throughout the study whether  
 9 they be labeled as entrance facilities or be labeled  
 10 as special access private line.

11 Q So is it [REDACTED]

12 A (By Witness Steele) Yes, [REDACTED] for two wire.

13 Q And, also, for the four wire? I mean,  
 14 should they be the same for a two wire and four wire?  
 15 Should it be the same number or different numbers?

16 A (By Witness Steele) No. The numbers that  
 17 you have on the exhibit are the correct numbers. The  
 18 back-up sheet that's on Page 3 -- A-368, under Item 2,  
 19 Voice Grade Input, for four wire at the top and two  
 20 wire in the middle, that's wrong. That shouldn't even  
 21 have been in there.

22 Q So Page A-368 --

23 A (By Witness Steele) It wasn't used for  
 24 anything.

25 Q So it should be deleted, or there should be

1 other information in its place?

2 A (By Witness Steele) The other information in  
3 its place is actually shown under, I believe, Tab 4  
4 and Tab 5.

5 It really should have a replacement page, to  
6 be honest with you. If you go to Tab 4, you'll notice  
7 the cost on there is [REDACTED], and the difference  
8 between the two is a jumper cost. And on Tab 5 you'll  
9 see for four wire, [REDACTED]. It says [REDACTED].

10 Q You are going a little bit too fast.

11 A (By Witness Steele) I'm sorry. On A-357 it  
12 shows a two-wire voice cost of [REDACTED]. If you turn to  
13 the first page of Tab 4, which is Page A-1, you'll see  
14 a cost of [REDACTED]. And the few penny difference  
15 between those two is the jumper cost.

16 The four wire is on Page A-48. The first  
17 page, under Tab 5. And you'll see the four-wire cost  
18 of [REDACTED]. And the few pennies difference between  
19 that number and what's shown on the summary for  
20 four-wire entrance facility that we are referring to  
21 is for the jumper.

22 Ideally, that one page you are referring to  
23 under switched access would not have been shown. You  
24 probably would have three or four lines of information  
25 showing you where the development information is in

1 where it results in the numbers being conservative.

2 Q And what area is that?

3 A Unbundled loop.

4 Q Do you have those corrected numbers?

5 A I know approximately what they are. I know  
6 that the marketing expense numbers that we're using  
7 there are about a dollar too high.

8 Q Why would they be a dollar too high? What  
9 was the problem with it?

10 A The numbers that were used in the analysis  
11 were based on the investigation that was conducted by  
12 finance, incorporated in Mr. Trimble's testimony some  
13 months back, past; and since that time we've done  
14 further analysis both in regard to work done by  
15 Mr. Wellemeyer and his colleagues on the avoided cost  
16 area, which quantifies differences between retail and  
17 wholesale services; and also based on analysis, a  
18 national analysis that was conducted by GTE for a  
19 two-wire private line service provided to carriers,  
20 which is very, very similar to an unbundled loop  
21 service provided to a carrier, called an ALEC.

22 And when I look at those analyses,  
23 Mr. Trimble in his testimony had [REDACTED] as customer  
24 contact marketing, and that's the same number that we  
25 used here; and the number should be somewhere between

1 [REDACTED] and a [REDACTED]

2 Q Why don't I ask for Late-filed Deposition  
3 Exhibit Number 8, and call it Corrections to Cost  
4 Study, and in that, I want you to indicate what needs  
5 to be corrected and your rationale of why it needs to  
6 be corrected.

7 (Late-Filed Exhibit 8 identified.)

