813-483-2606

GTE SERVICE CORPORATION

201 North Franklin Street (33602)

Post Office Box 110, FLTC0007

Tampa, Florida 33601-0110

813-204-8870 (Facsimile)

One Tampa City Center

58 AUG -3 AM U: 12 Marceil Morreil*

Assistant Vice President &-

Associate General Counsel-East Area Consult AND

Anthony P. Gillman* Assistant General Counse: REPORTING

Florida Region Counsel** Kimberly Caswell M. Eric Edgington Ernesto Mayor, Jr. Elizabeth Biemer Sanchez

Certified in Florida as Authorized House Councel Lowneed in Florida

August 3, 1998

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

Docket No 980696-TP Re Determination of the cost of basic local telecommunications service. pursuant to Section 364.025, Florida Statutes

Dear Ms. Bayo:

Flease find enclosed for filing in the above matter an original and fifteen copies of the Direct Testimonies of Carl R. Danner, Michael R. Norris, Steven A. Olson, Meade C. Seaman, Allen E. Sovereign, David G. Tucek, and Dr. James H. Vander Weide on behalf of GTE Florida Incorporated. Also enclosed are an original and fifteen copies of a Notice of Intent to Seek Confidential Classification.

ACK You will note that Mr. Tucek's testimony states that he is sponsoring three exhibits. Two of these exhibits are in hard copy form: GTE's company-specific inputs for BCPM, APP and the BCPM model run results. These exhibits have been redacted where necessary CAR to protect GTE's confidential and proprietary information. The third exhibit mentioned on Mr. Tucek's testimony is a CD-ROM containing BCPM populated with GTE's company-specific inputs. Because it is not possible to redact confidential information CTR on the CD-ROM, only two copies are being provided with this filing. If the Commission EAG Staff needs additional copies, they may contact Mr. Reynes Dominguez at (813) 483-LEG 3377.

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A part of GTE Corporation

DOCUMENT NUMBER-DATE

08096 AUG-38

FPSC-RECORDS/REPORTING

Blanca S. Bayo August 3, 1998 Page 2

The CD-ROM is also not being provided to any party of record in this docket who has not requested and executed a Protective Agreement with GTE. If any other party would like a copy of the CD-ROM, they may contact me at (813) 483-2617 so that we can execute a Protective Agreement.

Service has been made as indicated on the Certificate of Service. If there are any questions regarding this filing, please contact me at (813) 483-2617.

Cut wy P. Siller

pur Kimberly Caswell

KC:tas Enclosures

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the Cost of)		
Basic Local Telecommunications)		
Service, pursuant to Section 364.025,)	Docket No.	980696-TP
Florida Statutes)		
	1		

DIRECT TESTIMONY OF

MICHAEL R. NORRIS

ON BEHALF OF

GTE FLORIDA INCORPORATED

AUGUST 3, 1998

1	Q.	HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY STATE OR
2		FEDERAL REGULATORY COMMISSIONS?
3	A.	I have sponsored testimony before the state utility commissions of
4		Arkansas, California, Hawaii, Indiana, New Mexico, Oklahoma, South
5		Carolina and Texas.
6		
ĩ	Q.	WHAT IS THE PURPOSE OF YOUR TESTIMONY?
8	A.	The Florida State Legislature has directed this Commission to select
9		a cost proxy model to estimate the total forward-looking cost of
10		providing basic local service. My testimony discusses how the
11		expense levels shown in GTE witness Mr. Olson's testimony were
12		developed into inputs for use in the Benchmark Cost Proxy Model
13		(*BCPM*).
14		
15	Q.	PLEASE SUMMARIZE YOUR TESTIMONY.
16	A.	There are three types of expense inputs required within BCPM:
17		capital-related expenses, expressed as a percent of investment, non-
18		capital-related expenses, expressed on a per-line basis; and general
19		support asset ratios. My testimony covers the development of each
20		of these three areas of expense inputs into BCPM.
21		
22	Q.	PLEASE DESCRIBE GENERALLY THE PROCESS OF
23		DEVELOPING BCPM OPERATING EXPENSES INPUTS.
24	A.	The starting point for developing BCPM expense inputs is the ARMIS
25		adjusted expenses described in the testimony of GTE witness Mr.

Olson. For purposes of BCPM, the adjusted ARMIS expenses 1 discussed by Mr. Olson are further adjusted to remove expenses 2 associated with non-recurring costs, billing and collection costs 3 associated with toll and access, and directory costs. These adjusted 4 expense amounts are then mapped to cost pools. Finally, the 5 expense information mapped to the cost pools is used to calculate the 6 three types of expense inputs required by BCPM. 7 8 PLEASE EXPLAIN IN MORE DETAIL THE ADJUSTMENTS YOU 9 Q. MADE TO THE ARMIS ADJUSTED EXPENSE DATA. 10 As mentioned previously, there are three adjustments made to the A. 11 ARMIS levels of expense provided by Mr. Olson. The first adjustment 12 13 removes incurred costs that are associated with the provision of nonrecurring activities. These costs are recovered through non-recurring 14 charges associated with service order activity and as such must be 15 removed so as not to recover the same expense twice. 16 17 The second adjustment removes operating expense associated with 18 toll and access billing and collection activities, because these 19 activities are not related to the provision of basic local 20 21 telecommunications service. 22

> The third adjustment removes expense associated with the provision of directory services from the cost pool analysis. GTE develops its expense for FCC purposes and this adjustment is made to recognize

23

24

structure of GTE. A workcenter is a collection of budget centers that perform similar activities or functions. The GTE Finance Organization performed the budget center to workcenter mapping

Q.

A

Workcenters are assigned to cost pools based on the Finance Organization's analysis of the functions performed in the workcenters. There are 20 different cost pools—pole, buried cable metallic, aerial cable metallic, billing and collection, and common are a few examples.

The attached Exhibit MRN-1 shows the detailed results of the expense account cost pool assignment process. Exhibit MRN-2, also attached, summarizes cost pool assignments into BCPM-required input format.

HOW ARE INPUTS FOR EXPENSES RECOVERED AS A PERCENT
OF CAPITAL-RELATED INVESTMENT DEVELOPED FOR BCPM?
Expense to capital-related investment ratios associated with ten
designated capital accounts (which include costs related to Central
Office and Transmission Equipment, Poles, Conduit, and Aerial,
Underground and Buried Cable) are developed utilizing the results of
the cost pool assignment process described earlier. Expenses used
in the numerator, to calculate expense to capital-related investment
factors, are taken from the relevant expense developed by cost pool.
The denominator in the calculation is taken from the respective

1		investment cost pool after being adjusted by the C.A. Turner index.
2		Expense as a percent of capital-related investment inputs are applied
3		to the network plant investment developed within BCPM.
4		
5	Q.	PLEASE EXPLAIN THE C.A.TURNER INDEX AND WHY IT IS USED
6		WITH THE CAPITAL ACCOUNTS.
7	A.	The C.A.Turner Telephone Plant Index is published by AUS
8		Consultants, the successor company to Associated Utility Services,
9		Inc. These indices are applied to each vintage year of a plant
10		account to determine the reproduction cost of embedded plant, (i.e.,
11		the cost in today's dollars). By utilizing the C.A.Turner Index in the
12		development of capital-related expenses, we are better able to model
13		the relationship of expense levels to the investment levels produced
14		within BCPM.
15		
16	Q.	HOW WERE EXPENSE INPUTS FOR NON-CAPITAL RELATED
17		EXPENSES DEVELOPED?
18	Α.	Non-capital-related expense inputs to BCPM are expressed on a per-
19		line basis. There are eight non-capital expense categories: Network
20		Support, General Support, Network Operations, Marketing, Customer
21		Services, Executive & Planning, General & Administration, and
22		Uncollectibles. GTE develops the non-capital-related cost inputs from
23		the expense data assigned to the consumer, business and common

cost pools. These amounts are then multiplied by the local direct cost

percentage (i.e., the percentage of local calls to otal calls) to

24

GTE Florida - BCPM 3.1 Expense Cost Pool Assignment

Summary by Cost Pool

		Aerial		Buried		Underground				
Account	Cable	Non Metallic	Metallic	Non Metallic	Metallic	Non Metallic	Metallic	Poles	Conduit	Transmission
6112	62,303	0	0	0	0	0	0	0	0	0
6113	0	0	0	0	0	0	0	0	0	0
6114	0	0	0	0	0	0	0	0	0	0
6115	0	0	0	0	0	0	0	0	0	0
6116	25,534	0	0	0	0	0	0	0	0	0
6121	827,709	0	0	0	0	0	0	10,156	124,410	
6122	184,172	0	0	0	0	0	0	2,250	16,587	
	223,959	0	0	0	0	0	0	1,861	12,733	
6123	497,520		0	0	0	0	0	7,139	72,526	154,647
6124	030,186	0	ő	0	0	0	0	0	0	0
6211	0	0	ō	0	0	0	0	0	0	0
6212	0	0	Ŏ	0	0	0	0	0	0	0
6215	0	o o		0	0	0	0	0	0	0
6220	0	0		0	· ·	0	0	0	0	117,977
6231	0	0			Č	0	0	0	0	5,816,464
6232	U	0	,			0	0	0		0
6351	0	0				0	0	0		0
6362	0	0				0	0	109,767		0
6411	0	0	0.770.07				0	0		0
6421	0	8,095	9,770,074		7	58,184	1,364,158	0) 0
6422	0	0			27 042 00		1,504,100	0		0
6423	0	0		43,660	37,843,883		0	0		. 0
6424	0	0		0			0	o o		
6426	0	0	3.0	0		0	0	0		
6431	0	0) 0		0	0	0	255,04	
6441		0		0		0 0	0	0	255,04	0 0
6512		0	3	0 0	3	0 0	0	0		,

Docket No 980696-TP
Direct Testimony of
Michael R. Norris
Exhibit MRN-1
FPSC Exhibit No
page 1 of 5

GTE Florida - BCPM 3.1 Expense Cost Pool Assignment

Summary by Cost Pool

		Aerial		Buried		Underground				_
Account	Cable	Non Metallic	Metallic	Non Metallic	Metallic	Non Metallic	Metallic	Poles	Conduit	Transmission
6531	0	0	0	0	0	0	0	0	0	1,302,475
6532	19,907	0	0	0	0	0	0	0	0	u o
6533	0	0	0	0	0	0	0	0	0	0
6534	679,337	0	0	0	0	0	0	530	0	0
6535	1,109,751	0	0	0	0	0	0	213,372	0	0
6540	0	0	0	0	0	0	0	0	0	0
6561	0	0	0	0	0	0	0	0	0	0
6563	0	0	0	0	0	0	0	0	0	0
6564	0	0	0	0	0	0	0	0	0	0
6611	0	0	0	0	.0	0	0	0	0	0
6612	155	0	0	0	0	0	0	0	U	0
6613	0	0	0	0	.0	0	0	0	0	0
6621	0	0	0	0	0	0	0	0	0	0
6622	0	0	0	0	0	0	0	0	0	0
6623	505	0	0	0	0	0	0	0	0	0
6711	0		0	0	() 0	0	0	0	0
6712	0	0		0	(0	0	0	0	
6721	0	0		0	() 0	0	0		0
6722	1,761	0		0		0	0	31		
6723	113,357		(0	() 0	0	18,691	9	
6724	11,246		(0	() 0	0	0	0	
6725	0	0	(0	(0	0	0		0
6726	č	0	(0	(0	0	0		
6727	č	0		0		0	0	0	(0
6728	2,230,904	0		0		0 0	0	54,977	151,582	323,215
7240	2,230,50			0 0	1	0	0	0	() 0
	5,988,120	8,095	9,770,07	4 43,660	37,843,88	2 58,184	1,364,158	418,774	632,887	10,285,814
Subtotal	3,800,121		H-43/1/37/37/3		eratalistas.				PEST	Dire Dire

Docket No. 980696-TP
Direct Testimony of
Michael R. Norris
Exhibit MRN-1
FPSC Exhibit No
page 2 of 5

GTE Florida - BCPM 3.1 Expense Cost Pool Assignment

Summary by Cost Pool

A a a a u m t	Switching	IOT	Direct Other	Access	B&C	Operator	Consumer	Business	Carrier	Common
ccount	5,644,059	0	289,439	0	0	0	0	0	0	0
5531		0	4,737,516	r	0	0	789	5,234	0	0
5532	1,891,139	0	15.846.094	. 40 1	0	0	0	0	0	0
3533		0	5.887,978		0	0	15,593	4,383	0	(0)
3534	9,729,675	0			4	0	7.633	397,400	0	0
3535	727,223	0	2,590,451	0	0	0	0	0	0	0
3540	0	0	0	0	0	0	0	0	0	286,618,647
3561	0	0	0		0	0	0	0	0	332,488
8563	0	0	0	0	0	0	0	0	0	0
6564	0	0	0	0	0	0	8,505,821	4,967,305	0	130,300
6611	349	0	37,725	0	0	0	1,504,034	16,991,444	0	563,121
6612	3,280	0	4,666	0	0	0	5,379	10,281,146	0	215,758
6613	0	0	0	0	0	0	0,070	0	0	0
6621	0	0	0	0	0	0	0	0	0	0
3622	0	0	0	0	121	Ü	20 520 504	4,493,397	0	1,018,104
6623	400,172	0	1,121,819	0	14,588,972	0	26,520,591		ő	1,738,519
6711	55	0	1,338,944	0	1,702	0	141,822	417,408	0	2,833,542
6712	4,412	0	3,051	0	5	0	1,260	20,283	0	8,099,927
6721	101	0	1,372,456	0	809	0	372,196	580,698	0	4,751,712
6722	54,944	0	11,161	0	2,458	0	9,092	2,786,912	0	
6723	423,242	0	458,353	0	53,537	0	318,710	475,702	Ü	7,557,924
6724	114,336	0	9,553,000	0	2,114,876	0	3,398,133	1,977,918	0	18.314,323
6725	0	0	41	0	0	0	886	15,762	0	2,402,760
6726	413	č	1,961,985	0	0	0	381	0	0	1,030
	413	č	1,094	0	0	0	0	0	0	2,732,631
6727	6 504 600	ř	3,974,968	0	517,222	0	4,154,361	2,883,853	0	3,434,025
6728	5,594,600	,		0	0	0	0	0	0	0
7240	0	(
	74 477 400		69,599,186	0	19,640,653	0	56,353,250	52,090,577	0	345,885,902
Subtotal	71,433,400	,	93,023,100						Exhi FPS page	Die C

Direct Testimony of Michael R. Norr's Exhibit MRN-1 FPSC Exhibit No. page 4 of 5

GTE Florida - BCPM 3.1 Investment Cost Pool Assignment

ĭg €	0	619 975 218	0	0	2,727,086	610 005 673	0	記れたち	57 586 340	324 433 848	1 208 821	494 612 682	28 X 2 K 2 4 6 5	1,700 442 789	9,042,738	3541389	\$18 918	0	3421553	D	e	465,424,037	4 404 655 811
100	0	0	0	0	0	0	0	21 724 752	0	0	0	0	0	0	0	0	0	0	0	D	0	0	31 724 783
Switch (N)	0	819.975.218	0	0	0	a	0	0	0	6	0	0	0	0	0	0	0	0	0	0	0	0	818 875 918
Mission (M)		0	0	a	2,727,086	610,005,673	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	812 732 758
Condut (I.)	0	0	0	0	o	o	0	0	0	0	0	0	0	0	6	0	0	0	0	0	0	465,424,037	465 424 037
P 20	0	0	0	0	0	0	0	0	57,588,340	0	0	0	0	0	0	o	0	0	0	0	0	0	57 686 340
Undergd Metaffic (J)	0	0	0	0	D	0	0	0	0	0	0	494,812,692	0	0	o	0	0	0	0	0	0	0	494 812 602
Metallic (1)	0	0	0	0	0	0	0	0	0	0	0	0	79,282,485	0	D	0	0	0	0	0	0	0	79 262 485
Blechald Metallic 70	o	0	0	0	0	0	0	0	o	0	10	0	0	1,700,442,769	0	0	0	0	0	0	0	0	1 700 442 788
Metallic (G)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,042,708	0	0	0	0	0	0	0	8 043 708
Asertal Mersalic (F)	0	0	0	0	0	0	o	а	0	324 433,649	o	0	0	0	0	0	0	0	0	0	0	0	374 433 648
Metallic (f)	O	0	0	2	0	0	0	0	0	0	1 208 621	0	0	0	o	0	0	0	0	0	0	0	1 208 831
36	0	69	0	0	0	0	0	0	0	0	0	0	0	0	0	3,541,300	\$40.91B	0	3,421,553	0	0	0	7 909 871
Factor (3)	1 000000	0.702500	1 000000	1 059300	1 050900	0.937200	1 000000	0 996000	2 056400	1 574200	0.995300	1 624100	0.988100	1.476700	0.934500	2 048300	1 066800	1 000000	1 624800	1 624800	1 040500	1,736000	27 53
Amount (2) (8)	0	842.527.000	0	15,160,000	2.595,000	650,881,000	\$30,785	32,175,215	28,052,101	206,094,301	1,214,328	304,568,855	80,217,068	1,151,515,385	9,678,520	1,728,102	865,965	0	2,105,830	0	821,139	268,191,404	3 838 950 001
Account (A)	221100	221200	221500	222000	223100	27:3200	235100	236200	241100	342110	242120	242210	242220	342310	342320	242410	242420	342520	242510	242829	243100	244100	Lotton

