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December 11, 1996

BY HAND DELIVERY

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

Re: Docket No. 950737-TP

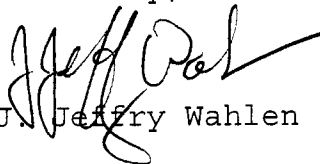
Dear Ms. Bayo:

Enclosed for filing in the above-styled docket are the original and fifteen (15) copies of Central Telephone Company of Florida and United Telephone Company of Florida's Request for Confidential Classification.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Sincerely,


J. Jeffrey Wahlen

ACK _____

AFA _____

APP _____ Enclosures

CAF _____ cc: All parties of record

CMU _____

CTR _____ utd\950737.byo

EAG _____

LEG _____

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OTH _____

DOCUMENT NUMBER-DATE
13224 DEC 11 96
FPSC-RECORDS/REPORTING

ORIGINAL
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into temporary)	DOCKET NO. 950737-TP
local telephone number portability)	FILED: 12/11/96
solution to implement competition in)	
local exchange telephone markets)	
)	

**CENTRAL TELEPHONE COMPANY OF FLORIDA AND
UNITED TELEPHONE COMPANY OF FLORIDA'S
REQUEST FOR CONFIDENTIAL CLASSIFICATION**

Pursuant to Rule 25-22.006, Florida Administrative Code, UNITED TELEPHONE COMPANY OF FLORIDA and CENTRAL TELEPHONE COMPANY OF FLORIDA (collectively, "Sprint United/Centel" or the "Companies") file this Request for Specified Confidential Classification for certain cost study information provided to the Staff in this docket, and say:

1. This request covers documents submitted to the Division of Records and Reporting under a confidential cover on November 15, 1996. These documents are Late-Filed Exhibit No. 2 to the deposition of F. Ben Poag. This **confidential** exhibit contains certain cost study information prepared by Sprint. The documents to which this request relates was filed with the Division of Records and Reporting under a separate confidential cover and a Notice of Intent to Request Confidential Classification on November 20, 1996.

2. In accordance with FPSC Rule No. 25-22.006, F.A.C., a copy of the documents with the information the Companies consider to be proprietary has been filed under a separate cover as Exhibit "A" to this request and has the confidential information

DOCUMENT NUMBER-DATE

13224 DEC 11 96

FPSC-RECORDS/REPORTING

highlighted for identification purposes. In accordance with Rule 25-22.006, Florida Administrative Code, the Companies have appended hereto as Exhibit "B" one edited copy of the confidential answers with the confidential information blacked out ("redacted").

3. Commission Rule 25-22.006(4)(a) provides that a utility may satisfy its burden of proving that information is specified confidential material by demonstrating how the information falls under one or more of the available statutory examples. In the alternative, if no statutory example is available, the utility may satisfy its burden by including a justifying statement indicating what penalties or ill effects on the Companies or its ratepayers will result from the disclosure of the information to the public. The Companies have identified this confidential information on a line-by-line basis, and have appended the required line-by-line identification and justifications hereto as Exhibit "C."

4. The information for which confidential treatment is requested has not been disclosed, except pursuant to a protective agreement that provides that the information will not be released to the public.

7. For all the foregoing reasons, Sprint United/Centel respectfully urge the Commission to classify the above-described and discussed document as proprietary confidential business information pursuant to Rule 25-22.006, Florida Administrative Code, and as such exempt from Chapter 119, Florida Statutes.

WHEREFORE, UNITED TELEPHONE COMPANY OF FLORIDA and CENTRAL TELEPHONE COMPANY OF FLORIDA move the Commission to enter an Order declaring the documents claimed to be confidential in this request are proprietary confidential business information pursuant to Section 25-22.006, Florida Administrative Code.

DATED this 11th day of December, 1996.