8 A (By Witness Steele) Yes, ma'am. There are  
9 several other areas in there. One is when I view -- I  
10 looked at the cost for pair gain. The mathematics  
11 that were performed by the analyst were in error for  
12 pair gain technology P-A-I-R, G-A-I-N which is used  
13 for longer loops, and when I quantify that  
14 information, it adds approximately [REDACTED]

15 Q And will that also be submitted as a  
16 correction to the cost study?

17 A Yes, I will include all those corrections  
18 and a rationale for why they're included.

19 Q With that, we'll move on. On Page A-380, we  
20 would like you to compare these numbers with that that  
21 was presented in Docket 950984, which is a  
22 confidential version, which is Page 6 of 41 of  
23 Attachment A, and I will hand this to you. And what  
24 I'd like to know is why the numbers in the cost study  
25 on Page A-380 vary from what is shown in 984, Docket

1 mentioned, the difference is between TELRICs or  
 2 TSLRICs, and what's shown on Attachment A, Page 6 of  
 3 41, it's -- L-R-I-C is a primary difference, or one of  
 4 the major differences, the volume incidents of cost  
 5 which would be captured to the fill factor. Where  
 6 these numbers were done at a [REDACTED] fill, the numbers  
 7 that are contained in this attachment is done at a [REDACTED]  
 8 fill for entrants' facilities, two-wire and four-wire,  
 9 with DS-1 and DS-3 performed at a [REDACTED] fill.

10 Q And do we have the back up numbers for these  
 11 entrants' facility numbers listed on Page A-380?

12 A Yes, they're the same as the previous tab.  
 13 The reason why there are two tabs for this item is  
 14 that in certain states we have agreements with other  
 15 carriers to provide tandeming on GTE's behalf. That  
 16 is not an issue from a cost perspective in this  
 17 state --

18 So the -- one, you'll notice Tab 18 has a  
 19 header in the top local switched access cost, and what  
 20 this is is the -- provides the relevant cost  
 21 information for interconnection with ALECs to handle  
 22 local interconnection; and if there are arrangements  
 23 where a carrier like GTE would interconnect with an  
 24 ALEC through, let's say, a Bell operating company,  
 25 then a new local interconnection to Bell operating

1 company would bill the ALEC directly, where that's not  
2 typically the case for GTE under an interstate  
3 switched access environment.

4 Typically the Bell operating company would  
5 bill GTE access charges and we, in turn, will  
6 incorporate that as part of our cost studies and,  
7 therefore, incorporate it in our rates to the carrier  
8 AT&T or MCI for interstate access.

9 Q Can you specifically point us to the exact  
10 pages where you show us the backup support for the  
11 volume insensitive costs for the entrant's facility?

12 A If you look at Page 3570, I think you'll see  
13 that those numbers are identical.

14 Q But we're looking for the backup support.  
15 Could you show us again on the --

16 A Yes, I will. The entrants' facility costs  
17 are shown on Page A-359, two-wire. Line 3 is [REDACTED]  
18 which, as I said earlier, is the same cost that was  
19 used under Tab 4 identified for two-wire service, and  
20 we added the jumper cost of [REDACTED] cents to get [REDACTED]

21 The four-wire costs are shown on Page A-360  
22 consistent with the two-wire and four-wire costs  
23 throughout the studies, whether they be used for  
24 special access private line or for unbundled loop  
25 service. The cost is identified on Line 3, and the

1 network access channel connection, or cross-connect,  
 2 if you will, is on Line 4 and the total is shown on  
 3 Line 5, and that number is identical, which is carried  
 4 forward on A-57 as well as the sheet A-380 that you're  
 5 referring to.

6 Q We'd like to get the backup to the numbers  
 7 on A-359. How did -- where did you get [REDACTED]

8 A [REDACTED] is under Tab 4. [REDACTED] is the cost  
 9 labeled T-S-L-R-I-C dash loop subtotal, [REDACTED] under  
 10 the column labeled "combined."

11 Under Tab 5 for four-wire, TSLRIC loop  
 12 subtotal, the amount there is the same as Line 3 of  
 13 A-360, and the backup is what we covered earlier,  
 14 which is the subsequent pages of how we pulled  
 15 together the cost on Page A-49, et cetera.