Notes:

(1) investment accounts 221100 through 244100 are denicity assigned to Crist Priorit based on the operational function of the 6 digit account number

(2) investment amount as 13 month reling average for the parent 1285 - 1287

(3) investment amount as 13 month reling average for the parent 1285 - 1287

(4) Accounts 221100 (Average switch) 221500 (Electrometriame

Docket No. 980696-TP Direct Testimony of Michael R. Norris Exhibit MRN-1 FPSC Exhibit No page 5 of 5

GTE Florida - BCPM 3.1
Expense Cost Pool Summary

	100	O TABLE OF STREET				57 - BU.	
Motor Vehicle	6112	0	0	2,343	1,537	36,682	40,563
	6113	0	0	0	0	0	0
Aircraft	6114	0	0	0	0	0	0
Special Purpose Vehicle	6115	0	0	0	0	0	0
Garage Work Equipment	6116	0	0	0	1	(443)	(442
Other Work Equipment Network Support Expense	6110	0	1	2,343	1,538	36,238	40.121
Network Support Expense	0110						
Land & Building	6121	0	10,945	1,794,364	1,630,783	2,797,560	6,233,652
	6122	0	181,640	1,177,776	419,613	375,769	2,154,798
Furniture & Artwork	6123	0	360,523	531,440	275,910	288,468	1,456,340
Office Equipment	6124	0	1,807,153	7,890,647	2,863,889	1,643,055	14,204,744
General Purpose Computers		0	2,350,260	11,394,227	5,190,195	5,104,851	24,049,533
General Support Expense	6120		2,550,250	11,00			
COE Switching	6210	107,500,233	0	0	0	0	107,500,233
COE Transmission	6230	15,479,137	0	0	0	0	15,479,137
	6310	0	0	0	0	0	0
Information Orig/Term	6411	630,213	0	0	0	0	630,213
Poles	6421.1	16,496,579	0	0	0	0	16,496,579
Aerial Copper Cable	6421.2	13,668	0	0	0	0	13,668
Aerial Fiber Cable	6422.1	2,303,354	0	0	0	0	2,303,354
Underground Copper Cable		98,243	0	0	0	0	98,243
Underground Fiber Cable	6422.2	63,898,654	0	0	0	0	63.898,654
Buried Copper Cable	6423.1	73,720	0	0	0	0	73,720
Buried Fiber Cable	6423.2		0	ō	0	0	952,433
Conduit Investment System	6441	952,433	U	o .			
Provisioning	6512	0	0	0	0	0	
Other Property Plant	6510	0	0	0	0	0	

Docket No. 980696-TP
Direct Testimony of
Michael R. Norris
Exhibit MRN-2
FPSC Exhibit No.
page 1 of 2

GTE Florida Expense Inputs - BCPM 3.1

Operating Expense Factor Development1 (\$ in 000's)

Total Access Lines2

2,314,065

Cost Element	USOAR Account	Total Adjusted Expenses	CA Turner Adjusted Investment3	Montly Per Line Expense	Expense to Investment Ratio
Network Support Expense	6110	\$40	\$0	\$0.0014	NA
Contract of the Contract of th	6120	\$24,050	\$0	\$0.8661	NA.
General Support	6210	\$107,500	\$619,975	NA	0.1734
COE Switching	6230	\$15,479	\$612,733	200	0 0253
COE Transmission	6310	\$0	\$0		N.A
Information Orig/Term	6411	\$630	\$57,686	NA	0.0109
Poles	6421.1	\$16,497	\$324,434		0.0508
Aerial Copper Cable	6421.2	\$14	\$1,209		0.011
Aerial Fiber Cable	6422.1	\$2,303	\$494,813		0.004
Underground Copper Cable		\$98	\$79,262	1000	0.001
Underground Fiber Cable	6422.2	\$63,899	\$1,700,443		0.037
Buried Copper Cable	6423.1	\$03,099	\$9,043		0.008
Buried Filter Cable	6423.2	\$952	\$465,424		0.002
Conduit Investment System	6441	\$952	\$400,424		N/
Other Property Plant	6510		\$0	The second secon	N/
Network Operations	6530	\$1,031	\$0	and a company of the	
Marketing	6610	\$43,164	\$0	The second secon	
Services	6620	\$46,621	\$0		
Executive and Planning	6710	\$5,155	\$0	The state of the s	
General and Administrative	6720	\$66,958	\$0	The second secon	-
Uncollectibles4	6790	\$24,341	34	\$0.0700	1%

Notes

- Unless noted otherwise, adjusted expenses were developed based on the ICM 3.0 cost study.
- 2. 1997 FCC Lines File.
- 3. Based on a 13 month-end average.
- 4 Source: 1997 year-end general ledger, Account 530110, "Uncollectible Revenue Endusers."

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Determination of the Cost of
Basic Local Telecommunications
Service, pursuant to Section 364.025,
Florida Statutes

Docket No. 980696-TP

DIRECT TESTIMONY OF

STEVEN A. OLSON

ON BEHALF OF

GTE FLORIDA INCORPORATED

1		GTE FLORIDA INCORPORATED
2		DOCKET 980696-TP
3		
4		DIRECT TESTIMONY OF STEVEN A. OLSON
5		
6	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS
7	A	My name is Steven A. Olson. My business address is 600 Hidden
8		Ridge, Irving, Texas.
9		
10	Q.	BY WHOM ARE YOU EMPLOYED, AND IN WHAT CAPACITY?
11	A.	I am employed by GTE Business Development and Integration as
12		Manager - Regulatory Accounting and Compliance
13		
14	Q.	WHAT ARE THE RESPONSIBILITIES OF YOUR CURRENT
15		POSITION?
16	A	My principal duties include the direction and supervision of the
17		preparation of accounting information in support of tariff filings, and
18		all regulatory reporting and compliance as required by multiple
19		regulatory agencies. These agencies include the Federal
20		Communications Commission ("FCC") and the Florida Public Service
21		Commission. Additionally, I am responsible for ensuring that
22		accounting policies and interpretations conform with the rules or
23		guidelines set forth by the various regulatory agencies. In this
24		proceeding, I am providing testimony on behalf of GTE Florida
25		Incorporated ("GTE Florida" or "Company").

intrastate operating basis for the twelve month financial period ending December 21, 1997.

This analysis shows the actual costs and investments recorded on the Company's books and records, which are kept pursuant to the dictates of this Commission and the Federal Communication Commission (FCC). These actual costs, expenses and investments represent the existing plant and facilities necessary for the Company to render service to the public, and the costs to provide wholesale and retail services that GTE Florida will experience in the foreseeable future. As Exhibit SAO-1 demonstrates, GTE Florida is not earning excessive profits and, if anything, existing revenue flows do not provide an adequate profit in addition to recovering the actual cost of the network used to provide service

A

Q. PLEASE DESCRIBE HOW YOUR TESTIMONY IS ORGANIZED.

The following discussion presents the financial results of GTE Florida's operations for the twelve month period ended December 31, 1997, adjusted for appropriate and reasonable restating and going-forward issues. The financial data reflects booked amounts maintained in accordance with the Uniform System of Accounts ("USOA"), Part 32, as prescribed by the FCC in Title 47 of the Code of Federal Regulations.

0	PLEASE DESCRIBE THE	ATTACHED	EXHIBIT	SAO-1
Q.	PLEASE DESCRIBE THE	MILIMORED	LAHIDH	ONO-1

total company and intrastate Florida level. Column "(a)" lists the summary line items of the income statement and rate base. Column "(b) provides total company results restated for out-of-period adjustments. Column "(c)" reflects the total company restated results after the out-of-period and going-level adjustments. Column "(d)" presents the financials on a restated intrastate basis. The fifth column, "(e)", reflects the total company results after the going-forward adjustments are made to the financials. The final column "(f)" summarizes intrastate Florida results, including restating and going-forward adjustments. Column "(e)" and "(f)" reflect GTE Florida's return after its costs of operating the network have been covered.

A

A

Q. PREVIOUSLY YOU MENTIONED "RESTATING" AND "GOING-FORWARD" ADJUSTMENTS. WHAT ARE "RESTATING ADJUSTMENTS"?

Restating Adjustments, as used in my testimony, are adjustments made to revenues, expenses, or rate base that are necessary for management to properly view the results of operations. I have made three types of restatements, for out-of-period normalizations, going-level adjustments, and yellow pages revenues. Restating adjustments for these items are necessary to accurately portray a normalized level of revenue, expense and rate base.

Out-of-period normalizations are for those items booked during the twelve month period ending December, 1997, but which relate to an accounting period outside of these financials. They also include known entries booked in a period other than the financial year, but which pertain solely to that financial year.

Я

Going-level restatements are adjustments required to attain an annualized impact of specific items booked during the year, but which, due to timing, do not reflect a full twelve months of activity. In addition, yellow page revenues have been removed from the financial results for reasons explained in Company witness Seaman's Direct Testimony.

These adjustments are appropriate to accurately reflect the Company's revenue and cost level for purposes of this case. The out-of-period normalizations, going-level restatements, and directories adjustment are reflected in Exhibit SAO-1, columns "(c)" and "(d)".

A

Q. WHAT ARE "GOING-FORWARD ADJUSTMENTS"?

Going-forward adjustments are required to reflect the full-year effect of significant known and measurable changes in operations that will occur in the twelve-month period following December, 1997. As with the restating adjustments, going-forward adjustments are necessary to accurately portray the Company's on-going operations.

1		forward adjustments are reflected in Exhibit SAO-1, columns "(e)"
2		and "(f)".
3		
4	Q.	PLEASE DISCUSS THE STEPS TAKEN TO QUANTIFY THE
5		FINANCIAL RESULTS OF OPERATIONS.
6	A.	The starting point was the December 31, 1997 twelve-month-to-date
7		per book total state income statement and rate base for GTE Florida,
8		which represents the actual costs and investments incurred to
9		operate the network that provides wholesale and retail services today.
10		These financials, kept pursuant to the requirements of this
11		Commission and the FCC, formed the base upon which restating and
12		going-forward adjustments were incorporated and upon which
13		jurisdictional separations were performed. Adjustments were made
14		to revenue, expense and rate base levels to properly reflect the
15		financial results through the going-forward period. By definition,
16		going-forward adjustments incorporate significant known and
17		measurable impacts for a reasonable period following the end of the
18		financial year. The jurisdictional separation factors were then applied
19		to the Florida operating results, by major revenue, expense and
20		investment category, to arrive at Florida's intrastate results of
21		operations.
22		
23	Q.	PLEASE EXPLAIN HOW DEPRECIATION WAS HANDLED IN
24		THESE FINANCIAL RESULTS.
25	A.	The normalized results reflect economic life depreciation in the

1		technology-related accounts, which GTE Florida has been using
2		since January 1, 1996. The Company's use of economic life
3		depreciation is discussed in the testimony of GTE witness Mr.
4		Sovereign
5		
6	Q.	PLEASE DISCUSS THE APPLICATION OF THE JURISDICTIONAL
7		SEPARATION FACTORS YOU MENTIONED EARLIER.
8	A.	Most of the investment and expenses of the Company are utilized in
9		providing both interstate and intrastate services. The Company
10		books are maintained according to the FCC's USOA, which, in most
11		cases, does not distinguish investment or expenses as between the
12		interstate and intrastate jurisdictions. The Company must, therefore
13		use a separation cost study to allocate investment and expense to the
14		appropriate jurisdiction. The separation factors resulting from the
15		cost studies were used to separate total Florida results between the
16		interstate and intrastate jurisdictions. These same factors were
17		applied to the individual expense and rate base adjustments to derive
18		the intrastate portions of the restating and going-forward adjustments
19		Exhibit SAO-1 reflects the intrastate financial results
20		
21	Q.	DOES THE ACCOUNTING DATA UNDERLYING YOUR

22

23

24

25

TESTIMONY AND SCHEDULES REFLECT OPERATING AND FINANCIAL RESULTS WHICH ADHERE TO THE ACCOUNTING RULES AND REGULATIONS PRESCRIBED BY THE APPLICABLE REGULATORY AGENCIES?

1	A.	Yes, it does. As previously stated, the books and records of the
2		Company are maintained in accordance with the USOA, Part 32,
3		which was adopted by this Commission in Rule 25-4.017. Part 32
4		records the telecommunication company's costs and investment by
5		plant category. The cost separation studies adhere to the standards
6		prescribed in Part 36 of the FCC rules and regulations
7		
8	Q.	HAVE THE NONREGULATED RESULTS BEEN REMOVED FROM
9		THE ACCOUNTING DATA PRESENTED IN THIS CASE?
10	Α.	Yes, nonregulated results have been removed. Nonregulated results
11		consist of both direct and allocated transactions Removing
12		nonregulated results was done in accordance with the Company's
13		Cost Allocation Manual (CAM). The CAM is filed with this
14		Commission as required by its Rule 25-4.135
15		
16	Q.	ARE THE BOOKS AND RECORDS OF THE COMPANY
17		REGULARLY AUDITED BY OUTSIDE INDEPENDENT AUDITORS?
18	A	Yes. Arthur Andersen is GTE's independent auditor. Arthur
19		Andersen conducts a minimum of one complete audit per year in
20		order to provide the certified independent auditor's opinion required
21		for the annual report and other purposes.
22		
23	Q.	PLEASE DISCUSS THE EFFECT OF THE RESTATING
24		ADJUSTMENTS.