LEE L. WILLIS
JOHN P. FONS and
J. JEFFRY WANLEN
Ausley & McMullen
P. O. Box 391
Tallahassee, Florida 32302
(904) 224-9115

ATTORNEYS FOR UNITED TELEPHONE
COMPANY OF FLORIDA AND CENTRAL
TELEPHONE COMPANY OF FLORIDA

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U. S. Mail or hand delivery (*) this 11th day of December, 1996, to the following:

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ATTORNEY

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into temporary)
local telephone number portability)
solution to implement competition in)
local exchange telephone markets)
_____)

Docket NO. 950737-TP

EXHIBIT "B" TO SPRINT UNITED/CENDEL'S
REQUEST FOR CONFIDENTIAL CLASSIFICATION

Unedited Version
With
Confidential Information Redacted

Interim Number Portability⁽¹⁾
 Cost Rate Development

<u>Service</u>	<u>TSLRIC Costs</u>				<u>Rates</u> @ 55% Discount ⁽²⁾
	<u>RCF</u> <u>Feature</u> ⁽²⁾	<u>ADDITIONAL</u> <u>Call Paths</u>	<u>ADDITIONAL</u> <u>Call</u> <u>Path</u> <u>Costs</u>	<u>Total</u>	
Residence	\$.87	6	\$0.12	\$0.99	\$0.45
Business	\$.87	10	\$1.70	\$2.57	\$1.26
Additional Paths (each)	N/A	N/A	\$.69	\$.69	\$.31

- (1) Using Remote Call Forwarding
- (2) Includes first call path
- (3) Discount for inferior number portability

A
Busy Hour Usage

Line

Sprint Corporation
- Proprietary -

Remote Call Forwarding
Call Path Res (1-6)
Call Path Bus (1-6)
Call Path Additional

1
2
3
4

Lines per Office

5

Annual Charge Factor

6

Getting Started Investment

7

Sprint Proprietary Data

Other Inputs and Calculations are Bellcore or Switch Vendor Proprietary.

Remote Call Forwarding
Cost Matrix-Florida

Sprint Corporation
- Proprietary -

TSLRIC	<u>A</u> Investment	<u>B</u> Annual Charge Factor	<u>C</u> Months	<u>D</u> Monthly Recurring	<u>E</u> Monthly Software	Total Monthly Recurring	Line
DMS							1
Memory Processor							2
Total							3
5ESS							4
Memory Processor							5
Call Line Card (LEN)							6
Total							7
1210							8
Memory Processor							9
Call							10
Total							11
TSLRIC							12
Cost (A)							13
Switch Weighting (B)							14
A*B							15

TSLRIC	<u>A</u> Investment	<u>B</u> Annual Charge Factor	<u>C</u> Months	<u>D</u> Monthly Recurring	
DMS					1
Memory Processor					2
Total					3
5ESS					4
Memory Processor					5
Call					6
Total					7
1210					8
Memory Processor					9
Call					10
Total					11
TSLRIC					
Cost (A)					12
Switch Weighting (B)					13
A*B					14

TSLRIC

A
Investment

B
Annual Charge Factor

C
Months

D
Monthly Recurring

DMS
 Memory
 Processor

Total

5ESS
 Memory
 Processor
 Call

Total

1210
 Memory
 Processor
 Call

Total

TSLRIC
 Cost (A)
 Switch Weighting (B)
 $A \cdot B$

1
 2
 3
 4
 5
 6
 7
 8
 9
 10
 11
 12
 13
 14

TSLRIC	<u>A</u> Investment	<u>B</u> Annual Charge Factor	<u>C</u> Months	<u>D</u> Monthly Recurring	
DMS					1
Memory Processor					2
Total					3
5ESS					4
Memory Processor					5
Call					6
Total					7
1210					8
Memory Processor					9
Call					10
Total					4
TSLRIC Cost (A)					12
Switch Weighting (B)					13
A*B					14

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into temporary) Docket NO. 950737-TP
 local telephone number portability)
 solution to implement competition in)
 local exchange telephone markets)
 _____)

EXHIBIT "C" TO SPRINT UNITED/CENDEL'S
 REQUEST FOR CONFIDENTIAL CLASSIFICATION

Line-by-line Identification and Justification

Number	Line(s)	Column(s)	Justification
01	1-7	A	Note 1
02	1-15	A-F	Note 2
03-05	1-14	A-D	Note 2