16 Q Do these reflect just volume insensitive  
 17 costs?

18 A The information on these two pages that you  
 19 referenced which adds to the [REDACTED] for wire loop, for  
 20 example, is TSLRIC which includes both volume  
 21 sensitive and volume insensitive cost.

22 Q For your TSLRIC study, have you broken them  
 23 down to volume sensitive and volume insensitive,  
 24 because that's what we're looking for, to compare it  
 25 to what was done in the 984 docket? That has been

1 Florida specific numbers?

2 A Yes.

3 Q And does this cost study that's been filed  
4 already contain the differences for volume sensitive  
5 and volume insensitive costs for the direct trunk  
6 transport costs?

7 A Yes.

8 Q And could you show us where?

9 A Most of it is detailed on Page A-364, but I  
10 would be more than happy to provide a summary that  
11 shows that -- the TSLRIC volume sensitive costs,  
12 TSLRIC volume insensitive costs and give you a total,  
13 and the relevant page numbers is -- on the middle of  
14 the page is tandem switch facility termination  
15 calculation and on the top of the page is tandem  
16 switch transport termination calculation.

17 And all the piece parts are shown there  
18 starting with B&F costs and the total mileage to  
19 weight the costs together, which are identified at the  
20 bottom, and the land and buildings costs are included  
21 and carried forward with the volume insensitive factor  
22 that we discussed earlier, which is at a [REDACTED] fill for  
23 interoffice transport. But probably the best thing to  
24 do would be just to show those in the two headers that  
25 you're asking for and give you the relevant pages.



1 switching, what do you use as your average minutes of  
 2 use, monthly MOUs, and specifically what is the  
 3 average call duration?

4 A Approximately four minutes. It looks like  
 5 it's [REDACTED]

6 Q Is that reflected on page A-381 what you  
 7 used for that?

8 A Yes. I did the calculation myself, and you  
 9 found the exhibit that it was on.

10 Q Why is that different than what was used in  
 11 the state proceeding, which is [REDACTED]

12 A I don't know why it's different. I know  
 13 that the [REDACTED] are actual today.

14 Q That is a big difference. We'd like to know  
 15 why -- we want something explaining the difference, so  
 16 we'll ask that as a late-filed exhibit. We'll call  
 17 that Late-Filed Exhibit 11, Rationale for decrease in  
 18 MOUs -- excuse me -- average call duration.

19 A Call duration is in Docket 984?

20 Q Yes. And that's [REDACTED]

21 (Late-Filed Exhibit 11 identified.)

22 Q (By Ms. Canzano) We just want to clarify  
 23 that what we've been referring to as the 984 docket  
 24 was something that was actually originally produced in  
 25 Docket No. 921074, and we believe it was also

1 through some basic mathematics to approximate what the  
2 route mileage facilities are.

3           The reason why we included these in the  
4 analysis in two formats, one is under the default  
5 analysis, which is shown on Page A-466, which is  
6 [REDACTED]. You see down at the bottom, Average Monthly  
7 Cost, and the Lucent Technology contract prices on  
8 Page A-468 of [REDACTED] is providing another independent  
9 view, if you will, of what costs -- how costs will be  
10 modeled under the BCM-2.

11           On the default analysis we didn't change  
12 anything. It's a public-available model. We have the  
13 capability of being able to run it specifically over  
14 GTE's territory. This is not an average for the  
15 state; this is what the model says the costs are for  
16 GTE.

17           Q     For GTE Florida or for GTE the whole  
18 company?

19           A     This is GTE Florida specific. But the  
20 cost -- the input prices used in the model under the  
21 defaults are what the original authors, U.S. West and  
22 Sprint, say they are. They are not customer --  
23 company specific, if you will, but they apply them as  
24 generic algorithms, and you can analyze the model for  
25 only those census block groups that are served by GTE.

1 So these are not picking up any other subscribers that  
2 are served by any other LECs in the state based upon  
3 their set of algorithms.