1		operating taxes are reduced \$33,346,681 In total, her operating
2		income decreases \$52,289,378
3		
4	Q.	PLEASE EXPLAIN THE GOING-FORWARD ADJUSTMENTS.
5	A	The primary going-forward adjustment relates to a \$23.2 million total
6		company reduction in depreciation expense with the implementation
7		of economic lives for support assets and a remaining life true-up for
8		the digital switching, circuit, and cable accounts. A second
9		adjustment relates to the 1998 intrastate access reduction required
10		by Florida Statutes, section 364 163(6) This will reduce the
11		revenues in 1998 by \$8.8 million.
12		
13	Q.	PLEASE SUMMARIZE THE RESULTS OF YOUR ANALYSIS.
14	A.	The results of the analysis are shown in column (f) of Exhibit SAO-1
15		After all restating and going-forward adjustments are reflected in the
16		twelve months ended December 31, 1997, historical data, the
17		intrastate net operating income is \$112,929,986 and total company
18		net income is \$186,822,940. This produces returns on equity of
19		7.56% and 11.15%, respectively. These results show the Company's
20		costs, investment and the associated profit level for today and the
21		foreseeable future
22		
23	Q.	DOES THIS CONCLUDE YOUR TESTIMONY?
24	Α	Yes, it does

Docket No. 980696-TP
Direct Testimony of Steven Olson
Exhibit No. SAO-1
FPSC Exhibit No.
Page 1 of 1

GTE FLORIDA INCORPORATED TWELYE MONTHS ENDING DECEMBER 31, 1997 INCOME STATEMENT AND RATE BASE

	NORMALIZED	RESTA	TED	GOING-FO	RWARD
DESCRIPTION (a)	TOTAL COMPANY 12/31/97 (b)	TOTAL COMPANY 12/31/97 (c)	INTRASTATE 12/31/97 (d)	TOTAL COMPANY 12/31/97 (e)	INTRASTATE 12/31/97 (0
Operating Revenues	1,396,941,126	1,292,029,966	953,091,141	1,274,027,094	941,999,141
Operating Expenses	967,365,017	960,133,085	759,581,471	938,731,045	743,216,459
Operating Taxes	184,887,688	147,198,135	83,894,904	148,473,110	85,852,698
Net Operating Income	244,688,421	184,698,747	109,614,766	186,822,940	112,929,986
Average Rate Base	2,403,806,830	2,386,188,143	1,817,765,970	2,406,988,362	1,833,732,923
Return on Rate Base Investment	10.18%	7.74%	6.03%	7.76%	6.16%
Return on Equity	16.55%	11.10%	7.28%	11.15%	7.56%
Total Revenue Requirement				\$1,708,047,648	\$1,177,902,432

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the Cost of)	
Basic Local Telecommunications)	
Service, Pursuant to Section 364.025,)	Docker No. 980696-TP
Florida Statutes)	
)	

MEADE C. SEAMAN
ON BEHALF OF

GTE FLORIDA INCORPORATED

AUGUST 3, 1998

Competition/Interconnection Program Management Office for Telops, and was responsible for interconnection negotiations with new local market entrants. In 1997, I was named Vice President - Central Regulatory & Governmental Affairs for Telops. Earlier this year, I was appointed to my current position.

A.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY BODIES?

Yes. I have testified in nine state in arbitration proceedings arising under the Telecommunications Act of #396 ("the Act"): in Hawaii, Idaho, Illinois, Indiana, Ohio, Pennsylvania, South Carolina, New Mexico, and Wisconsin. I also have testified on matters related to policy, rate design, unbundled network elements ("UNEs") and cost of service studies before many of these same state commissions.

A.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

First, I will provide an overview of GTE's direct testimony in this proceeding by identifying each GTE witness and the issues they will address. Second, I will describe the general principles that run throughout (and should govern) all the issues to be addressed in this docket. Third, I will set forth GTE's specific positions on issues 1, 2, 3, and 5(a) identified for resolution in this proceeding, and will explain how these issues relate to, and are affected by, Section 254 of the Act.

1		I. OVERVIEW OF GTE'S PRESENTATION
2		
3	Q.	PLEASE LIST THE OTHER WITNESSES GTE IS PRESENTING IN
4		THIS DOCKET, AND PLEASE IDENTIFY THE ISSUES ADDRESSED
5		BY EACH WITNESS.
6	A.	In addition to my testimony, GTE is presenting the direct testimony of
7		five witnesses:
8		
9		Mr. Steven A. Olson identifies GTE's current, actual costs of providing
10		telecommunications services in GTE's territory. As I discuss in my
11		testimony, this information is relevant to the calculation of today's
12		implicit universal service support, and therefore provides a guide to the
13		Commission in selecting an appropriate cost model and associated
14		inputs used to help calculate explicit support.
15		
16		Mr. David G. Tucek presents numerous GTE-specific inputs to the
17		Benchmark Cost Proxy Model ("BCPM") and the output results from
18		ВСРМ.
19		
20		Mr. Michael R. Norris presents GTE-specific inputs for use in the
21		BCPM which deal specifically with various expense items and general
22		support asset categories.
23		
24		Dr. James H. Vander Weide presents the forward-looking cost of
25		capital to be used as an input to the BCPM

1		Mr. Allen E. Sovereign presents the economic depreciation lives to be
2		input into the BCPM.
3		
4		II. GENERAL PRINCIPLES APPLICABLE TO ALL ISSUES
5	Q.	WHAT GENERAL PRINCIPLES APPLY TO ALL THE ISSUES
6		PRESENTED IN THIS DOCKET?
7	Α.	In this docket, the Commission must evaluate and select a cost model
8		that calculates the total forward-looking cost of providing basic local
9		telecommunications service. To the extent such a model will be used
10		to help establish a permanent universal service fund for the State of
11		Florida, the results of the model must be sufficient to preserve,
12		maintain, and advance universal service as required by Section 254 of
13		the Act and by Section 364.025 of the Florida Statutes. These
14		fundamental principles-ensuring a "sufficient" universal service fund
15		and "preserving and maintaining" today's levels of universal service-
16		apply to all the issues presented in this docket.
17		
18		Given the above objective, the critical question presented in this docket
19		is easily stated: "How can we determine whether a particular forward-
20		looking cost model is appropriate for establishing a permanent universal
21		service mechanism that is sufficient to preserve and maintain universal
22		service? To answer this question, we should evaluate a cost model by
23		comparing its results to today's levels of implicit universal service
24		support. In this way, we can assess whether a cost model's results are

sufficient to preserve and maintain universal service.

Let me explain this last point. Promoting universal service has been a longstanding goal of this Commission. To date, the goal of universal service has been achieved through a system of *implicit* supports embedded in GTE Florida's rates. Under the Act, today's implicit supports must be replaced with a sufficient, explicit fund. Since the purpose of a universal service cost model is to help establish an explicit fund, the appropriateness of the model can be judged by comparing its results to today's implicit supports.

A.

Q. HOW CAN WE CALCULATE TODAY'S LEVELS OF IMPLICIT UNIVERSAL SERVICE SUPPORT?

We can reasonably estimate today's levels of universal service support by comparing (1) the current revenues generated by services that are now priced above their economic cost, with (2) the revenues that would be generated by such services if their prices were equal to their economic costs.

For example, interstate and intrastate access services are currently priced above their cost, and thus provide significant amounts of implicit universal service support. We can calculate the amount of implicit support provided by these services by comparing current access revenues with the revenues that would result if access services were priced at economic cost.

Q. HAVE YOU PERFORMED SUCH A CALCULATION?

these services assuming the price of each service was reduced to reflect its economic cost as determined by the Commission's own findings regarding the costs of unbundled network elements and the avoided retailing expenses set forth in its 1997 Order in GTE's consolidated arbitrations with AT&T and MCI. (Petitions of AT&T Comm. of the Southern States, Inc., MCI Telecomms, Corp. and MCI Metro Access Transmission Sycs., Inc. for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE Florida Inc. Concerning Interconnection and Resale Under the Telecomms, Act of 1996, Order No. PSC-97-0064-FOF-TP, Jan. 17, 1997.)

Finally, column (c), which is simply the difference between columns (a) and (b), reflects today's implicit support inferred by the Commission's own findings of fact. My Exhibit MCS-1, attached, presents a summary description of the process used to develop retail "economic costs" based on the Commission's ordered UNE rates for GTE.

A.

Q. COULD YOU EXPLAIN IN MORE DETAIL HOW YOU DETERMINED THE ECONOMIC COST OF EACH SERVICE?

Yes. The economic costs of local business service and toll service were calculated by adding up the costs of the UNEs used in the provision of each service. These UNE costs, however, reflect only wholesale costs, and must be marked up to reflect the retailing expenses that would be incurred in providing business and toll services. For these services, I marked up the total UNE costs to

account for retailing expenses based on the Commission's avoided cost discount rate of 13.04%, which was established by the Commission in GTE's arbitration with MCI and AT&T.

Interstate and intrastate access are wholesale offerings, and therefore the associated UNEs were not marked up by the avoided cost discount.

Also, the interstate access figures exclude end-user common line ("EUCL") charges, which were included in the local revenues.

Finally, we assumed the economic cost of vertical services to be equal to just the costs associated with retailing the services (<u>i.e.</u>, the avoided retailing expenses). This procedure was used because the Commission required GTE to include all vertical features in the price of local switching, presumably because the Commission believed the direct costs of unbundled vertical features are negligible. Although GTE does not agree with the Commission's decision on this point, GTE acknowledges that vertical services are today priced well above their cost, and therefore provide significant implicit supports. Again, however, under the Commission's own analysis, the economic cost of unbundled vertical services is either: (a) zero or (b) included in the unbundled port costs.

Q.

YOUR SUPPORT ANALYSIS LOOKS AT THOSE SERVICES THAT

CURRENTLY PROVIDE IMPLICIT SUPPORT. CAN YOU PERFORM

THE SAME ANALYSIS FOR SERVICES THAT RECEIVE IMPLICIT

an efficient provider in a competitive market would incur today in providing ubiquitous service. The history and purpose of regulation confirm this point.

B

For much of this century, the Commission regulated GTE under rate-ofreturn regulation to ensure that GTE's rates are "fair, just, reasonable
and sufficient" and that GTE's services and equipment are "modern,
adequate, sufficient and efficient." (Fia. Stat., Section 364.03(1).) In
1995, the Legislature enacted a statute that provided for price
regulation, which is intended to promote even greater efficiencies and
to encourage ILECs to make the same economic decisions that would
be made in a fully competitive market. Indeed, the Florida Legislature
recognized this very point in Section 364.01(4)(i):

- *(4) The Commission shall exercise its exclusive jurisdiction to:
- (i) Continue its historical role as a surrogate for competition for monopoly services provided by local exchange companies." [emphasis added]

In a nutshell, the principal purpose of regulation is to be "a surrogate for competition" to ensure that the firm earns no more than a reasonable profit (i.e., return) on its investment. If the Commission has fulfilled its statutory duties—and GTE believes it has—then GTE's current revenues should reflect the total, actual costs an efficient provider would incur in providing ubiquitous service today, including a

1 reasonable profit. Therefore, GTE's current revenues can be used to 2 help calculate today's cost of supporting universal service. 3 4 Finally, I will note that the FCC agrees with my analysis and with the 5 Florida Legislature's finding that regulation is a "surrogate for 6 competition." In its Second Report and Order in the LEC Price Cap 7 proceedings (the "LEC Price Cap Order"), the FCC explained its 8 position on both rate-of-return regulation and price-cap regulation. The 9 FCC opined that rate-of-return regulation may have "a tendency to 10 produce inefficiency," but ultimately concluded that 'rate of return 11 oversight is a responsible, functional method of correcting for these 12 tendencies." (LEC Price Cap Order at para, 29.) Indeed, the FCC 13 noted that it had disallowed over \$2.7 billion in LEC access charges 14 between 1985 and 1990 using rate-of-return regulation. (Id. at n.31.) 15 16 Because of alleged (although unsubstantiated) concern over gold-17 plating, the FCC implemented a price-cap regime. Like the Florida 18 Legislature, the FCC expressly acknowledged that the purpose of such 19 a regime is to replicate the benefits of a fully competitive market 20 "By our action today, [rate-of-return] regulation will 21 be replaced for the largest of the LECs on January 22 1, 1991, with an incentive-based system of

regulation similar to the system we now use to

regulate AT&T. Incentive regulation will reward

23

24

HAS GT	E PRE	SENTED AN	NY OTHER E	VIDENCE T	o su	PPORT ITS
CLAIM	THAT	CURRENT	REVENUES	REFLECT	THE	CURRENT
ACTUAL	cos	TS OF PRO	VIDING SER	VICES?		

Yes. GTE has presented the testimony of Steven A. Olson, Manager-Regulatory Accounting and Compliance. Mr. Olson's testimony sets forth a financial analysis of GTE's adjusted operating results for the twelve-month period ending December 31, 1997, and is based upon GTE's actual costs. Mr. Olson's analysis shows that GTE's regulated revenues for 1997 recovered no more than the actual costs incurred by GTE, and provided a return on equity of only 7.56% for GTE's intrastate operations. Clearly, GTE has not earned any "monopoly profits," and its current revenues actually understate the costs of providing service.

Q.

A

In sum, GTE's current revenues reflect the total, actual cost of providing service today, and these costs are the costs an efficient provider would incur in providing ubiquitous telephone service throughout GTE's service territory. Accordingly, we can identify today's costs of supporting universal service by calculating the implicit supports generated by selected services. GTE's Support Analysis discussed above shows this calculation, and conservatively identifies implicit supports of over \$487 million per year for GTE. This \$487 million is, in essence, today's implicit universal service fund. As I discussed earlier, the purpose of a cost model is to help establish an explicit fund that is sufficient to preserve and maintain universal service. If a cost model fails to produce a fund size commensurate with today's implicit fund, we

1		must ask why, and, if necessary, we must adjust the results of the cost
2		model to accurately reflect today's universal service requirements.
3		
4	Q.	ARE THERE ANY OTHER SOURCES OF IMPLICIT SUPPORT IN
5		ADDITION TO THOSE LISTED ON YOUR SUPPORT ANALYSIS?
6	A.	Yes. For example, yellow pages advertising has been used by the
7		Commission to provide significant support for basic service customers.
8		Although GTE currently operates under a price-cap form of regulation,
9		the foundation for the initial set of price-cap rates was based on a
10		revenue stream that included "imputed" yellow page advertising
11		contributions as a source of support. That level of "imputed" implicit
12		support necessarily continues on in a price-cap environment.
13		
14		This example of another source of universal service support
15		underscores my point that the \$487 million that I previously computed
16		is a conservative estimate of today's implicit universal service fund.
17		
18	Q.	THE PURPOSE OF THIS PROCEEDING IS TO EXAMINE THE
19		TOTAL COST OF PROVIDING BASIC LOCAL SERVICE USING A
20		COST PROXY MODEL. WHY ARE ACTUAL COSTS AND CURRENT
21		IMPLICIT UNIVERSAL SERVICE SUPPORT REQUIREMENTS
22		RELEVANT TO THIS PROCEEDING?
23	A.	The Legislature directed the Commission to investigate and report on
24		the total forward-looking cost of providing basic local
25		telecommunications service in order "to assist the Legislature in

rebalancing:

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"[L]et's assume we're not in a situation where we've gut any over-earnings. We're in a company that's within the regulated base, then I am supportive of revenue neutral changes for the company which would mean one of a couple of things. Either when you lower access, you at the same time receive funds from the universal service which was the example we just talked about or you could also lower access while doing some rate rebalancing in terms of raising residential rates or some other rates within the company. In other words, we [AT&T] agree that access is an implicit subsidy going to support residential local service. And, no, you shouldn't have that taken away and reduce access independently . . . "

Testimony of G. Blaine Darrah III, Director--Regulatory, AT&T Law and Government Affairs Division, Tr. 612-13, In re Generic Investigation of Intrastate Access Charge Reform, Docket No. I-00960066 (Pa. Pub. Util. Comm'n) (transcript of Sept. 11, 1997) [emphasis added].

AT&T's analysis necessarily acknowledges that an ILEC's regulated revenues equal its efficiently incurred costs, and therefore when implicit

subsides are removed they must be recovered from a universal service

mechanism in order to preserve and maintain universal service.

Although AT&T's admissions in Pennsylvania involved rate-of-return regulation, the principle remains the same: Regulation is a surrogate for competition, and an ILEC's revenues equal the costs of an efficient provider, regardless of whether the ILEC is subject to rate-of-return regulation or any form of price regulation.

Q.

A.

WHAT WOULD HAPPEN IF THE COMMISSION OR THE LEGISLATURE IGNORES TODAY'S COST OF PRESERVING AND MAINTAINING UNIVERSAL SERVICE?

If the Commission or the Legislature establishes a universal service fund or mechanism based solely on the results of a long-run, forward-looking cost model, and if this cost model fails to produce a fund size necessary to replace today's levels of implicit support, then universal service will be jeopardized. Moreover, as I discussed earlier, the use of such a model would violate both federal and state law, because it would not produce a fund size sufficient to preserve and maintain universal service. Finally, insufficient universal service funding will result in significant stranded costs for ILECs, and such costs must be recovered from consumers.

Q.

III. GTE'S POSITION ON SPECIFIC ISSUES

ISSUE #1: WHAT IS THE DEFINITION OF THE BASIC LOCAL
TELECOMMUNICATIONS SERVICE REFERRED TO IN SECTION
364.025(4)(b), FLORIDA STATUTES?

service mechanism can be determined solely through the use of a long-run, forward-looking cost model, and GTE does not believe the Legislature intended such a result. For example, the Legislature directed the Commission to report on "the relationships among the costs and charges associated with providing basic local service, intrastate access, and other services provided by local exchange telecommunications companies," and this report is independent of any report addressing the results of a cost proxy model for basic local service. This report would be irrelevant if the Legislature intended to establish a permanent universal service fund based solely on forward-looking cost models.