Note 1: This data represents the support for Sprint's calculation of the cost of remote call forwarding as the temporary number portability solution. It shows usage and investment information for the call forwarding function and the related paths. This data was prepared using outputs from Bellcore's Switching Cost Information System ("SCIS"), which is a computer costing model licensed to Sprint. Pursuant to the license agreement, Sprint is required to keep detailed output information from SCIS free from public disclosure. A more complete explanation of SCIS and Bellcore's position on SCIS is included in the affidavit of Philip G. Bayster, which is attached hereto as attachment one to this exhibit "C" and incorporated herein by reference. If Sprint were to breach the licensing agreement by publicly disclosing protected information, Sprint might lose the ability to continue using SCIS as part of its costing process. Thus, public disclosure of this information would harm the Company.

Even if this information is not required to be kept free from public disclosure due to a licensing agreement, the information on this page is confidential because it represents the Company's specific usage and investment data for one of its services, i.e., RCF as the temporary number portability solution. This type of data shows fundamental information about the economics of operating the Companies and would be useful to competitors when making

economic decisions such as whether, where and how to compete in the local exchange market. Likewise, fundamental economic data like this can be used by a competitor to make investment and pricing decisions. For these reasons, in the new competitive environment, cost data like this is kept confidential by competitors. Sprint does not have this type of data from its competitors and could not obtain it without significant cost. Disclosing this type of data from Sprint to the public would make this valuable competitive data available to potential competitors at no cost, thereby giving potential competitors an advantage in the marketplace unavailable to Sprint. Consequently, disclosure to the public would harm Sprint.

Note 2: This data on this page reflects a cost matrix used to calculate the monthly recurring costs of RCF for different types of switches and on a weighted basis. It shows switch processor and memory investment in dollars (col. A) in total and on a monthly basis, as well as software costs (col. E.) and totals (col. F). Because the calculations on this page are interrelated, various pieces of data on these pages can be used to re-calculate or "back-into" the basic investment and cost data shown on this exhibit.

This data was prepared using outputs from Bellcore's Switching Cost Information System ("SCIS"), which is a computer costing model licensed to Sprint. Pursuant to the license agreement, Sprint is required to keep detailed output information from SCIS free from public disclosure. A more complete explanation of SCIS and Bellcore's position on SCIS is included in the affidavit of Philip G. Bayster, which is attached hereto as attachment one to this exhibit "C" and incorporated herein by reference. If Sprint were to breach the licensing agreement by publicly disclosing protected information, Sprint might lose the ability to continue using SCIS as part of its costing process. Thus, public disclosure of this information would harm the Company.

Even if this information is not required to be kept free from public disclosure due to a licensing agreement, the investment and cost data on these pages reflects the costs that Sprint has paid for competitively priced goods and services on the open market. If Sprint publicly discloses the prices it pays suppliers for goods and services, those suppliers may refrain from offering those prices again in the future. Thus, disclosure of this type of data will impair Sprint's ability to procure goods and services in the marketplace and disclosure of this data will harm the Company.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

FORMAL INVESTIGATION TO EXAMINE)
AND ESTABLISH UPDATED UNIVERSAL)
SERVICE PRINCIPLES AND POLICIES FOR)
TELECOMMUNICATIONS SERVICES IN)
THE COMMONWEALTH)

DOCKET L-00940035

AFFIDAVIT OF PHILIP G. BAYSTER

I, Philip G. Bayster, being duly sworn, depose and say:

1. I am employed by Bell Communications Research, Inc. (Bellcore) as Executive Director for Central Office and Network Cost Support. In this capacity I have personal knowledge of and am responsible for the development, maintenance and enhancement of the Switching Cost Information System (SCIS), Loop Cost Analysis Tool (LCAT), Ultimate Allocation Area Analysis Program (UAAAP), and Capital Cost (CAPCOST Plus) product. SCIS is a computer program that creates technical and economic models of various switching architectures and corresponding feature offerings used to route calls through the telephone network. LCAT and UAAAP are computer programs that create technical and economic models of various loop architectures used to deliver service to the subscriber. CAPCOST Plus is a computer program that creates the investment to cost relationship for the various components of capital expenditures and expenses incurred in