4           When we analyze the cost as shown on A-368,  
5 we -- since we are able to change the inputs to the  
6 model, we change the inputs to the model using Lucent  
7 Technology contract prices specifically for GTE. We  
8 didn't attempt, and nor can we re-engineer the model.  
9 We can't change the code of the model, but as a user  
10 we can change the inputs.

11           We change the inputs to include input prices  
12 for cable, labor, specifically out of the Lucent  
13 Technology contract which is specifically for GTE, and  
14 from that model produced a cost of [REDACTED] is for a  
15 basic loop, two-wire loop.

16           Q     That's all of our questions right this  
17 minute on the cost.

18           We're going to go back to your testimony and  
19 ask you a few more questions about that, Mr. Trimble.  
20 Please turn to your Exhibit DBT-2.

21           A     (By Witness Trimble) Yes.

22           Q     Can you basically explain this exhibit to us  
23 and the numbers?

24           A     There's three columns, actually four  
25 columns. The second column is revenues, which are the

1 current regulated revenues generated from the  
 2 categories in the header.

3           The second column is TSLRIC, which is the  
 4 associated summation of the number of units in each of  
 5 the categories times the respective TSLRICs. The  
 6 difference in the third column -- or excuse me -- the  
 7 fourth column, Contribution, is revenues minus  
 8 TSLRICs. The fourth column in essence is the  
 9 contribution to, as we explained before, common costs  
 10 of the company.

11           The rows are split in terms of residence,  
 12 local, business local, vertical services, and then we  
 13 have a total local row. There's a row for call for  
 14 switched access, for private lines, and then we have  
 15 an "Other" category.

16           The Other category is made up of items such  
 17 as yellow page directories, billing and collection,  
 18 E911, database 800, and miscellaneous other items like  
 19 revenue. The summation of the revenue column, the  
 20 [REDACTED] equates exactly to GTE Florida's 1995 total  
 21 regulated revenues.

22           The TSLRIC column is based on the TSLRICs  
 23 that were filed in this case multiplied by the  
 24 quantities for each item to come up with total  
 25 TSLRICs. The contribution column is the simple

1 in the copy you gave me.

2 A (By Witness Trimble) We can erase the  
3 yellow. (Laughter)

4 Q Just so I'm clear, though, you intend to be  
5 able to talk about those --

6 A (By Witness Trimble) Yes.

7 Q -- proposed rates at the hearing without  
8 them being confidential?

9 A (By Witness Trimble) Oh, yes.

10 Q On that exhibit under No. 3, Direct Trunk  
11 Transport, what does the abbreviation "ALM" stand for?

12 A (By Witness Trimble) Airline mile.

13 Q Given the TELRIC costs in Columns 1 and 2,  
14 how were the contract rates in Column 3 developed?

15 A (By Witness Trimble) Most of the contract  
16 rates in Column 3 -- in fact, I believe all the  
17 contract rates in Column 3 are current interstate  
18 rates for those services.

19 Q And if I look, for example, at a DS-1  
20 facility per airline mile, am I reading correctly that  
21 that's got a cost of [REDACTED] and a proposed rate of  
22 [REDACTED]

23 A (By Witness Trimble) That is exactly what  
24 this exhibit says, yes.

25 Q On Page 3 of Exhibit DBT-3, the fourth item

1 includes local usage. There are also some other  
2 differences in terms of the cost characteristics that  
3 would have to get into pair gain devices and  
4 nonintegrated digital loop carrier. But those are the  
5 major. The major item is probably -- those major  
6 items are those two.

7 Q If the Commission was attempting to set  
8 prices for unbundled loops, what is the information on  
9 Exhibit DBT-4 supposed to show then?

10 A (By Witness Trimble) DBT-4 at the bottom  
11 gives an indication of what a quote/unquote  
12 contribution preserving rate level would be for -- for  
13 a business loop if you so -- or if you so desired to  
14 split business and residence which we do not propose.  
15 It in essence shows that the [REDACTED] for an unbundled  
16 loop for a business customer would leave the Company's  
17 contributions equal.