Second, as I discussed in Part II of my testimony, GTE believes that any explicit universal service fund or mechanism must be sufficient to replace all of today's implicit subsidies, and the results of any cost model should be adjusted to accommodate this goal. Otherwise, universal service will be jeopardized and the use of the cost model will violate federal and state law.

Third, GTE does not agree that a cost proxy model should be used to determine the cost of providing services. GTE believes that company-specific models and company-specific costs should be used, because they more accurately reflect the costs of providing service in Florida.

With these limitations in mind, GTE believes that the BCPM is the more

1		reasonable proxy model, but that the BCPM should be populated with
2		company-specific inputs. These issues are addressed in the direct
3		testimony of GTE witnesses David Tucek, James Vander Weide,
4		Michael Norris and Allen Sovereign.
5		
6	Q.	WHAT IS THE TOTAL COST OF PROVIDING BASIC LOCAL
7		SERVICE IN GTE'S TERRITORY AS CALCULATED BY THE BCPM?
8	Α.	Using GTE-specific inputs, the total cost of providing basic local service
9		in GTE's territory on an annual basis equals \$771 million. This total
10		cost was calculated using a three-step process:
11		
12		First, the BCPM produced the costs of providing basic local service
13		(i.e., supported services) at a wire center level on a per-line basis for
14		each wire center within GTE's service territory. (Obviously, these costs
15		vary by wire center.) Second, the total cost of providing basic local
16		service for all customers within a specific wire center was calculated by
17		multiplying (i) the BCPM's cost per line by (ii) the number of lines in that
18		wire center. Third, the total cost of providing basic local service for all
19		of GTE's service territory was calculated by adding together the total
20		costs of each wire center.
21		
22	Q.	BASED ON THESE RESULTS, WHAT UNIVERSAL SERVICE FUND
23		WOULD THE BCPM CREATE ASSUMING THAT TODAY'S RATES
24		FOR BASIC LOCAL SERVICE REMAINED THE SAME?
25	Α	Under this assumption, the BCPM would produce a total support

today's implicit support, as determined by using the Commission's own finding of fact on economic costs, exceed \$487 million per year. The BCPM, however, produces an explicit fund of only \$366 million per year. Given that the Act requires all implicit subsidies to be made explicit, and given that all of today's implicit support is needed to preserve and maintain universal service, relying on BCPM alone will result in a fund size that is insufficient.

Q.

ISSUE 3: FOR PURPOSES OF DETERMINING THE COST OF BASIC LOCAL TELECOMMUNICATIONS SERVICE APPROPRIATE FOR ESTABLISHING A PERMANENT UNIVERSAL SERVICE MECHANISM, SHOULD THE TOTAL FORWARD-LOOKING COST OF BASIC LOCAL TELECOMMUNICATIONS SERVICE PURSUANT TO SECTION 364.025(4)(b), FLORIDA STATUTES, BE DETERMINED BY A COST PROXY MODEL ON A BASIS SMALLER THAN A WIRE CENTER? IF SO, ON WHAT BASIS SHOULD IT BE DETERMINED?

A. Yes, the costs should be calculated on a basis smaller than a wire center to more accurately reflect the cost differences within a wire center. Using a wire center to delineate a universal service support area risks mixing lower-cost urban centers with significantly higher-cost outlying areas. The wire center is simply too large of an area to

capture and model cost variations

ISSUE 5(a): FOR PURPOSES OF DETERMINING THE COST OF
BASIC LOCAL TELECOMMUNICATIONS SERVICE APPROPRIATE
FOR ESTABLISHING A PERMANENT UNIVERSAL SERVICE
MECHANISM, FOR WHICH FLORIDA LOCAL EXCHANGE
COMPANIES MUST THE COST OF BASIC LOCAL
TELECOMMUNICATIONS SERVICE BE DETERMINED USING THE
COST PROXY MODEL IDENTIFIED IN ISSUE 2?

The cost of providing basic local telecommunications service should be determined for each non-rural *incumbent* LEC in the State of Florida. ILECs are currently the only carriers obligated to provide basic universal service on a carrier of last resort basis in a defined geographic area. Moreover, ILECs have the networks in place today to provide service to all customers within their service territory, and it is likely that the ILECs' network will continue to be used to provide service. Thus, until ubiquitous face the service competition develops, universal service support should be determined based on the existing ILEC's current, actual cost of providing service.

A.

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Q.

Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?

Yes. GTE has not addressed issues 6(a)-(c) in its direct testimony, because these issues concern LECs serving fewer than 100,000 access lines. GTE, however, reserves its right to take a position on these issues later in the proceeding.

Direct Testimony of Meads Seeman Exhibit No. MC8-1 Dootset No. 98069 FPSC Exhibit No. Page 1 of 1

BASED ON COMMISSION ORDERED UNE RATES DERNATION OF ECONOMIC COSTS

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Ordand Antided discount - Ran Ordansi Annided discount - Bus

Residence - en 1997 Average Business Uner

1,586,439 -vice Switched Access Lines

\$743,884 \$10,551 \$3,669 \$14,240 1201,797 ET 6, CHB4 30,127 Ordansed Plats \$34,924 Outp 0 \$7,009 (2000) \$10,297 0 -1 - 0 į \$217,011 Lines * 12 * Economic Cost per Line 1201,063 13,500 \$12,240 Total Economic 34,841 \$3,128 31,271 \$237,927 (\$000) Comp @ 534,501 5520,063 1482,122 \$2,444 \$4,000 10,300 Total Enonamia Ordered Plates \$17,000 \$10,015 123,684 \$4,445 1673,207 Ounts @ (3000) 2 2 0.00 F \$ 8 8 曹 0.37 Costs per Line 0.18 Debase B-0-0 Coursens 2 2 3 2 2 222 Read In Section 1 0.1.0 235 3953 220 1.00 0.20 8 MABS 3 1]] e 5 89 9598 3388 28.99 8 Ordanod The same 43 2000 를 2222 Costs per Use Š Ordanse (0 + 0 = p) Economic 2 4 4 5 2222 3 22 22 Cont Design B 200 2000 0.70 3.67 33.22 111 589 3288 3 H 9 8 The Charle 0.08 000 Total Internitate Access Total Intramishe Access Total Local Service Sw Access Transport Bw Access Transport Dw Access EOS the Access EOS Vertical Bendoes Local Usage Grand TOTAL 형 8 Z

Docket No. 980596-TP Direct Testimony of Meade Seaman Exhibit No. MCS-1 FPSC Exhibit No. Page 1 of 1

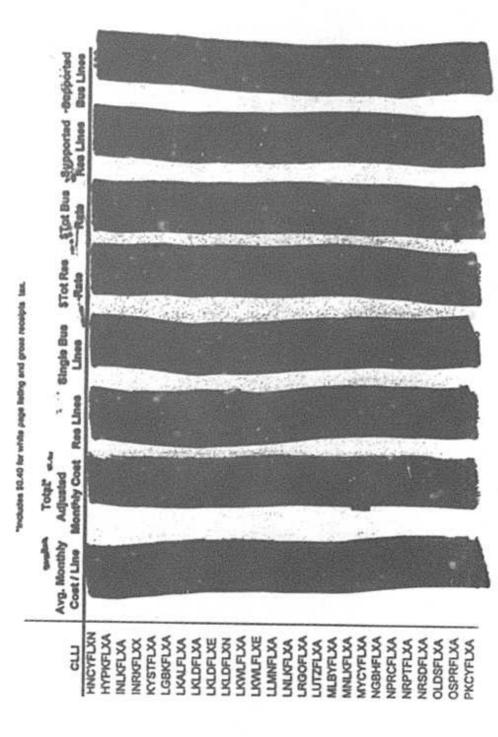
\$811,134

GTE USF Summary Rapor*

	34.12
	49 49
7/24/98	FL \$32.70
Data Produced	USF Calculation for GTE: Average BCPM Monthly Cost add Gross Receipts Tax Total Monthly Cost Cost Adjust Ratio (vs. BCPM) Federal Res Benchmark Rate Federal USF % Eligible Lines

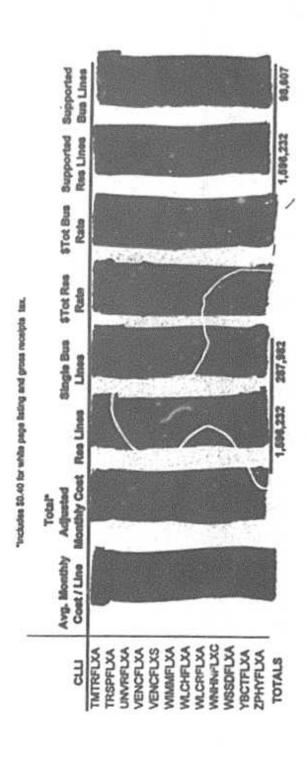
Type of Support	Ree Store	Total		SF Lines
nterstate	\$18,562,233	\$275,374	\$18.837.907	1155 631
ntrestate	\$340,985,543	\$6,455,742	\$347,441,284	1 6054 875
Total ³	\$309,547,776	\$8,731,116	\$366,278,892	MA

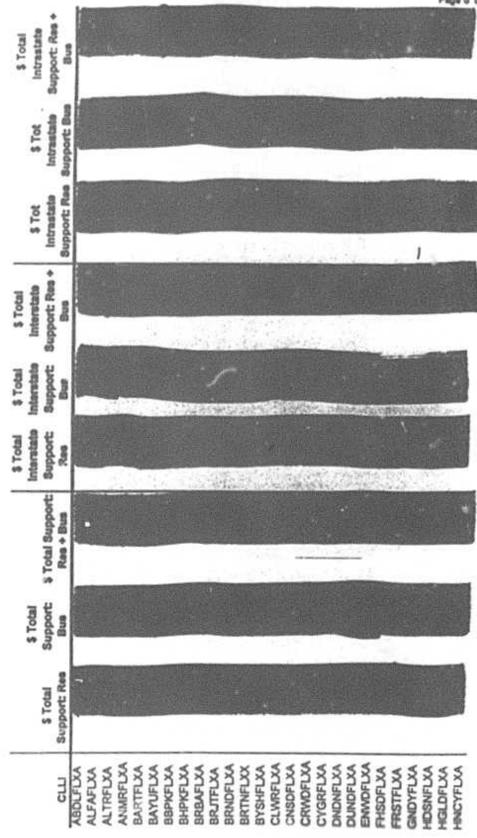
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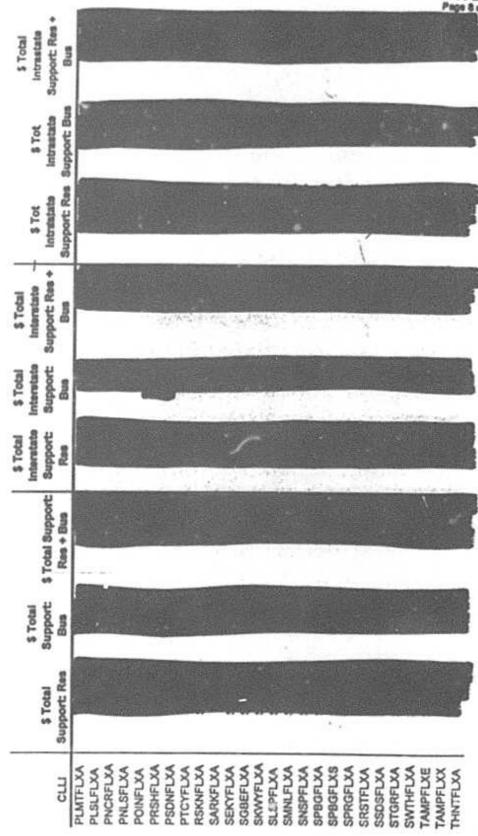


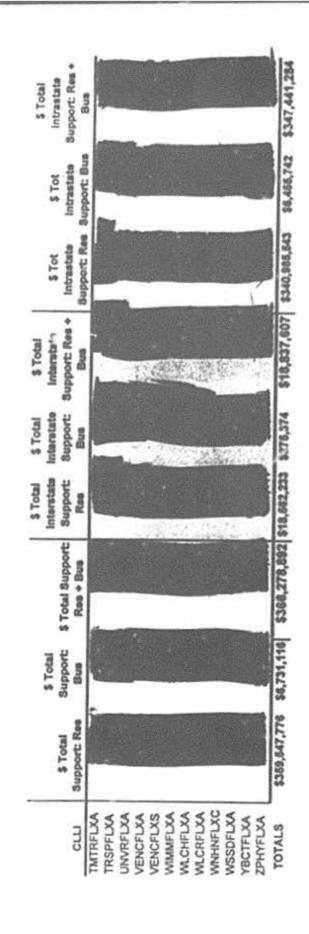
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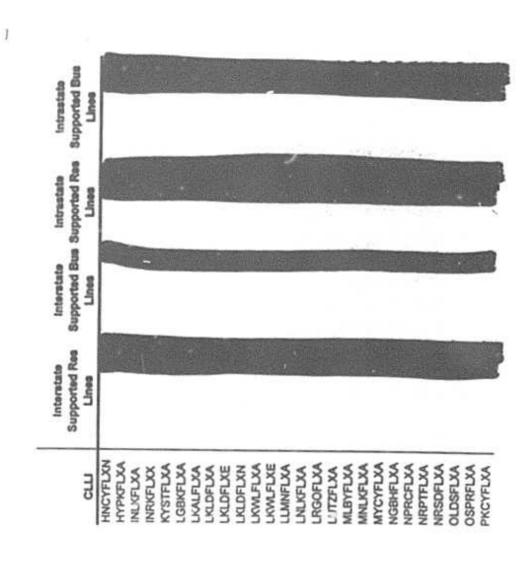




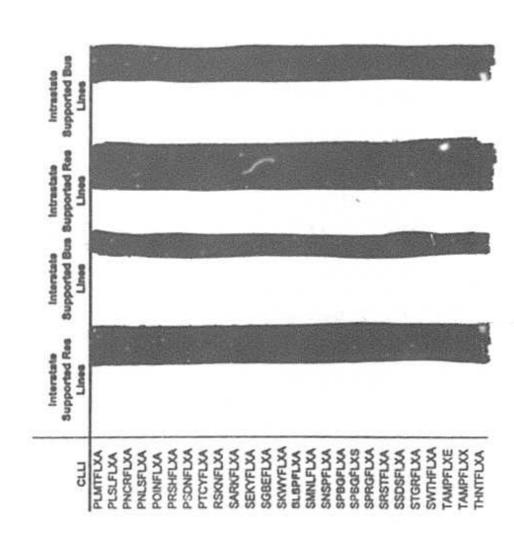




Docket No. 980696-TP Direct Testimony of Meade Seaman Exhibit No. MCS-2 FPSC Exhibit No. Page 11 of 13



Docket No. 980696-TP Direct Testimony of Meade Seaman Exhibit No. MCS-2 FPSC Exhibit No. Page 12 of 13



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Determination of the cost of basic local telecommunications service pursuant	 Docket No. 980696-TP Filed. August 3, 1998
to Section 364.025, Florida Statutes)

OF
ALLEN E. SOVEREIGN
ON BEHALF OF

GTE FLORIDA INCORPORATED

1		GTE FLORIDA INCORPORATED
2		DOCKET 980696-TP
3		
4		DIRECT TESTIMONY OF ALLEN E. SOVEREIGN
5		
6		I. INTRODUCTION
7		
8	Q.	PLEASE STATE YOUR NAME, ADDRESS AND PRESENT
9		POSITION.
10	A.	My name is Allen E. Sovereign. My business address is 1420 E.
11		Rochelle Dr., Irving, Texas 75038. I am employed by GTE as
12		Manager-Capital Recovery
13		
14	Q.	PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL
15		BACKGROUND.
16	A	I received a Bachelor of Science Degree in Electrical Engineering
17		from Michigan Technological University, Houghton, Michigan, in
18		1971. I received a Master of Science Degree in Business
19		Administration from Indiana University, Bloomington, Indiana, in 1980.
20		I have attended courses in depreciation and life analysis provided by
21		Depreciation Programs, Inc., of Kalamazoo, Michigan. I have also
22		attended and instructed basic and advanced GTE courses in
23		depreciation life analysis. I am a Senior Member of the Society of
24		Depreciation Professionals
25		

1	Q.	BRIEFLY DESCRIBE YOUR WORK EXPERIENCE WITH GTE.
2	A	I have worked with GTE Companies for 24 years, with 17 of those
3		years in the Depreciation study area. I have held various positions
4		in Engineering and Construction, Capital Budgeting, Marketing, and
5		Product Development. I was named Manager of Capital Recovery in
6		February 1994.
7		
8	Q.	WHAT ARE THE RESPONSIBILITIES OF YOUR CURRENT
9		POSITION?
10	A.	I am responsible for the preparation, filing, and resolution of capital
11		recovery studies for GTE Telephone Operations and the
12		determination of economic lives for GTE.
13		
14	Q.	HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY
15		REGULATORY BODIES?
16	A.	Yes, I have testified before the Texas, New Mexico, Arkansas,
17		California, Washington, Oregon, Idaho, Illinois, Pennsylvania,
18		Michigan, Indiana, South Carolina, Virginia, Kentucky, Nevada, Iowa,
19		Nebraska, and Hawaii State Utility Commissions.
20		
21	Q.	WHAT IS THE PURPOSE OF YOUR TESTIMONY?
22	A.	My testimony addresses Issue 4(a)the depreciation rates that
23		should be input into the cost model chosen to determine the cost of
24		providing basic local service. I will first describe the appropriate
25		methodology for determining the depreciation lives used in universal

"Economic life" is the period of time over which an asset is used to provide economic value to GTE. "Economic depreciation" is the per annum rate at which the cost of an asset can be recovered during the asset's economic life. Economic depreciation can be expressed mathematically in its simplest terms as the amount of the original asset investment divided by its economic life. This quotient represents an asset's economic depreciation expense that must be recovered each year for the duration of that asset's economic life.