Exhibit C
Attachment One

the telephone network. I am also responsible for licensing and marketing SCIS, LCAT, UAAAP, and CAPCOST Plus to domestic and foreign telephone companies and regulatory agencies, as part of Bellcore's business of providing computer-based information processing and analytical services to the telecommunications industry.

2. Tariff review proceedings usually require parties to establish the costs of providing relevant services. In the case of state and federal proceedings, such activities include the development of fees related to the deployment and use of telephone call routing networks. They also include the necessary cost analyses for the allocation of network costs, such as switching-related costs, among the specific services that a network can provide. In the United States, for example, the FCC & state regulatory agencies review the tariff rates charged by the owners of the nation's call routing networks (such as those of the Regional Bell Operating Companies or RBOCs) to their customers, including other firms that provide long-distance service. Also, foreign telecommunications providers are often subject to similar regulatory oversight and must also prepare complex cost-allocation studies. In addition, in various non-U.S. telecommunications markets, state-owned telephone companies are considering different forms of privatization and/or the liberalization of existing rules related to the provision of telecommunications services. In these markets, it is frequently important to analyze the costs of call routing in order to set the initial privatized tariffs that should be charged for use of the networks.

3. Bellcore's SCIS, LCAT, UAAAP, and CAPCOST Plus programs address these needs for complex network cost analyses. The SCIS program currently contains detailed proprietary and engineering information relative to nine switching system technologies from seven switch manufacturers that participate in the worldwide market for network switching systems. (The switch manufacturers that furnish data to Bellcore for SCIS are Northern Telecom Inc., Siemens/Stromberg Carlson, AT&T Technologies, Ericsson

Network Systems, Fujitsu, Alcatel and Nippon Electric Company.) The switch vendors provide Bellcore with technical data about switch architectures, as well as system processing time and memory requirements for various switching functions. The vendors also provide detailed price information, including forecasts of future pricing strategies and product development, for use in the SCIS models. LCAT and UAAAP contain detailed engineering and economic information about nine circuit designs that provide three service deliveries and are the intellectual property of Bellcore. CAPCOST Plus contains detailed economic information about the development of capital cost and operating expense components associated with the investment in a particular telephone plant account. Bellcore is the sole author, owner and operator of the SCIS, LCAT, UAAAP, and CAPCOST Plus programs.

4. Programming algorithms in SCIS developed by Bellcore translate switch vendor information into cost profiles (called primitives) for various applications of the switching technologies. Other Bellcore-derived algorithms apply those cost primitives to the individual features that use the shared network resources. SCIS output reports provide the feature costs related to possible configurations of switching equipment in various subscriber systems. Program algorithms in LCAT and UAAAP developed by Bellcore translate raw loop characteristic and investment data into cost profiles (called circuit designs) for various applications of the loop technologies. Program algorithms in CAPCOST Plus developed by Bellcore translate financial, economic, and marketing data into cost factors that relate the investment per telephone plant account to an equivalent annual cost. As a result, the SCIS, LCAT, UAAAP, and CAPCOST Plus programs allow a telephone company or a regulatory agency to calculate the costs of using different combinations and kinds of switching equipment with various cost drivers in a given type of telephone network. Conversely, disclosure of the SCIS, LCAT, UAAAP, and CAPCOST Plus programs would allow for public access to information, directly or in

derivative form, that is provided to Bellcore pursuant to non-disclosure agreements and which contains pricing and technical data, as well as algorithms, all of which could be used to precisely determine network architecture, operating characteristics and attendant pricing strategies.