18 This would in essence be the definition of  
19 what the FCC has turned ECPR, which is not our  
20 recommendation.

21 Q Will you turn to Page A-1 -- I'm sorry,  
22 excuse me, A-2. I can't read.

23 A (By Witness Trimble) Maybe before we move  
24 on, on Exhibit 4 there is a heading typo that probably  
25 should be corrected to make one of these tables more

1 let him reiterate his answer one more time.

2 A (By Witness Steele) One of the things I  
3 didn't say earlier, I didn't talk specifically about  
4 the low density area which only had [REDACTED] of the  
5 weighting anyways. But I noticed in the medium  
6 density area when they showed the document information  
7 to me that it had a smaller percentage. And what I  
8 had indicated is that pair gain devices, we do not  
9 pick up the entire loop length from the central  
10 office, and that was an error in the original  
11 analysis. The system that we did the inquiry into did  
12 not have the capability of providing all those. We  
13 had to go into another system to get that toll  
14 information, and result in a change in the cost study.

15 Q If you turn back to Page A-1, what does  
16 the -- I'm in the list of cost customer  
17 contact/marketing. What does that consist of?

18 A (By Witness Trimble) The customer  
19 contact/marketing is, in essence, we'll call it  
20 sales-type expense in terms of wholesaling an item.  
21 We do have groups that expressly deal with  
22 interexchange carriers and/or will deal with CLCs in  
23 the future. It is the expense of handling the CLCs as  
24 an account.

25 Q And is there -- are there any support papers

1 that show how that number was derived and what it  
2 consists of?

3 A (By Witness Trimble) I think as Mr. Steele  
4 stated earlier, the number on this page is incorrect  
5 and will be revised. Much of the support material for  
6 it will be found in Mr. Wellemeyer's avoided cost  
7 studies in terms of the differences between retail and  
8 wholesaling.

9 Q I apologize. That may have been while I was  
10 out of the room on the phone. Is that number expected  
11 to go up or go down?

12 A (By Witness Trimble) It is expected to go  
13 down by approximately, I believe Mr. Steele stated

14 Q On the bottom of the page, what is the  
15 source of the numbers in the line labeled Land and  
16 Building Costs?

17 A (By Witness Trimble) I believe I will refer  
18 this one to Mr. Steele also.

19 A (By Witness Steele) Yes. The general  
20 support assets of land and buildings associated with  
21 central office equipment were identified and expressed  
22 as a yearly cost incorporating the associated  
23 depreciation and cost of capital. The associated  
24 expenses for land and buildings, specifically for  
25 central office, were also identified. So that we now



1 have capital costs, depreciation, and the associated  
 2 expenses. And those were expressed as an investment  
 3 factor associated with switching equipment, circuit  
 4 equipment. That circuit, it could be either a pair  
 5 gain device or be for fiber-optic facilities. And  
 6 from that they were associated with each one of the  
 7 network elements whether they be switching or in this  
 8 case referring to A-1?

9 Q Yes.

10 A (By Witness Steele) Associated with a pair  
 11 gain device.

12 Q Is there a subsequent board paper that shows  
 13 how that number is built up?

14 A (By Witness Steele) There doesn't appear to  
 15 be one, but I can tell you how it was calculated. If  
 16 you'll refer to -- or how one could calculate. We  
 17 have a very close answer on A-95. It shows land and  
 18 buildings factor at the bottom of [REDACTED]

19 Q So if I multiplied with outside plant loop  
 20 times that factor, I'd get land and building costs?

21 A (By Witness Steele) No, sir. You would  
 22 multiply it times the cost identified on A-28, which  
 23 is the degree of pair gain device. Line 14 and Line  
 24 28 which is a total. And then you would go to A-2.  
 25 A-2 identifies the percentage occurrence for beyond 12

1 kilofeet, which is where pair gain is relevant. And  
2 I'd be more than happy to have the math done for you  
3 on an exhibit, if you'd like.