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Q. IS THERE ANY REASON TO DEPART FROM ECONOMIC DEPRECIATION METHODOLOGY IN THIS DOCKET?

No. Historically, regulatory commissions prescribed asset lives based on the assumptions that there would be little or no competition, and that technological innovation would continue at a constant pace. The opening of the local exchange market invalidated those basic assumptions. As noted above, the economic life of an asset is the period of time over which that asset is used to provide economic value. Both increased competition and technological change shorten the period over which an asset will provide economic value. In a world where GTE was the sole provider, it was able to keep old assets on the books, even after their economic life had expired, because depreciation rates were based upon artificially long asset lives. Basing depreciation rates on long asset lives yielded lower depreciation rates and a longer period of time over which the asset was depreciated. These longer depreciation lives helped state

commissions to keep consumer prices low Today's market
environmentwhich will reduce the length of time over which GTE
must recover its investment in an assetrenders the use of artificially
long asset lives in calculating depreciation expense unsustainable
GTE urges this Commission to reject any suggestion that Florida
should use an outdated, historical-based depreciation approach
especially when rates the Commission prescribed for GTE as early as
1992 demonstrated more progressive thinking
HAS THE FLORIDA PUBLIC SERVICE COMMISSION ("FPSC")

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Q. STRICTLY FOLLOWED THE "TRADITIONAL" METHOD FOR SETTING DEPRECIATION LIVES IN FLORIDA?

No. The Florida Commission has for some time taken a more A forward-looking and innovative approach, in conjunction with traditional methods, in setting depreciation lives. Indeed, the FPSC historically has not followed, but has been "in-front" of the FCC in their analysis of appropriate depreciation parameters. Approval of GTE's depreciation inputs in this case would further the FPSC's past 18 thinking. 19

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- HAS THE FPSC ALREADY APPROVED DEPRECIATION Q. PARAMETERS FOR GTE THAT ARE SIMILAR TO THOSE GTE PROPOSES IN THIS CASE?
- Yes. As observed in the attached Exhibit AES-1, many key lives A. 24 approved for GTE by the FPSC are nearly the same as requested for 25

and	shown	in	Exhibit	AES-2,	attached	GTE	also	uses	these
depr	reciation	pa	rameter	s for fina	incial repor	ting pu	rpose	5.	

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III. THE INTRODUCTION OF COMPETITION REQUIRES THE USE OF ECONOMIC LIVES

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Q. WHAT FACTORS SHOULD THE COMMISSION CONSIDER IN APPROVING DEPRECIATION INPUTS FOR THE COST MODEL?

The Commission should keep in mind that it has already approved depreciation lives that are, in many instances, the same as or similar to the lives GTE proposes here. There is no plausible rationale for reverting to a less progressive, strictly historical approach, which would be primarily a mortality analysis with slight adjustments for Rather, competitive impacts must be technological change. recognized in establishing the economic value of GTF's assure. To this end, some 240 companies hold statewide certificates to operate as alternative local exchange carriers (ALECs), including such companies as AT&T, Bell South, MCI, Time Warner, WinStar Wireless, Biz-Tel, Ameritech, Metropolitan Fiber, Intermedia, Cable & Wireless, TCG, Teligent, and WorldCom. Full facilities bypass is becoming more of a reality, not only through emerging technological developments like wireless local loops and transmission through electric lines, but also through mega-competitors like AT&T-TCI, and SBC-Ameritech. Competitors will use not only copper twisted wire pairs, but also local wireless, coaxial cable, and the electrical wires

reflect these competitive considerations. Indeed, economic depreciation based on competitive market asset lives is the only approach consistent with the use of the forward-looking costing principle the Florida Legislature has dictated.

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Q. ARE THERE SPECIAL CONSIDERATIONS THAT SUBJECT GTE FLORIDA TO PARTICULARLY SEVERE COMPETITIVE LOSSES?

Yes. GTE's facilities in Florida are concentrated largely in the Tampa Bay Area, which has been a prime entry target for numerous competitors. This geographic concentration increases competitive risk, making GTE's Florida's operations particularly susceptible to devastating competitive losses

Q. HOW SERIOUS IS THE COMPETITIVE THREAT IN GTE'S LOCAL MARKETS?

Very serious. The Telecommunications Act of 1996 has substantially eased entry into local markets for competitors of all sizes. GTE has already executed 59 interconnection and/or resale contracts with other firms. Resale is a particularly quick and easy way for even smaller entities to offer service. More importantly, many of GTE's competitors will be large, well financed and well established telecommunications companies—some of which may bypass GTE's network completely. For example, AT&T Chairman C Michael Armstrong has eniphasized that local service is a key aspect of

1		access to our customers and we must control costs. This
2		investment with TCI is really the beginning of a consumer-
3		based facilities service." "
4		(CBS MarketWatch Media Report, June 24, 1998, "AT&T Buys TCI
5		in \$48 Billion Deal.*)
6		
7		Since TCI operates in GTE's Tampa territory, the AT&T/TCI merger
8		underscores the need for this Commission to affirm the use of
9		economic depreciation principles that will continue to permit GTE to
10		recover capital investments in accordance with market realities
11		
12	Q.	DOES GTE FACE BYPASS FROM OTHER SOURCES?
13	A.	Yes. GTE competes with facilities-based providersincluding ICI,
14		MFS/WorldCom, MCI, WinStar, AT&T/TCG, Time Warner, e spire,
15		and the City of Lakelandeven today. Bypass options will become
16		increasingly more common through emerging technologies such as
17		wireless local loop options. WinStar, for instance is a "wireless fiber"
18		company already operating in GTE's market. As noted in a recent
19		Wall Street Journal article
20		"WinStar and other wireless service companies could offer the
21		giant Bell companies and GTE Corp their most meaningful
22		competition in luring away phone customers to alternative local
23		services on a massive scale."
24		(Wall Street Journal, Nov. 10, 1997, page B6.)

1	On May 7, 1998, WinStar announced that services were launched
2	during the first four months of 1998 in seven markets, including
3	Tampa. (WinStar press release, May 7, 1998, "WinStar Adds 7 New
4	ALEC Markets.")
5	
6	Teligent Inc. offers another example of the competitive threat of
7	emerging technologies. Alex J Mandl, former AT&T President and
8	now Chairman and CEO of Teligent Inc. recently stated
9	"It is no accident that the company AT&T decided to buy to
10	jump-start its entry into local markets was Teleport
11	Communications Group, one of the largest of the new facilities-
12	based local competitors
13	
14	Companies like Teligent, WinStar, and BizTel (now owned by
15	Teleport) today are delivering new broad-band services with
16	technology that was not available even a year or two ago.
17	Real competition is coming to the local telephone market.
18	(Wall Street Journal, Jan. 28, 1998, page A18 [emphasis added])
19	
20	On January 28, 1998, Teligent announced the first ten cities.
21	including Tampa and Orlando, for full commercial launch of facilities-
22	based commercial service over its own digital wireless networks in
23	1998. At the same time, Teligent announced that it had ordered its
24	first ten DMS-500 switches. (Teligent press release, January 28,
25	1998, "Teligent Announces First Ten Cities for Commercial Launch

1	in 1998.") In the company's report of 1997 financial results,
2	Chairman Mandl emphasized Teligent's local market strategy
3	We are building the necessary foundation to support our
4	aggressive build out schedule. We're deploying the most
5	advanced digital, local communications networks in the
6	country to bring real competition to the local marketplace
7	(Teligent press release, March 11, 1998, "Teligent Reports 1997
8	Financial Results, Setting the Stage for 1998 Market Entry *)
9	
10	Teligent's local market assault prompted Fortune magazine to name
11	Teligent one of America's 12 "coolest" companies. The July 6, 1998
12	issue states: "Wall Street and industry pundits are gushing about this
13	fledgling telecom company, which is building a nationwide wireless
14	network to provide local phone service." (Fortune Magazine, July 6,
15	1998, "Cool Companies 1998.")
16	
17	Chairman Mandl responded "To be recognized as the only cool
18	telecom services company at a time when competition in the
19	telecommunications industry is exploding is exciting for us. We've
20	always known that Teligent is bringing leading edge technology to the
21	marketplace. But it's nice to be cool, too " (Teligent Press Release,
22	June 17, 1998, "Fortune Magazine Names Teligent One of America's
23	"Coolest" Companies.")
24	
25	

1		Local" strategy." Among the new markets listed is GTE's Tampa - St
2		Petersburg market.
3		
4	Q.	COULD YOU PROVIDE SOME EXAMPLES OF HOW A CUSTOMER
5		COULD LEAVE GTE'S LOCAL WIRELINE NETWORK FOR A
6		COMPETITOR'S LOCAL WIRELESS NETWORK?
7	A.	Yes. In February 1997, well before the merger announcement, AT&T
8		touted its "Project Angel," a revolutionary fixed wireless technology
9		to carry high-speed digital communications to most households
10		across the country at many times the capacity of traditional copper
11		wire. This technology will give AT&T a new way to provide local
12		service over its own facilities. This option would completely bypass
13		the ILEC's existing network, including the copper cable distribution
14		network. Even though AT&T is still in the trial phase of this project,
15		other providers are building and implementing local wireless
16		technology on a national scale
17		
18		Wireless providers, such as WinStar and Teligent, are building a full-
19		service national local switched telephone network that can bring fiber
20		quality service to fixed wireless connections for high speed, digital
21		voice and data transmissions. These reliable wireless circuits take
22		the place of existing fiber optic and copper communications lines.
23		This fixed wireless technology, in conjunction with a provider's own
24		switch, could completely bypass the ILEC's existing network

Q.	ARE	THERE	COMPETITIVE	THREATS	FROM	FIRMS	OTHER
	THAN	TELEC	OMMUNICATIO	NS COMPA	NIES?		

Yes. Evolving technologies will expand competition in ways that may not be immediately obvious. For instance, Britain's Norweb Communications has invented a " Digital PowerLine" technology that allows telephone calls to travel over electric lines. Ten utilities in Europe and Asia, with a combined reach of 35 million homes, are already testing the system. Northern Telecom, the big Canadian manufacturer of telephone equipment, has joined Norweb as a partner. Some American power providers are considering their own tests. "We are certainly familiar with the technology and are evaluating it," confirmed a spokesman for FPL Group Inc 's Florida Power & Light. Of the 1500 inquiries Norweb has received about the system, one third were from U.S. companies. (Wall Street Journal, July 2, 1998, "Garage Tinkering Yields an Electrifying Breakthrough.") Again, competitive threats from all of these sources--both familiar and emerging-illustrate the need for the Commission to adopt GTE's recommended economic lives for use in determining basic service costs in this case.

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IV. PROPER WEIGHT IS GIVEN TO ALL FACTORS CONSIDERED IN THE DETERMINATION OF AN ECONOMIC LIFE

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Q. WHAT FACTORS SHOULD BE CONSIDERED WHEN ESTIMATING
THE ECONOMIC LIFE OF AN ASSET?

1	to be retired (Public Utility Depreciation Practices, National
2	Association of Regulatory Utility Commissioners, 1996, p. 15.) These
3	include:
4	Physical Factors
5	a Wear and tear
6	b. Decay or deterioration
7	 Action of the elements and accidents
8	Functional Factors
9	a. Inadequacy
10	b. Obsolescence
11	 Changes in art and technology
12	d Changes in demand
13	e. Requirements of public authorities
14	f. Management discretion
15	 Contingent Factors
16	a. Casualties or disasters
17	 Extraordinary obsolescence
18	
19	The NARUC factors, which have traditionally been used to establish
20	the retirement or physical life expectancy of assets in the
21	telecommunications industry, can provide some guidance in
22	estimating an asset's economic life, but only if they are properly
23	weighted to reflect the significant roles competition and technological
24	change play in determining an asset's economic life. Specifically, the
25	"Functional Factors" (Part 2 of the NARUC factors) are sensitive to

1	Q.	WHAT DO THE TFI STUDIES RECOMMEND AS THE ECONOMIC
2		LIVES FOR GTE'S ASSETS?
3	Α.	The chart on Exhibit AES-3, attached, compares TFI's recommended
4		economic life ranges with the economic lives GTE uses in its cost
5		studies. TFI specifically addresses the appropriate lives to be used
6		for outside plant cable, central office switching, and circuit equipment
7		accounts, as these are the accounts that are most affected by
8		changes in competition and technology. As the chart points out, the
9		lives used by GTE for financial reporting, for intrastate reporting, and
10		for cost study inputs fall within the ranges recommended by TFI
11		
12		VI. GTE'S RECOMMENDED LIVES ARE REASONABLE WHEN
13	BEN	CHMARKED WITH OTHER TELECOMMUNICATIONS PROVIDERS
14		
15	Q.	DID YOU DO ANY BENCHMARK COMPARISONS OTHER THAN
16		TFI RANGES?
17	Α.	Yes. We also benchmarked against the lives used by AT&T, MCI,
18		and CATV operators, as well as the Regional Bell Operating
19		Companies ("RBOCs").
20		
21	Q.	WHAT DID YOU DETERMINE USING BENCHMARK
22		COMPARISONS WITH AT&T?
23	Α	Comparing GTE's proposed economic lives to the lives AT&T uses
24		affords an excellent example of the reasonableness of GTE's
25		economic lives. In fact, GTE's lives are not as short as lives used by

AT&T. (FCC Docket No. 95-32. In the Matter of the Prescription of 1 Revised Percentages of Depreciation, Memorandum Opinion and 2 Order, January 31, 1995.) The attached Exhibit AES-4 compares 3 AT&T's lives with those recommended by GTE for the key accounts. 4 AT&T uses 9.7 years for Digital Switching compared to 10 years 5 recommended by GTE. AT&T uses 7.2 years for Circuit equipment 6 compared to 8 years recommended by GTE. AT&T uses 3.4 to 15 7 years for Copper Cable compared to the 15 years recommended by 8 GTE. Finally, both AT&T and GTE use 20 years for Fiber Cable. 9 10 Likewise, the lives AT&T uses for support asset accounts such as 11 motor vehicles, furniture, office and work equipment are shorter than 12 the lives GTE proposes. AT&T uses 6.6 years for motor vehicles. 13 GTE proposes 8 years. AT&T uses 6.7 - 8.2 years for work 14 equipment, GTE proposes 10 years. AT&T uses 4.7 - 9.3 years for 15 office equipment, GTE proposes 10 years. AT&T uses 5.6 years for 16 furniture, GTE proposes 10 years. 17 18 WHAT WAS DETERMINED BY THE COMPARISON WITH MCI? Q. 19 GTE's lives are longer than lives MCI uses. Page 16 of MCI's 1996 20 A. annual report stated: 21 *The weighted average depreciable life of the assets 22