5. The SCIS, LCAT, UAAAP, and CAPCOST Plus computer programs and their economic models must be constantly updated to reflect new network technologies, current engineering rules, new network architectures, and current vendor price information. SCIS, LCAT, UAAAP, and CAPCOST Plus today contain more than 6000 program files and over 425,000 lines of programming code. Approximately 35 to 40 percent of the system code is revised every year, and there have been over 75 SCIS, LCAT, UAAAP, and CAPCOST Plus software releases since 1985. Bellcore has spent more than \$37 million since 1984 to develop and maintain the SCIS, LCAT, UAAAP, and CAPCOST Plus programs. SCIS, LCAT, UAAAP, and CAPCOST Plus currently require significant time commitments from more than 35 Bellcore employees.

6. Bellcore currently licenses the SCIS, LCAT, UAAAP, and CAPCOST Plus computer programs as part of its consulting practice to 22 domestic and international telephone companies and communications regulatory authorities. Six of Bellcore's licensees are RBOCs, including Bell Atlantic. Bellcore receives approximately \$4.5 million per year in license fees and system maintenance costs from these 6 RBOC customers alone. The other Bellcore domestic SCIS, LCAT, UAAAP, and CAPCOST Plus licensees are AllTel Service Corporation, Citizens Telephone Company, Cincinnati Bell Telephone, GTE Service Corporation, Illinois Consolidated Telephone, Lufkin-Conroe Telephone Exchange, Inc., Lincoln Telephone Company, Pacific Telecom, Puerto Rico Telephone Company, Frontier Telephone Company, Roseville Telephone Company, Southern New England Telephone Company, and Sprint. These 13 non-RBOC domestic

customers provided Bellcore with more than \$1.5 million in yearly license fees and system maintenance costs during 1995.

7. Bellcore started marketing SCIS, LCAT, UAAAP, and CAPCOST Plus internationally in 1992. As of February, 1996 four overseas customers, Optus Communications of Australia, Telefonos de Mexico (Telmex), Telecom New Zealand, and Hongkong Telecom have contracted for the SCIS, LCAT, UAAAP, and CAPCOST Plus programs, providing Bellcore with annual revenues of \$700 thousand. Several others are expected to contract for the models in 1996, which will result in an additional \$300 thousand in annual revenues. In addition, Bellcore is currently attempting to license the SCIS, LCAT, UAAAP, and CAPCOST Plus programs to approximately 20 other telephone companies and regulatory authorities, many of whom are non-U.S. companies or agencies. This reflects the recent trend toward cost-based tariffs and cost accountability, particularly overseas.

8. All licenses to use the SCIS, LCAT, UAAAP, and CAPCOST Plus programs are granted pursuant to a written licensing agreement with Bellcore. The agreement grants the licensee a personal, nonexclusive and nontransferable right to use the SCIS, LCAT, UAAAP, and CAPCOST Plus programs solely within and for the licensee's own business. Under the terms of the agreement, the licensee must hold the licensed information in confidence. Licensees cannot disclose licensed information to anyone other than its employees who have a need to know, cannot make copies of the licensed information, and must refrain from decompiling, disassembling or decoding the software, or deriving any of its source code or algorithms.

9. Specific representative provisions imposed upon licensees by Bellcore include the following terms and conditions:

- "a. LICENSEE shall hold the LICENSED INFORMATION (the software and documentation) in confidence for the benefit of LICENSOR (Bellcore) as proprietary information. The LICENSED INFORMATION shall be clearly and conspicuously marked as LICENSOR's proprietary information. LICENSEE shall not make any disclosure of the LICENSED INFORMATION (including methods or concepts utilized therein) to anyone other than its employees who have a need to know. LICENSEE shall notify its employees of their obligations of confidentiality with respect to LICENSED INFORMATION. The obligations of LICENSEE and its employees shall survive and continue after any termination of LICENSEE's rights under this Master Agreement (License Agreement). Such obligations shall not extend to any information relating to LICENSED INFORMATION which is now available or which later becomes available to THIRD PARTY (any individual, corporation, partnership, association or other entity, other than the parties to the License Agreement) without restriction by acts not attributable to LICENSEE or its employees.
- "b. No copies shall be made of the LICENSED INFORMATION (other than one (1) backup copy) nor shall LICENSEE reverse engineer, decompile, disassemble or decode any software furnished hereunder, or derive any source code or algorithms therefrom.
- "c. Title in the LICENSED INFORMATION shall remain in Licensor.