4 Q That would be fine. Late-Filed 14.  
5 (Deposition Exhibit 14 marked for  
6 identification.)

7 Q (By Mr. Melson) That whole calculation  
8 starts essentially with the land factor, the on  
9 Page A-94?

10 A (By Witness Trimble) Actually, the  
11 calculation starts with information specifically  
12 associated with land and buildings that support the  
13 central office switches and wires centers. All that  
14 information is obtained from Company's books and A.C.  
15 Turner indexes are used to express that cost as a  
16 current cost, which is relevant for any kind of  
17 forward-looking analysis, and the expenses are current  
18 expenses for land and buildings to maintain them.  
19 That's the starting point of the analysis.

20 Q And those go into the development of the  
21 land and building factor?

22 A (By Witness Steele) That comes in  
23 development of that cost factor that you are pointing  
24 to on Page --

25 Q A-95?

1 Q Well, I'll withdraw the request for 14 then.

2 (Late-Filed Deposition Exhibit 14  
3 identified.)

4 On the bottom of Page A- -- very bottom of  
5 Page A-1, the utilization factor of [REDACTED], what does  
6 that represent?

7 A (By Witness Steele) In this particular case  
8 it represents a composite average of an objective fill  
9 for feeder cable and actual fill for distribution.  
10 But more directly, it is -- the cost analysis  
11 information that's on A-2 was developed at a [REDACTED]  
12 factor, and some very simple mathematics were  
13 performed on A-1 to convert that to what's required to  
14 provide a TELRIC or TSLRIC, which is at an actual  
15 average fill consistent with the FCC rule which I can  
16 reference, if you like?

17 Q No. I understand how the math was done on  
18 the bottom of A-1. What I don't yet understand -- and  
19 I understand [REDACTED] represents the objective fill factor,  
20 which I believe you told us is the point at which GTE  
21 would begin to plan to add additional facilities.

22 A (By Witness Steele) The number that's at the  
23 bottom, 70%, appears to be a composite of an objective  
24 fill for feeder plant and an actual fill for  
25 distribution. And that would be appropriate. That's

1 my educated examination of data because an objective  
 2 fill is certainly relevant for feeder plant and is not  
 3 relative for distribution. Distribution plant is put  
 4 in for ultimate capacity. It doesn't have a trigger  
 5 point to add additional capacity. If it did, then we  
 6 would incur a substantial additional cost to that as  
 7 many of us may be aware of. There's a substantial  
 8 penalty for having to go back in and dig up streets  
 9 and driveways and stuff to add distribution  
 10 facilities. So most firms will have engineering  
 11 standards which are put in for ultimate demand and not  
 12 have to go out and dig up streets every two years to  
 13 add relief to distribution plant.

14 Q Let me see if I can get at it this way. You  
 15 take your subtotal, the third line there, the [REDACTED].  
 16 You multiply that times the utilization factor?

17 A (By Witness Steele) That is correct. And  
 18 that simply makes the resulting number without  
 19 utilization. It's at [REDACTED] utilization, if you will.  
 20 So [REDACTED] times [REDACTED], giving you [REDACTED], which is under the  
 21 high density area would be -- that's what it would  
 22 cost you for the facilities, not including the drop,  
 23 all the way into the central office on a unit pair  
 24 basis without regard for adjustment for utilization.

25 Q You essentially have taken any adjustment

1 for utilization out of the [REDACTED] and then the next  
 2 step in the calculation is to take into account the  
 3 actual average utilization?

4 A (By Witness Steele) Yes. Ideally, Page A-2  
 5 would have been developed at [REDACTED], and only one step  
 6 would be needed, which is to take the number that  
 7 would come off of A-2 which should be exactly [REDACTED].  
 8 Not should be, is exactly [REDACTED]. And would divide  
 9 that by [REDACTED], the actual forward-looking average bill  
 10 resulting in the number that is shown at the top,  
 11 [REDACTED].