23

24

1	Buildings are depreciated using lives of up to 35 years
2	(MCI 1996 Annual Report, page 16.)
3	
4	Earlier this year, MCI made the following statement:
5	*The company periodically reviews and adjusts the useful lives
6	assigned to fixed assets to ensure that depreciation charges
7	provide appropriate recovery of capital costs over the
8	estimated physical and technological lives of the assets. The
9	weighted average of depreciable life of the assets comprising
10	the communications system in service approximates nine
11	years."
12	(MCI Communications Corporation Annual Report, SEC form 10-K,
13	dated April 15, 1998.)
14	
15	MCI has shortened the lives of its communications facilities from
16	approximately 10 years to 9 years, while not changing the lives for
17	furniture, fixtures and buildings.
13	
19	GTE's proposed lives are longer or similar to the lives used by MCI
20	GTE proposes 10 years for switching and 15-20 years for cable
21	compared to MCI's 9 years. GTE proposes 10 years for support
22	assets such as furniture and equipment compared to MCI's 6 years
23	GTE proposes 30 years for buildings compared to MCI's up to 35
24	years
25	

10.000	ARE GTE'S ECONOMIC LIVES	SIMILAR	TO THE	ECONOMIC
	LIVES IDENTIFIED BY THE RBO			

Yes. The RBOCs' economic lives are, like GTE's, within the ranges identified by TFI. The attached Exhibit AES-5 compares the lives the RBOCs published in their FAS-71 announcements with the lives GTE proposes. The lives used by the RBOCs for financial reporting purposes are of particular interest because they will most likely be the lives they use for depreciating out-of-franchise investments made in the Tampa Bay area. SBC-Ameritech, for example, plans to provide "full residential and business services" in the Tampa Market. (Tampa Tribune, May 14, 1998, "Phone Deal Could Jangle Local Market.") BellSouth has declared its intent to offer local phone service in the Tampa Bay area. (Tampa Tribune, October 15, 1997, "BellSouth Seeks Share of Region.") It would be obviously unreasonable to use depreciation inputs for GTE that are longer than those used by GTE's competitors.

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Q. HAVE ANY OTHER COMMISSIONS DETERMINED THAT BENCHMARKING IS A VIABLE METHOD TO ASSESS THE REASONABLENESS OF GTE'S PROPOSED LIVES?

Yes. The Missouri Public Service Commission recently commented on benchmarking for purposes of establishing depreciation rates to be utilized in GTE's TELRIC cost studies stating. "Staff believes that benchmarking GTE TELRIC rates against those booked for financial purposes of likely competitors and other companies using similar."

technologies is appropriate and is the best method to determine if GTE's TELRIC rates pass the muster of reasonableness." The Missouri Staff chose 19 of the largest IXC, Cable TV, Cellular, CAP, and PCS companies to benchmark against and found that the depreciation rates used to calculate GTE's TELRIC rates were at the bottom or second from the bottom of the list and were significantly lower than several companies in similar industries. The Missouri Order noted: "This is the most significant factor to Staff's belief that GTE's proposed depreciation rates are reasonable." (Case No. TO-97-63, Missouri Public Service Commission Final Arbitration Order, July 31, 1997, Attachment C at p. 77-79)).

VII. OTHER STATE REGULATORY COMMISSIONS HAVE ENDORSED GTE'S ECONOMIC LIVES

A

Q. HAS ANY OTHER REGULATORY BODY APPROVED THE ECONOMIC LIVES PRESENTED HERE?

Yes. The California Public Utility Commission ("CPUC") endorsed the use of the same economic lives presented here, except that the life approved for copper cable is one year less than requested. These lives were ordered to be used in a recent cost study ruling (California Public Utilities Commission Decision No. D.96-08-021, August 2, 1996, in Pule Making R 93-04-003, I 93-04-002.) The CPUC concluded that the economic lives used by GTE and Pacific Bell for external financial reporting were the appropriate forward-

1		Association of Long Distance Carriers, among others))
2		
3	Q.	DOES GTE USE ECONOMIC LIVES IN ITS CALIFORNIA COST
4		STUDIES?
5	A.	Yes. The CPUC ordered GTE to use economic lives as well, stating
6		"We find GTEC's arguments to be persuasive, and will
7		therefore order GTEC to modify the depreciation rates
8		used in the cost studies it has submitted only to the
9		extent of the eight technology accounts"
10		(<u>Id</u> . at 75.)
11		
12	Q.	HAVE OTHER STATE COMMISSIONS ENDORSED THE USE OF
13		ECONOMIC LIVES?
14	A.	Yes. Both the Michigan and Missouri Public Service Commissions
15		have adopted GTE's recommended economic depreciation
16		parameters. In adopting the economic lives presented here in
17		Florida, the Missouri Commission stated
18		"Staff's goal has been to recommend depreciation rates based
19		on parameters that GTE is likely to experience for financial
20		purposes so as to fully recover its long-run capital costs in a
21		timely fashion. "
22		(Case No. TO-97-63, Missouri Public Service Commission Final
23		Arbitration Order, issued July 31, 1997, Attachment C at 76)
24		
25		

1		The Michigan Commission likewise approved the use of GTE's
2		economic lives in a February 25, 1998 order explicitly rejecting
3		AT&T and MCI proposals
4		"GTE proposes to reduce its asset lives in
5		accordance with their economic lives. The
6		Staff's view is that GTE's proposed asset lives
7		are largely consistent with a forward-looking
8		approach and are reasonableThe Commission
9		finds that GTE's proposal related to depreciation
10		is appropriate for TSLRIC purposesThe
11		Commission further finds AT&T/MCI's proposai
12		to be insufficiently forward looking for purposes
13		of a TSLRIC study."
14		(Michigan Docket No. U-11281, February 15, 1998, Order,
15		Section d.)
16		
17		VIII. FCC DEPRECIATION RANGES ARE OUTDATED
18		
19	Q.	SHOULD THE FCC'S AUTHORIZED DEPRECIATION PARAMETER
20		RANGES CONTROL THIS COMMISSION'S DECISION?
21	A.	Certainly not. This Commission did not follow FCC parameters in
22		GTE's 1992 depreciation decision. The rationale for rejecting FCC
23		ranges has, since then, become only stronger. GTE discusses the
24		FCC's parameters here only because it expects that AT&T, MCI, and
25		perhaps others, may recommend FCC ranges to this Commission

1		to further examine the Commission's depreciation rules (FCC Order
2		97-157, Federal-State Joint Board on Universal Service, adopted May
3		7, 1997, page 140.) In the Access Charge Reform Proceeding, the
4		FCC acknowledged that the ongoing evolution of the
5		telecommunications industry may well require the FCC to revise its
6		prescription methods, or possibly discontinue depreciation rate
7		prescriptions altogether. (FCC Order 96-262, Access Charge
8		Reform, adopted May 21, 1997.)
9		
0	Q.	HAS THE FCC, IN FACT, IDENTIFIED DEPRECIATION AS AN ITEM
1		FOR POSSIBLE ELIMINATION?
2	A	Yes. The FCC Staff has released a list of proposed proceedings to
3		be initiated as part of the 1998 biennial review. The review is aimed
4		at eliminating or modifying regulations that are overly burdensome or
5		no longer serve the public interest. Depreciation has been identified
6		as an item that the Commission will consider for elimination in this
7		review. (FCC Report No. GN 98-1, Feb. 5, 1998.)
8		
9		At least one Commissioner has already cast his vote to eliminate FCC
20		depreciation represcriptions. In a statement issued on January 30,
21		1998, FCC Commissioner Harold Furchtgott-Roth commented
22		*In today's increasingly competitive environment, there should
23		be no need for the Commission to continue to dictate, even
1		through revised streamlined procedures, depreciation rates or

1		and specifically encourage parties to request, that the
2		Commission use this year's biennial review to eliminate its
3		rules and regulations regarding depreciation expenses."
4		(FCC Order 98-11, Jan 30, 1998, separate statement by
5		Commissioner Furchtgott-Roth.)
6		
7		IX. CONCLUSION
8		
9	Q.	PLEASE SUMMARIZE YOUR TESTIMONY.
10	Α.	Traditional historical methods of establishing depreciation lives are
11		not forward-looking, and thus are inappropriate for use in forward-
12		looking cost models. The lives GTE proposes are based on a
13		forward-looking approach They properly consider evolving
14		technological and competitive factors likely to affect. GTE Florida's
15		operations. GTE's proposed lives are reasonable in comparison to
16		the financial reporting lives of GTE's actual and potential competitors.
17		which include Cable TV operators and telecommunications providers
18		like SBC, Bell South, AT&T, TCI, and MCI
19		
20	Q.	DOES THIS CONCLUDE YOUR TESTIMONY?
21	A.	Yes.
22		
23		
24		
25		

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Exhibit AES-1
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Comparison of FPSC Approved Economic Lives with GTE's

Category	1992 FPSC Approved	1995 GTE Proposed	Current Financial Reporting
Digital Switching	10.0	10.0	10.0
Circuit Equipment	7.9-8.0	8.0	8.0
Copper Cable	16.4-19.8	15.0-16.0	150
Fiber Cable	19.5-20.8	20.0	20.0

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Direct Testimony of Allen E. Sovereign
Exhibit AES-3
FPSC Exhibit No _____
Page 1 of 1

A Comparison of The TFI Ranges with GTE's Proposed Economic Lives

	TFI Economic	GTE Economic
Digital Switching Equipment	9-12	10
Circuit Equipment	6-9	8
Copper Cable		
Aerial	14-20	15
Underground	14-20	15
Buried	14-20	15
Fiber Cable		
Aerial	20	20
Underground	20	20
Buried	20	20

Transforming the Local Exchange Network: Analyses and Forecasts of Technology Change, Larry K. Vanston, Ray L. Hodges, and Adrian J. Poitras, Second Edition 1997, Technology Futures, Inc., p. 33.

Docket No. 980696-TP
Direct Testimony of Allen E. Sovereign
Exhibit AES-4
FPSC Exhibit No. _____
Page 1 of 1

Comparison of AT&T's Economic Lives with GTE's

	AT&T's Economic Life	GTE's Proposed Economic Life
Digital Switching	9.7	10 0
Digital Circuit Equipment	7.2	8.0
Copper Cable		
Aerial	3.4	15.0
Underground	9.0	15.0
Buried	15.0	15 0
Fiber Cable		
Aerial	20.0	20 0
Underground	20 0	20 0
Buried	20.0	20.0

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the Cost of)		
Basic Local Telecommunications)		
Service, pursuant to Section 364.025,)	Docket No. 980696-TP	
Florida Statutes)		
)		

DIRECT TESTIMONY OF

DAVID G. TUCEK

ON BEHALF OF

GTE FLORIDA INCORPORATED

AUGUST 3, 1998

1		GTE FLORIDA INCORPORATED
2		
3		DIRECT TESTIMONY OF DAVID G. TUCEK
4		DOCKET NO. 980696-TP
5		
6	Q	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
7	A.	My name is David G. Tucek. My business address is 1000 GTE
8		Drive, Wentzville, Missouri
S		
10	Q.	BY WHOM ARE YOU EMPLOYED, AND IN WHAT CAPACITY?
11	Α	I am employed by GTE as Staff Manager - Economic Issues In this
12		capacity, I am responsible for supporting GTE's incremental cost
13		studies
14		
15	Q.	PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
16		BUSINESS EXPERIENCE.
17	Α	I have a Bachelor of Science Degree in Mathematics and Economics
18		from Southeast Missouri State University, and a Master of Arts
19		Degree in Economics from the University of Missouri. I also have a
20		Master of Business Administration from St. Louis University. I began
21		my career in the telecommunications industry as a Senior Cost
22		Analyst with Contel Service Corporation in 1979. I became an
23		employee of GTE in 1991, at the time of the merger between the two
24		companies. During the course of my career, I have held various
26		positions dealing with cost analysis and modeling, rate design, tariff

1	Q.	WHAT WAS THE RESULT OF THE BOPM RONT
2	A.	Based on the inputs described below, the cost of basic local
3		telecommunications service produced by BCPM is \$33.08 per line,
4		per month. This figure excludes the cost of a standard white page
5		directory listing, which is included in Florida's statutory definition of
6		"basic local telecommunications service" (Fla Stat sec 364 02(2))
7		GTE estimates the directory listing cost to be \$0.40 per line, per
8		month.
9		
10	Q.	PLEASE IDENTIFY WHAT TYPES OF INPUTS GTE HAS
11		DEVELOPED FOR USE IN BCPM.
12	Α.	GTE changed BCPM's default values for the following inputs
13		(1) cost of money,
14		(2) depreciation lives and salvage values.
15		(3) wire center line counts,
16		(4) tax rates and lives,
17		(5) fill factors;
18		(6) structure mix assumptions,
19		(7) structure sharing assumptions;
20		(8) spacing assumptions for poles, manholes, and guy
21		wires and anchors,
22		(9) special access line factor
23		
24		GTE also changed the following inputs related to switching and
25		transport costs

1	(1)	percent local calls;
2	(2)	percent residence lines;
3	(3)	switch percent line fill;
4	(4)	land and buildings loading factors;
5	(5)	processor-related investment by wire center,
6	(6)	MDF and protection investment by wire center,
7	(7)	line port investment by wire center,
8	(8)	line CCS investment by wire center;
9	(9)	trunk CCS investment by wire center,
10	(10)	SS7 investment by wire centar;
11	(11)	usage inputs dealing with calls per line, CCS per line,
12		and CCS per trunk,
13	(12)	line-to-trunk ratio,
14	(13)	percent of local calls that are interoffice,
15	(14)	call completion fraction; and
16	(15)	maximum number of nodes on a SONET ring
1/		
18	Additionally,	GTE's BCPM inputs are based on GTE-specific input
19	prices for the	e following items: (i) manholes; (ii) conduit systems; (iii)
20	poles; (iv) g	guy wires and anchors; (v) NIDs and drops; (vi) cross-
21	connect box	es, (vii) copper cable, (viii) fiber cable, and (ix) Digital
22	Loop Carrie	rs ("DLCs"). Finally, GTE utilized ARMIS and general
23	ledger data f	or 1997 to develop the inputs for network support ratios
24	and for opera	ating expenses. All of the GTE company-specific inputs
25	for BCPM ar	re presented in Exhibit DGT-1.

1	Q.	WHAT DEPRECIATION LIVES AND SALVAGE VALUES WERE
2		USED?
3	A	The lives and salvage values used are those sponsored by the
4		testimony of GTE witness Allen E. Sovereign
5		
6	Q.	WHAT WIRE CENTER LINE COUNTS DID GTE USE?
7	A.	GTE used its actual wire center line counts as of year-end 1997. In
8		addition to single-party business and residence lines, the line counts
9		include multi-line business, special access, private lines and multiple
10		residential lines.
11		
12	Q.	WHAT TAX RATES AND TAX LIVES WERE USED?
13	A.	The tax rates of 35.0% federal, 5.50% state, 1.17% ad valorem,
14		0.02% other, and 3.03% gross receipts tax were used for Florida. The
15		BCPM default values for tax lives were used for all accounts except
16		for Motor Vehicles, Special Purpose Vehicles, Furniture, and Office
17		Support. For these accounts, tax lives of 5, 5, 7, and 7 years were
18		used, respectively.
19		
20	Q.	WHAT FILL FACTORS WERE USED FOR FEEDER,
21		DISTRIBUTION AND SWITCHING?
22	A	Values of 65 and 98 percent were used for feeder and distribution
23		plant, respectively. The 65 percent value represents a GTE-specific
24		upper limit for the average feeder fill, based on GTE's operations
25		across the country. For GTE's Florida operations, the actual average

feeder fill is 52.7 percent. The 98 percent factor for distribution reflects the need for administrative spare. For switching, the GTE national average value of 86.0 percent was used, which is comparable to GTE's 85.7 percent state average for Florida.