Provision of Bellcore proprietary material to the OCA by Bell Atlantic is inconsistent with the licensing agreement and would cause Bellcore significant harm.

10. SCIS, LCAT, UAAAP, and CAPCOST Plus software and documentation contains conspicuous legends which identify them as proprietary to Bellcore. Specifically, the following notice is contained on the SCIS, LCAT, UAAAP, and CAPCOST Plus software label and on the title page of the SCIS, LCAT, UAAAP, and CAPCOST Plus documentation:

**PROPRIETARY
BELLCORE AND AUTHORIZED CLIENTS ONLY**

This Document contains proprietary information that shall be distributed or routed only within Bell Communications Research (Bellcore) and its authorized clients, except with written permission of Bellcore.

Subsequent pages of the system documentation contain the following notice:

Proprietary – Bellcore and Authorized Clients Only
See proprietary restrictions on title page.

11. Bellcore is not the only company that provides cost-modeling services to the telecommunications industry. The domestic and international markets for these services are highly competitive. For example, Analysis Ltd., a firm based in the United Kingdom, has developed a competing spreadsheet network and switching cost-modeling program. Analysis Ltd. competed against the Bellcore model for service contracts in Australia and New Zealand. Within North America, the Rand Corporation provides a cost-consulting practice that competed against Bellcore for Telmex consulting services and cost modeling. KPMG, Coopers & Lybrand, National Economic Research Associates, and other U.S. and overseas consulting firms provide telecommunications cost-consulting services. In addition, many individuals and smaller firms such as the OCA's consultant conduct economic cost study consulting practices which could readily compete with Bellcore in the telecommunications cost modeling market. Finally, several telephone companies are attempting to develop their own cost modeling systems. For example, U S West has developed and has expressed a desire to market a Switching Cost Model, and foreign companies like British Telecom, Korea Telecom, and Nippon Telephone and Telegraph are reported to have cost modeling research and development programs underway.

12. Network cost modeling services are essential to establishing cost-based tariff structures. Demand for them will increase as governments around the world continue to privatize their public telecommunications monopolies and/or open markets to increased competition. Such activities are now under way in Mexico, Canada, Australia, Thailand, Indonesia, Chile and Eastern Europe. The value of contracts for cost modeling services over the next five years is, in my judgment, between approximately \$30 and \$50 million.

13. In addition, the FCC is now ordering domestic telephone carriers to settle their accounts with international carriers using cost-based tariff accounting methods, and international lending agencies such as the World Bank are encouraging telecommunications authorities to adopt a cost-based tariff process as a prerequisite to granting telecommunications infrastructure loans. These requirements are likely to increase the demand for network cost modeling services, as evidenced by the rapid introduction of SCIS, LCAT, UAAAP, and CAPCOST Plus into the international markets since 1992. As a result, more information-processing companies here and abroad will consider entering the cost modeling service market to meet the existing and growing demand.

14. Bellcore will suffer serious and substantial competitive harm in the telecommunications cost modeling service market if the SCIS, LCAT, UAAAP, and CAPCOST Plus programs are disclosed to third parties and their consultants in regulatory proceedings. Bellcore has never permitted the disclosure of these programs to intervenors or their consultants in regulatory proceedings. The SCIS, LCAT, UAAAP, and CAPCOST Plus models are an important part of Bellcore's stock-in-trade and represents an important intellectual property of the company. Bellcore has historically been considered the leader in the network cost modeling market, and I know of no other firm that has invested more heavily in models designed for that market or that has accumulated

a more substantial data base of switch vendor cost and technical information. Provision of Bell Atlantic work papers and source documents, accompanied by detailed narrative explanations, that would allow either current or potential competitors to replicate cost methodologies and/or calculate assumptions as requested by the OCA would, in essence, constitute disclosure of Bellcore proprietary information.