12 Q And what is the source of the 55% assumption  
 13 for forward-looking average utilization?

14 A (By Witness Steele) It's GTE's projection of  
 15 the actual forward-looking fill. It is somewhat  
 16 conservative as our actual fills are in the [REDACTED] to [REDACTED]  
 17 range.

18 Q Could you turn to Page A-3? The factor on  
 19 Line 7 is essentially factor for cost of money?

20 A (By Witness Steele) Yes, it is.

21 Q What cost of money underlies that factor?

22 A (By Witness Steele) It represents the  
 23 midpoint in the range that we have under this  
 24 Commission of ROE which is from [REDACTED] to [REDACTED].

25 Q So the --

1           A     (By Witness Steele) -- is 12.2 for ROE in  
2 our current capital structure.

3           Q     And what is your current capital structure?

4           A     (By Witness Steele) 53.9% common equity.  
5 2.97% preferred stock. 36.3% long-term debt. 6.83%  
6 short-term debt.

7           Q     And for purposes of this calculation, cost  
8 resources of capital are not taken into account?

9           A     (By Witness Steele) You mean like ESOP and  
10 deferred taxes?

11          Q     Right, deferred taxes, investment tax  
12 credits.

13          A     (By Witness Steele) Yeah, ESOP, deferred  
14 taxes, investment tax credits are not taken in the  
15 account, that's correct.

16          Q     And what is the overall weighted average you  
17 developed?

18          A     (By Witness Steele) ██████████.

19          Q     On Page A-95, how is the billing and  
20 collection costs associated with the port developed?

21          A     (By Witness Steele) They are set at one-half  
22 of what it is for a retail service. We have a study  
23 that's conducted providing billing and collection  
24 costs for retail services. And we have at this point  
25 estimated for an unbundled loop to be one-half of

1 that.

2 Q And was that an estimate you prepared?

3 A (By Witness Steele) I prepared that myself,  
4 yes.

5 Q And what was the reasoning that went into  
6 that instrument?

7 A (By Witness Steele) The sole reasoning was  
8 that the cost that was used for retail services, I  
9 felt were appropriate for retail services. And based  
10 on my discussions with people in the O&T team and the  
11 product management group that would handle and support  
12 unbundled loop services, I was informed that the bills  
13 to the ALECs would be a composite of all subscribers.  
14 It would not be an individual end user basis. And my  
15 assessment was that the costs were too high and  
16 estimated that they would be half. That's basically  
17 it. I didn't spend much more time on it because  
18 to serve that level of examination.

19 Q Page A-129. This is the one where we had a  
20 couple of revised sheets that are numbered 129 and  
21 129-1. I guess I'm going to refer to revised sheets  
22 if you've got those.

23 A (By Witness Steele) Yes.

24 Q Would you look at the second line on each of  
25 these, the TSLRIC for simultaneous call capacity. Are

1           A       (By Witness Steele) Yes. And you also see  
2 that the holding time is different, which is the sole  
3 reason why the TSLRIC provisioning minute of use is  
4 different between the two. It's because of the  
5 holding time difference between residents and business  
6 combined and the business by themselves.

7           Q       And just so I can understand what the  
8 significance of the numbers at the top of the page is,  
9 assume with me for a minute -- and I know it's not  
10 your proposal -- that the price of each of these  
11 elements was set at its TSLRIC.

12                   If MCI used local remote call forwarding to  
13 provide local number portability to a residential  
14 customer, what would MCI pay on a monthly basis?  
15 Would it be the sum of the [REDACTED] and the [REDACTED]?

16           A       (By Witness Steele) MCI would pay 2.93 for  
17 the feature. They would pay -- they would pay \$1.72  
18 for the initial and 2.78 for each additional. And I'm  
19 going to have to still check that additional and  
20 subsequent -- let's just leave them. I'll answer the  
21 question the way the exhibit is set up now.