A

A

Q. WHAT STRUCTURE MIX INPUTS WERE USED?

GTE replaced the default values of BCPM for the mix of aerial, buried and underground plant with the actual percentages of plant mix for Florida based on the density of GTE wire centers.

Q. WHAT STRUCTURE SHARING INPUT VALUES DID GTE USE?

experience in Florida. GTE's pole sharing input for normal and soft rock placement is 53.58 percent, for hard rock placement, the sharing input is 54.52 percent. These percentages are based on the number of poles to which GTE attaches, and on whether or not GTE is the only utility using the pole. The sharing and price inputs for poles represent a composite of 30 foot non-shared poles and 40 foot shared-use poles. There is no distinction between normal and soft rock placement because GTE's existing vendor contracts for pole placement do not make this distinction. Likewise, the sharing inputs of 100 percent for buried placement and 97 18 percent for conduit and manholes reflect GTE's current experience in Florida and the assessment of GTE operating personnel in Florida.

1	Q.	WHAT SPACING ASSUMPTIONS WERE MADE FOR POLES,
2		MANHOLES AND GUY WIRES AND ANCHORS?
3	A.	GTE selected spacing inputs that are consistent with its actual
4		engineering practices. A pole spacing interval of 175 feet was used,
5		which falls between the BCPM defaults of 250 and 150 feet. For
6		manholes, a longer spacing of 750 feet was used rather than the
7		proposed defaults of 550 and 725 feet. A spacing interval of every
8		tenth pole was used for guy wires and anchors, which is a wider
9		interval than specified by the BCPM defaults.
10		
11	Q.	HOW WAS THE SPECIAL ACCESS LINE FACTOR DEVELOPED?
12	A	This input is based on GTE Florida's 1997 year-end data. The input
13		equals 12.28 percent.
14		
15	Q.	HOW WERE THE SWITCHING AND TRANSPORT INPUTS LISTED
16		ABOVE DEVELOPED?
17	A	The percent of local calls and the percent of residence lines were
18		based on actual 1997 data for GTE Florida. These values were 84 63
19		and 71.40 percent, respectively. As noted above, the switch percent
20		line fill is based on the national average value for GTE. The land and
21		buildings loading factors are based on the ratio of the corresponding
22		1997 ARMIS account balances to digital switching investment, where
23		these numbers have been adjusted to replacement values using C.A.
24		Turner indices where available. The investments by wire center for

each category listed above are based on SCIS and Costmod runs for

representative model offices in GTE's network, and on the switch type and number of lines in each Florida wire center. These investments reflect the pricing GTE obtains for initial switch placements and for capacity additions. The investments include telco engineering and installation costs, as well as common equipment and power Accordingly, the BCPM inputs for these factors have been set to zero. The usage inputs, line-to-trunk ratio, the percent of local calls that are interoffice, and the call completion fraction were set to values consistent with the SCIS and Costmod runs. The maximum number of nodes on a SONET ring was set to eight.

A

Q. WHAT INPUT PRICES FOR LABOR AND MATERIAL CHANGED FROM THEIR DEFAULT VALUES?

As indicated above, GTE has developed company-specific values for those material and labor inputs that deal primarily with the loop. (1) manholes; (2) conduit systems; (3) poles; (4) guy wires and anchors, (5) NIDs and drops; (6) cross-connect boxes; (7) copper cable, (8) fiber cable; and (9) DLCs. These material and labor inputs are based on the prices that GTE currently pays for these inputs in Florida. In Exhibit DGT-1, the inputs have been presented on a combined material and labor basis, in order to preserve the confidentiality of the data.

Q. WOULD IT BE CORRECT TO BASE GTE'S COST ESTIMATES ON THE LOWEST INPUT PRICES FROM AMONG ALL OF THE

1	Q.	HOW WERE GTE'S EXPENSE INPUTS TO BCPM DEVELOPED?
2	A	The expense inputs are of three types: capital related expenses
3		which are expressed as a percent of investment, non-capital related
4		expenses, which are input to BCPM on a per-line basis; and the
5		support ratios for general support assets. GTE witness Michael R
6		Norris addresses these expense inputs
7		
8	Q.	DOES THIS CONCLUDE YOUR TESTIMONY?
9	A.	Yes, it does.
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		

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Dir. Test. of D. G. Tucek
Exhibit DGT-1
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		BCPM 3.1	Company
Category / Input Sheet	Input Item	Default	Specific Inputs
	W Assisted Telephones		
Structure Sharing Assumptions	Feeder Conduit (Norma: Soft F	Hard Rock)	
Structure Inputs Sheet	Density = 0-5	100 00%	97.18
Structure Inputs Sheet	Density = 6-100	97 50%	97 18
Structure Inputs Sheet	Density = 101-200	95 00%	97.18
Structure Inputs Sheet	Density = 201-650	82 50%	97 18
Structure Inputs Sheet	Density = 651-850	90 00%	97 18
	Density = 851-2550	90 00%	97.18
Structure Inputs Sheet	Density = 2551-5000	85 00%	97 18
Structure Inputs Sheet Structure Inputs Sheet	Density = 5001-10000	85 00%	97.18
		85 00%	97 18
Structure Inputs Sheet	Density >= 10001	65.00 N	
	Distribution Conduit (Normal, Soft	Rock, Hard Rock)	
Structure Inputs Sheet	Density # 0-5	100 00%	97 18
Structure Inputs Sheet	Density = 6-100	95 00%	97.16
Structure Inputs Sheet	Density = 101-200	90.00%	97.18
Structure Inputs Sheet	Density = 201-650	80 00%	97.16
Structure Inputs Sheet	Density = 651-650	80.00%	97 18
Structure Inputs Sheet	Density = 851-2550	80.00%	97 18
Structure Inputs Sheet	Density = 2551-5000	80 00%	97.18
Structure Inputs Sheet	Density = 5001-10000	W00.08	97 18
Structure Inputs Sheet	Density >= 10001	80.00%	97 18
	Buried Feeder Cabis (Normal, Soft	Bock, Hard Bock)	
Structure Inputs Sheet	Density = 0-5	100 00%	100.00
Structure Inputs Sheet	Density = 6-100 *	97 50%	100 00
Structure inputs Sheet	Density = 101-200 *	95 00%	100 00
Structure inputs Sheet	Density = 201-850 *	92 50%	100.00
Structure Inputs Sheet	Density = 651-650 *	90,00%	100 00
Structure Inputs Sheet	Density = 851-2550 *	90 00%	100 00
Structure inputs Sheet	Density = 2551-5000 *	85.00%	100 00
Structure Inputs Sheet	Density = 5001-10000 *	85 00%	100.00
Structure Inputs Sheet	Density >= 10001 *	85 00%	100 00
	Buried Distribution Cable (Normal,		000000
Structure Inputs Sheet	Density + 0-5	100 00%	100 00
Structure Inputs Sheet	Density = 6-100 *	95 00%	100 00
Structure Inputs Sheel	Density = 101-200 *	90.00%	100.00
Structure Inputs Sheet	Density = 201-650 *	80 00%	100.00
Structure Inputs Sheet	Density = 651-850 *	80 00%	100 00
Structure Inputs Sheet	Density = 851-2550 *	80 00%	100.00
Structure Inputs Sheet	Density * 2551-5000 *	80 00%	100 00
Structure Inputs Sheet	Density = 5001-10000 *	80 00%	100 00
Structure Inputs Sheet	Density >= 10001 *	80.00%	100.00

Note: BCPM Delauts for Plowing and Rocky Plowing activities are assigned 100% to the telco. Defaults for all other activities within the indicated density zone are at the percentage noted.

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Category / Input Sheet	Input Item	BCPM 3.1 Default	Company Specific Inputs
Structure Nix			
	Distribution Plant Mix (Normal, Soft Rock):		
	Underground %		
Loop Percent Table Inputs Sheet	Density = 0-5	0.00%	0.271
Loop Percent Table Inputs Sheet	Density = 6-100	2.00%	0.271
Loop Percent Table Inputs Sheet	Density = 101-200	5.00%	0.38
Loop Percent Table Inputs Sheet	Density = 201-650	8.00%	0.831
Loop Percent Table Inputs Sheet	Density = 651-850	15.00%	0.671
Loop Percent Table Inputs Sheet	Density = 851-2550	25.00%	0.961
Loop Percent Table Inputs Sheet	Density = 2551-5000	40 00%	0.531
Loop Percent Table Inputs Sheet	Density = 5001-10000	60.00%	1.951
Loop Percent Table Inputs Sheet	Density >= 10001	90 00%	1 951
	Buried %		
Loop Percent Yable Inputs Sheet	Density = 0-5	60.00%	78 11
Loop Percent Table Inputs Sheet	Density = 6-100	61.00%	78.11
Loop Percent Table Inputs Sheet	Density = 101-200	62.00%	73.91
Loop Percent Table Inputs Sheet	Density = 201-650	62.00%	77.42
Loop Percent Table Inputs Sheet	Density = 651-650	65.00%	79.52
Loop Percent Table Inputs Sheet	Density = 851-2550	65 00%	69.36
Loop Percent Table Inputs Sheet	Density = 2551-5000	55 00%	64.88
Loop Percent Table Inputs Sheet	Density = 5001-10000	35.00%	24.14
Loop Percent Table Inputs Sheet	Density >= 10001	10.00%	24 14
	Aerial %		
Loop Percent Table Inputs Sheet	Dennity = 0-5	40.00%	21.62
Loop Percent Table Inputs Sheet	Dunsity = 6-100	37.00%	21.62
Loop Percent Table Inputs Sheet	Density = 101-200	33.00%	25 72
Loop Percent Table Inputs Sheet	Density = 201-650	30.00%	21.77
Loop Percent Table Inputs Sheet	Density = 651-550	20 00%	19.61
Loop Percent Table Inputs Sheet	Density = 851-2550	10.00%	29 68
Loop Percent Table Inputs Sheet	Density = 2551-5000	5.00%	34 59
Lo. o Percent Table Inputs Sheet	Density = 5001-10000	5.00%	73.90
Loop Percent Table Inputs Sheet	Density >= 10001	0.00%	73.90

GTE FLORIDA INCORPORATED

BCPM Version 3.1 Inputs

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Category / Input Sheet	Input tem	BCPM 3.1 Default	Company Specific inputs
Structure Mix			
	Distribution Plant Mix (Hard Rock):		
	Underground %		
.oop Percent Table Inputs Sheet	Density = 0-5	0.00%	0.275
.oop Percent Table Inputs Sheet	Density = 6-100	2.00%	0.279
.oop Percent Table Inputs Sheet	Density = 101-200	5.00%	0.389
oop Percent Table Inputs Sheet	Density # 201-650	8 00%	0.625
oop Percent Table Inputs Sheet	Density # 651-850	15.00%	0.679
oop Percent Table Inputs Sheet	Density # 851-2550	18.00%	0.965
.cop Percent Table Inputs Sheet	Density = 2551-5000	20.00%	0.531
.oop Percent Table Inputs Sheet	Density = 5001-10000	45 00%	1.951
.cop Percent Table Inputs Sheet	Density ➤= 10001	90.00%	1.951
	Buried %		
.cop Percent Table Inputs Sheet	Density = 0-5	50.00%	78 115
.oop Percent Table Inputs Sheet	Density = 6-100	51.00%	78 111
.oop Percent Table Inputs Sheet	Density = 101-200	52 00%	73.915
.oop Percent Table Inputs Sheet	Density = 201-650	52.00%	77.421
oop Percent Table Inputs Sheet	Density = 651-850	60 00%	79 521
oop Percent Table Inputs Sheet	Density = 851-2550	62 00%	69 361
.oop Percent Table Inputs Sheet	Density = 2551-5000	65 00%	64.681
.oop Percent Table Inputs Sheet	Density # 5001-10000	40.00%	24 141
.oop Percent Table Inputs Sheet	Density >= 10001	0.00%	24 141
	Aeriel %		
Loop Percent Table Inputs Sheet	Density = 0-5	50.00%	21 621
.oop Percent Table Inputs Sheet	Density = 6-100	47.00%	21 621
oop Percent Table Inputs Sheet	Density = 101-200	43 00%	25 721
.oop Percent Table Inputs Sheet	Density = 201-650	40.00%	21.775
oop Percent Table Inputs Sheet	Density = 651-850	25 00%	19 611
.oop Percent Table Inputs Sheet	Density = 851-2550	20 00%	29 681
oop Percent Table Inputs Sheet	Density = 2551-5000	15 00%	34 591
.oop Percent Table Inputs Sheet	Density = 5001-10000	15 00%	73 901
.oop Percent Table Inputs Sheet	Density >= 10001	10.00%	73.90

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and the state of t	ACCOMPOSITE	BCPM 3.1	Company
Category / Input Sheet	Input Item	Default	Specific Inputs
Structure Mix			
	Copper Plant Mix - Feeder (Normal,	Soft Rock):	
	Underground %		
Loop Percent Table Inputs Sheet	Density = 0-5	10.00%	6.20
Loop Percent Table Inputs Sheet	Density = 6-100	15.00%	6 20
Loop Percent Table Inputs Sheet	Density # 101-200	20 00%	14.40
Loop Percent Table Inputs Sheet	Density = 201-650	25.00%	24.09
oop Percent Table Inputs Sheet	Density = 651-850	45.00%	28.08
Loop Percent Table Inputs Sheet	Density = 651-2550	65.00%	33.87
Loop Percent Table Inputs Sheet	Density = 2551-5000	80.00%	31.66
Lamp Percent Table Inputs Sheet	Density = 5001-10000	90 00%	64.22
Loop Percent Table Inputs Sheet	Density >= 10001	95.00%	64.22
	Buried %		
Loop Percent Table Inputs Sheet	Density = 0-5	50 00%	62 41
Loop Percent Table Inputs Sheet	Density = 6-100	45.00%	82.41
Loop Percent Table Inputs Sheet	Density = 101-200	40.00%	68 36
Loop Percent Table Inputs Sheet	Density = 201-650	35.00%	59.60
Loop Percent Table Inputs Sheet	Density + 651-650	30.00%	60 37
Loop Percent Table Inputs Sheet	Density = 851-2550	25.00%	50.26
Loop Percent Table Inputs Sheet	Density = 2551-5000	20.00%	45 32
Loop Percent Table Inputs Sheet	Density = 5001-10000	10.00%	22 54
Loop Percent Table Inputs Sheet	Density >= 10001	5 00%	22 54
	Aerial %		
Loop Percent Table Inputs Sheet	Density = 0-5	40 00%	11:39
Loop Percent Table Inputs Sheet	Density = 6-100	40 00%	11.39
Loop Percent Table Inputs Sheet	Density = 101-200	40.00%	17 24
Loop Percent Table Inputs Sheet	Density = 201-650	40 00%	16 12
Loop Percent Table Inputs Sheet	Density = 651-650	25 00%	11 55
Loop Percent Table Inputs Sheet	Density = 651-2550	10 00%	15 00
Loop Percent Table Inputs Sheet	Density = 2551-5000	0.00%	20.03
Loop Furgent Table Inputs Sheet	Density # 5001-10000	0.00%	13 24
Loop Percent Table Inputs Sheet	Density >= 10001	0.00%	13.24