15. If Bellcore's work on the SCIS, LCAT, UAAAP, and CAPCOST Plus models became available to Bellcore's competitors for a few hundred dollars in copying fees, it would become much easier and less costly for Bellcore's competitors to offer services comparable to the SCIS, LCAT, UAAAP, and CAPCOST Plus programs, without needing to recover the investment cost Bellcore has incurred. Bellcore will have lost much of the future value of the over \$37 million spent since 1984 to build the computer programs and keep them current. Moreover, if Bellcore's programming code, algorithms, economic models, or the documentation explaining how the SCIS, LCAT, UAAAP, and CAPCOST Plus programs operates enters the public domain, Bellcore's current and potential licensees might develop their own cost models and have little or no future need for our services. Bellcore would certainly lose a significant portion of the over \$6.7 million it currently receives yearly in licensing, user support, and maintenance fees.

16. Bellcore would also suffer harm because switch vendors would probably refuse to provide it with the detailed technical and pricing data that make these models valuable. The vendors consider this information highly confidential and make it available to Bellcore only under strict nondisclosure and limited use agreements. These agreements generally require Bellcore to

"a. hold the Information in confidence . . . ;

- "b. restrict disclosure of the Information . . . solely to those employees of Bellcore and its affiliates (the RBOCs) having a need to know for purposes set forth therein;
- "c. advise those employees of their obligations with respect to the Information; and
- "d. use the Information only to the extent necessary to populate the fields and data bases included in Bellcore's software systems distributed to Bellcore's shareowner companies and independent telephone companies under license agreement.

The market for switching and network technology is extremely competitive. If the vendors' highly revealing information — system architecture descriptions, pricing data and product strategy forecasts, and switch capability information — were freely available to competitors through program documentation and algorithms, the vendors would very likely refuse to give that vital information to Bellcore. This is not speculation. For example, comments by switch vendors on this issue to the FCC indicate that such a withdrawal of support from the SCIS model would be likely, and the Commission has so found. *Freedom of Information Act Request (FOIA Control No. 92-266), Commission Requirements for Cost Support Material to be Filed with Open Network Architecture Access Tariffs*, 7 FCC Red 1526, 1533 para. 36, 1535 para. 50 (1992).

17. Without the continuous flow of such vendor data, these models would become non-functional. Even if only one or two of the vendors stopped providing data, their usefulness would be impaired. This would place Bellcore at a serious competitive disadvantage.

18. Because of the significant competitive harm Bellcore would suffer if the SCIS, LCAT, UAAAP, and CAPCOST Plus programs and documentation were made available to third parties and their consultants in regulatory proceedings, Bellcore would probably

decline future engagements that might require it to provide program access and would instead focus on work not subject to public disclosure requirements. While such a response might impair the Pennsylvania Commission's ability to implement its programs for regulating the telecommunications industry, competition in the marketplace for cost-modeling services would make it imprudent for Bellcore to subject its models to the risk of further disclosure. Other modeling service providers would probably respond in the same way.

19. Finally, in the FCC's recent Open Network Architecture proceeding, Bellcore and the RBOCs retained the services of an independent auditor (Arthur Andersen) to evaluate the reasonableness of the SCIS model and to perform sensitivity analyses to ascertain the cause and effect relationship on the filed rates. The final report provides a comprehensive opinion and analysis on the ONA costing process that far exceeds what is usually available in tariff proceedings. The cost of this independent review exceeded \$1 million. The LCAT and UAAAP models and analyses use the same methodological underpinnings as SCIS and would, therefore, tolerate the same scrutiny with like results.

Philip G. Bayster

Philip G. Bayster

Sworn to and subscribed before me
a Notary Public, this 13th day of
February, 1996

Dolores A. Gumina

Notary Public

My Commission Expires:

DOLORES A. GUMINA
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Apr. 30, 1997