22           Q       I guess my only question is in a residential  
23 situation you would pay the charge for the feature,  
24 and you would pay the charge for an initial  
25 simultaneous call capability.



1 all the switching elements, at least in the testimony,  
 2 be obtained through resale where there is additional  
 3 margins to cover that.

4           The definition of reasonable, I think, comes  
 5 back to looking at GTE's total requirements as  
 6 presented in that attachment, and also looking at what  
 7 we believe are the stand-alone costs. I think we all  
 8 realize that if we took all the elements, we could  
 9 easily come up with an infinite number of different  
 10 pricing structures.

11           Q     Is it fair to say that you determine your  
 12 reasonable allocation of forward-looking common costs  
 13 simply by taking the current tariffed rate in the  
 14 interstate arena and ensuring that it did not exceed  
 15 your estimate of stand-alone costs?

16           A     (By Witness Trimble) No. Actually, I think  
 17 we may have to delve into this question a little  
 18 further. I don't think that would be a correct  
 19 depiction. For loops, that is correct. I believe for  
 20 unbundled switching or for the switching elements,  
 21 that is probably not correct in terms of where we  
 22 would sit.

23           Q     Let me ask this: How did you determine for  
 24 a DS-1 facility per airline mile, the [REDACTED]  
 25 contribution was a reasonable -- or markup was a

Exhibit C  
Page 1 of 4

<u>Page(s)</u>	<u>Line(s)</u>	<u>Justification</u>
20	8, 9, 12, 19, 24, 25	<p>The following justification applies to all of Exhibit C:</p> <p>Unbundled loop costs components and inputs. As stated in the accompanying filing, public disclosure of this detailed cost information, including network assumptions underlying specific cost calculations, would permit GTEFL's competitors to tailor their pricing, entry, and marketing strategies to compete successfully with GTEFL, without the usual marketplace trial and error. Competitors would know, for example, where GTEFL is most vulnerable in its cost structure, how to best structure their own non-facilities and facilities-based operations to compete with GTEFL, and how much they can undercut GTEFL's prices while remaining profitable. These are only a few of the uses to which competitors can put this information; disclosure of sensitive information about an entity in a competitive market is sure to be used in creative ways that GTEFL cannot even anticipate. It will give competitors an unfair advantage and disrupt the competitive process, to the ultimate detriment of competitors. Government should avoid sanctioning such effects through disclosure of confidential information in the regulatory process.</p>
21	2, 5, 7, 8, 12, 13, 14, 15, 20, 22	
23	18, 19, 23	

Exhibit C  
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<u>Page(s)</u>	<u>Line(s)</u>	<u>Justification</u>
26	4-9, 11	
35	13, 17-19, 24	
36	24-25	
37	9, 11, 15, 17-18	
38	12, 14, 22, 24-25	
39	1-4	
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63	25	
67	3, 4, 6, 7, 13, 14, 15, 23	
68	22	
70	7, 11, 12	
71	7, 9, 12, 14, 18	
74	23	

<u>Page(s)</u>	<u>Line(s)</u>	<u>Justification</u>
75	1, 14	
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81	7-9, 19	
85	22	
87	5, 11, 13, 20	
91	6, 8	
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106	21-22	
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115	5, 11, 19	
116	15, 19, 20	
117	1, 5, 7, 8, 9, 11, 16, 24	
118	18	
119	17-18	

<u>Page(s)</u>	<u>Line(s)</u>	<u>Justification</u>
122	15	
127	24	

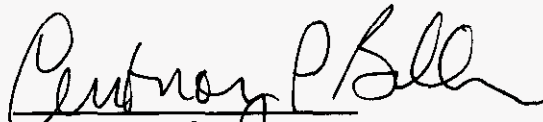
**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that copies of the foregoing Request for Confidential Classification and Motion for Protective Order in Docket Nos. 960847-TP and 960980-TP were sent via U.S. mail on November 21, 1996 to the parties listed below.

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