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Category / Input Sheet	Input Rem	BCPM 3.1 Default	Company Specific Inputs
Name and the second			
Structure Mix			
	Fiber Plant Mix - Loop Feeder (Normal, Soft Rock):		
	Underground %	10.000	
Loop Percent Table Inputs Sheet	Density = 0-5	10.00%	86.91
Loop Percent Table Inputs Sheet	Density = 6-100	15 00%	86.91
Loop Percent Table Inputs Sheet	Density = 101-200	20.00%	92 14
Loop Percent Table Inputs Sheet	Density = 201-650	25 00%	90.78
Loop Percent Table Inputs Sheet	Density = 651-850	45.00%	93.74
Loop Percent Table Inputs Sheet	Density = 851-2550	65.00%	90.65
Loop Percent Table Inputs Sheet	Density = 2551-5000	80.00%	94.70
Loop Percent Table Inputs Sheet	Density = 5001-10000	90.00%	96 67
Loop Percent Table Inputs Sheet	Density >= 10001	95.00%	96.67
	Buried %		
Loop Percent Table Inputs Sheet	Density = 0-5	50 00%	12.89
Loop Percent Table Inputs Sheet	Density = 6-100	45 00%	12 89
Loop Percent Table Inputs Sheet	Density = 101-200	40 00%	7.63
Loop Percent Table Inputs Sheet	Density = 201-650	35.00%	8.24
Loop Fercent Table Inputs Sheet	Density = 651-650	30 00%	5 13
Loop Percent Table Inputs Sheet	Density = 851-2550	25 00%	7.48
Loop Parcent Table Inputs Sheet	Density = 2551-5000	20.00%	2.97
Loop Percent Table Inputs Sheet	Density = 5001-10000	10 00%	0.00
Loop Percent Yabie Inputs Sheet	Density >= 10001	5.00%	0.00
	Aerial %		
Loop Percent Table Inputs Sheet	Density = 0-5	40 00%	0.21
Loop Percent Table Inputs Sheet	Density = 6-100	40 00%	0.21
Loop Percent Table Inputs Sheet	Density = 101-200	40 00%	0.24
Loop Percent Table Inputs Sheet	Density = 201-650	40 00%	0.97
Loop Percent Table Inputs Sheet	Density = 651-850	25 00%	1.13
Loop Percent Table Inputs Sheet	Density = 851-2550	10 00%	1.55
Loop Percent Table Inputs Sheet	Density = 2551-5000	0.00%	2 33
Loop Percent Table Inputs Sheet	Density = 5001-10000	0.00%	3 33
Loop Percent Table Inputs Sheet	Density >= 10001	0.00%	3 33

GTE FLORIDA INCORPORATED

BCPM Version 3.1 Inputs

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Category / Input Sheet	Input item	BCPM 3.1 Default	Company Specific Inputs
Structure Mix			
	Fiber Plant Mix - Loop Feeder (Hard Rock)		
	Underground %		
Loop Percent Table Inputs Sheet	Density = 0-5	5.00%	86 915
Loop Percent Table Inputs Sheet	Density = 6-100	10.00%	86.915
Loop Percent Table Inputs Sheet	Density = 101-200	15.00%	92 149
.cop Percent Table Inputs Sheet	Density = 201-650	25.00%	90.789
.oop Percent Table Inputs Sheet	Density = 651-650	35 00%	93.745
Loop Percent Table Inputs Sheet	Density = 851-2550	60.00%	90.65%
Loop Percent Table Inputs Sheet	Density = 2551-5000	80 00%	84.709
Loop Percent Table Inputs Sheet	Density = 5001-10000	85 00%	96.679
Loop Percent Table Inputs Sheet	Density >= 10001	95 00%	W5.675
	Burled %		
Loop Percent Table Inputs Sheet	Density = 0-5	45 00%	12.895
.cop Percent Table Inputs Sheet	Density = 6-100	40 00%	12 899
.sop Percent Table Inputs Sheet	Density = 101-200	35.00%	7 639
Loop Percent Table Inputs Sheet	Density = 201-650	25 00%	8.245
Loop Percent Table Inputs Sheet	Density = 651-850	25.00%	5 131
Loop Percent Table Inputs Sheet	Density = 851-2550	20 00%	7 489
Loop Percent Table Inputs Sheet	Density = 2551-5000	10 00%	2 979
Loop Percent Table Inputs Sheet	Density = 5001-10000	5 00%	0.001
Loop Percent Table Inputs Sheet	Density >= 10001	0.00%	0.004
	Aerial %		
Loop Percent Table Inputs Sheet	Density = 0-5	50.00%	0.211
.oop Percent Table Inputs Sheet	Density = 6-100	50 00%	0.211
.oop Percent Table Inputs Sheet	Density = 101-200	50 00%	0.241
Loop Percent Table Inputs Sheet	Density = 201-650	50 00%	0.975
.oop Percent Table Inputs Sheet	Density = 651-650	40 00%	1 131
Loop Percent Table Inputs Sheet	Density = 851-2550	20 00%	1 661
Loop Percent Table Inputs Sheet	Density = 2551-5000	10.00%	2 331
Loop Percent Table Inputs Sheet	Density = 5001-10000	10.00%	3 331
Loop Percent Table Inputs Sheet	Density >= 10001	5 00%	3 331

GTE FLORIDA INCORPORATED

BCPM Version 3.1 Inputs

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Category / Input Sheet	Input Item	BCPM 3.1 Default	Specific Inputs
Carryon y 1 migrat arrigin	Lador sam	Derator	apecine inputs
Structure Mix			
	Fiber Plant Mix - Transport (Hard Rock)		
	Underground %		
Loop Percent Table Inputs Sheet	Density = 0-5	5.00%	86.911
Loop Percent Table Inputs Sheet	Density = 6-100	10.00%	86.911
Loop Percent Table Inputs Sheet	Density = 101-200	15.00%	92 141
Loop Percent Table Inputs Sheet	Density = 201-650	25.00%	90.781
Loop Percent Table Inputs Sheet	Density = 651-650	35 00%	93.741
Loop Percent Table Inputs Sheet	Density = 851-2550	80 00%	90 651
Loop Percent Table Inputs Sheet	Density + 2551-5000	80.00%	94 701
Loop Percent Table Inputs Sheet	Density = 5001-10000	85 00%	96 671
Loop Percent Table Inputs Sheet	Density >= 10001	95 00%	96 671
	Buned %		
Loop Percent Table Inputs Sheet	Density = 0-5	45.00%	12.891
Loop Percent Table Inputs Sheet	Density = 6-100	40 00%	12.89
Loop Percent Table Inputs Sheet	Density = 101-200	35.00%	7.63
Loop Percent Table Inputs Sheet	Density = 201-650	25 00%	6.24
Loop Percent Table Inputs Sheet	Density = 651-650	25 00%	5 13
Loop Percent Table Inputs Sheet	Density = 851-2550	20 00%	7.48
Loop Percent Table Inputs Sheet	Density = 2551-5000	10.00%	2.97
Loop Percent Tebie Inputs Sheet	Density = 5001-10000	5 00%	0.00
Loop Percent Teble Inputs Sheet	Density >= 10001	0.00%	0.00
	Aerial %		
Loop Percent Table Inputs Sheet	Density = 0-5	50 00%	0.21
Loop Percent Table Inputs Sheet	Density = 6-100	50 00%	0.21
Loop Percent Table Inputs Sheet	Density = 101-200	50 00%	0.24
Loop Percent Table Inputs Sheet	Density = 201-650	50.00%	0.97
Loop Percent Table Inputs Sheet	Density = 651-650	40 00%	1 13
Loop Percent Table Inputs Shest	Density = 851-2550	20 00%	1.00
Loop Percent Table Inputs Sheet	Density = 2551-5000	10 00%	2 33
oop Percent Table Inputs Sheet	Density # 5001-10000	10.00%	3 33
Loop Percent Table Inputs Sheet	Denaity >= 10001	5 00%	3 33
	Density Cable Sizing - Feeder		
Loop Percent Table Inputs Sheet	Density = 0-5	75 00%	65 00
Loop Percent Table Inputs Sheet	Density = 6-100	80 00%	65 00
Loop Percent Table Inputs Sheet	Density = 101-200	80 00%	65 00
Loop Percent Table Inputs Sheet	Density = 201-660	85.00%	65.00
Loop Percent Table Inputs Sheet	Density = 651-850	85.00%	65.00
Loop Percent Table Inputs Sheet	Density = 851-2550	85 00%	65.00
Loop Percent Table Inputs Sheet	Density = 2551-5000	85 00%	65.00
Loop Percent Table Inputs Sheet	Density = 5001-10000	85 00%	65 00
Loop Percent Table Inputs Sheet	Density >= 10001	85.00%	65 00
	Density Cable Sizing - Distribution		
Loop Percent Table Inputs Sheet	Density = 0-5	100.00%	98 00
Loop Percent Table Inputs Sheet	Density = 6-100	100 00%	98 00
.sop Percent Table Inputs Sheet	Density = 101-200	100.00%	98.00
Loop Percent Table Inputs Sheet	Density = 201-650	100 00%	98.00
Loop Percent Table Inputs Sheet	Density = 651-650	100 00%	98 00
Loop Percent Table Inputs Sheet	Density = 851-2550	100.00%	98.00
.cop Percent Table Inputs Sheet	Density = 2551-5000	100.00%	98.00
.oop Percent Table Inputs Sheet	Density = 5001-10000	100.00%	98.00
Loop Percent Table Inputs Sheet	Density >= 10001	100 00%	98.00

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		BCPM 3.1	Company
Category / Input Sheet	Input Item	Default	Specific Inputs
Expense Inputs			
	Fixed Cost per Line (Small, Medium, La	roe):	
Expense Inputs Sheet	Network Support Expense	\$0.15	\$0.001
Expense Inputs Sheet	General Support	\$1.20	\$0.866
Expense Inputs Sheet	COE Switching	\$0.34	10.00
Expense Inputs Sheet	COE Transmission	\$0.23	\$0.00
Expense Inputs Sheet	Information Orig/Term	\$0.07	\$0.00
Expense Inputs Sheet	Cable & Wire Facilities (64XX)	\$2.76	30 O
Expense Inputs Sheet	Other Property Plant	\$0.03	\$0.00
Expense Inputs Sheet	Network Operations	\$1.33	\$0.037
Expense Inputs Sheet	Marketing	\$0.35	\$1.5544
Expense Inputs Sheet	Bervices	\$2.42	\$1.6786
Expense Inputs Sheet	Executive and Planning	\$0.14	\$0.1856
Expense Inputs Sheet	General and Administrative	\$2.15	\$2 4117
Expense Inputs Sheet	Uncollectibles	\$0.17	\$0 8766
	Expense % per investment:		
Expense Inputs Sheet	COE Bwitching	0	0 173
Expense Inputs Sheet	COE Transmission	0	0.025
Expense Inputs Sheet	Poles	0	0.010
Expense Inputs Sheet	Aerial Copper Cable	0	0.050
Expense Inputs Sheet	Aerial Fiber Cable	0	0.011
Expense Inputs Sheet	Underground Copper Cable	0	0.004
Expense Inputs Sheet	Underground Fibur Cable	0	0.001
Expense Inputs Sheet	Buried Copper Cable	0	0.037
Expense Inputs Sheet	Buried Fiber Cable	0	0.0083
Expense Inputs Sheet	Conduit Investment System	0	0.0030
	Support Ratio Table:		
Expense Inputs Sheet	6112 Motor Vehicle	0.739%	0.8119
Emense Inputs Sheet	6114 Special Purpose Vehicles	0.001%	0 000%
Expense Inputs Sheet	6115 Garage Work Equipment	0.032%	0.036%
Expense Inputs Sheet	5116 Other Work Equipment	0.627%	0.774%
Expense Inputs Sheet	6122 Furniture	0.233%	0.2319
Expense Inputs Sheet	61213 Office Support	0.701%	1 4963
epense Inputs Sheet	6124 General Purpose Computers	2.965%	1 201%
Itate Income & Gross Receipts T	ax Rates		
discellaneous Inputs Sheet	State Tax Hate	5.30%	5 509
Ascellaneous Inputs Sheet	Ad Valorem Taxes	0.00%	1 17%
discelleneous Inputs Sheet	Other Tax	0.70%	0.02%
State Specific Inputs Sheet	Gross Receipts Tax	3 90%	3 03%

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Category / Input Sheet	Input Bern	BCPM 3.1 Default	Company Specific Inputs
		1 2779	aprend report
Other:			
State Specific Inputs	Special Access Factor	0.1300	0 122
Spacing Inputs			
Specing	Manhole Specing	550 - 725	75
Specing	Pole Specing	150' - 250'	17
Specing	Guy Specing	500' - 1500'	175
Poles (Normal):			
Structure Inputs	Base Cost	\$368.17	\$786.6
Structure inputs	Installation	\$358.58	\$0.0
Structure Inputs	% Assigned Telco	50.00%	53 581
Poles (Soft Rock):			
Structure Inputs	Base Cost	368 17	\$785.8
Structure Inputs	Installation	458.58	\$0.0
Structure Inputs	% Assigned Telco	50.00%	53 581
Poles (Hard Rock):			
Structure Inputs	Base Cost	368 17	\$1,057.2
Structure Inputs	Installation	558 58	\$0.0
Structure Inputs	% Assigned Telco	50.00%	54 521
Anchors & Guys:			
Structure Inputs	Base Cost - Normal	\$68.00	\$143.0
Structure Inputs	Installation - fromal	\$255.00	\$0.0
Structure Inputs	Base Cost - Soft Rock	\$68.00	\$143.0
Structure Inputs	Installation - Soft Rock	\$285 00	\$0.0
Structure Inputs	Base Cost - Hard Rock	\$68.00	\$143.0
Structure Inputs	Installation - Hard Rock	\$310.00	\$0.00
Cct of Cable & Wire			
.oop Cost Inputs	Res & Bus Costs - NID - Material Cost	\$30.73	\$29.4
.oop Cost Inputs	Drop Buries - Material Cost	\$0.77	\$0 6
oop Cost Inputs	Drop Aerial - Material Cost	\$0.77	10 6

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ale out the World Level Halfade (1941)		BCPM 3.1	Company
Category / Input Sheet	Input item	Default	Specific Inputs
Manholes:			
	Normal:		
ManHoles Inputs	Handhole 3x5 or 4x6 - Material	\$944.00	\$5,356.00
ManHoles Inputs	Handhole 3x5 or 4x6 - Installation	\$400.00	\$0.0
ManHoles Inputs	Manhole 4x6x7 - Material	\$2,138.25	\$9,299.1
ManHoles Inputs	Manhole 4xtix7 - Installation	\$1,645.00	\$0.0
ManHoles Inputs	Manhole 12x6x7 - Material	\$3,209.00	\$11,289.7
ManHoles Inputs	Manhole 12xtix7 - Installation	\$2,431.00	\$0.00
ManHoles Inputs	Conduit per duct foot - Material	80.83	\$1.30
	Soft Rock:		
Manifoles Inputs	Handhole 3x5 or 4x6 - Material	\$944.00	\$5,356 D
ManHoles Inputs	Handhole 3x5 or 4x6 - Installation	\$600.00	\$0.00
ManHoles Inputs	Manhole 4x8x7 - Material	\$2,138.25	\$9,299 1
Manifoles Inputs	Manhole 4:tfx7 - Installation	\$2,045.00	\$0.0
ManHoles Inputs	Manhole 12xtix7 - Material	\$3,209.00	\$11,289 7
ManHoles Inputs	Manhole 12x8x7 - Installation	\$2,831.00	\$0.00
ManHoles Inputs	Conduit per duct toot - Material	\$0.63	\$1.3
	Hard Rock:		
ManHoles Inputs	Handhole 3x5 or 4x6 - Material	\$944 00	\$6,437.8
ManHoles Inputs	Handhole 3x5 or 4x6 - Installation	\$800.00	\$0.0
ManHoles Inputs	Manhole 4ets7 - Material	\$2,136.25	\$11,462.7
ManHoles Inputs	Manhole 4stix7 - Installation	\$2,445.00	\$0.0
ManHoles Inputs	Menhole 12x8x7 - Meterial	\$3,209.00	\$16,696 7
ManHoles Inputs	Manhole 12x6x7 - Installation	\$3,231.00	\$0.0
ManHoles Inputs	Conduit per duct foot - Meterial	\$0.63	\$1.3
ManHole Sharing Assumptions	(% Assigned to Telephone)		
	Normal, Soft Reck and Hard Rock (All De-	nsity Zones)	
ManHoles Inputs Sheet	Handhole 3x5 or 4x6	75 00%	97 181
ManHoles Inputs Sheet	1fanhole 4xfx7	90.00%	97.181
ManHoles Inputs Sheet	Manhole 12x6x7	80.00%	97 181
ManHoles Inputs Sheet	Adder 12x6x7	80.00%	97 181
ManHoles Inputs Sheet	Conduit per duct foot	100.00%	97 181

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		BCPM 3.1	Company
Category / Input Sheet	Input Rem	Default	Specific inputs
Cost of Cable & Wire			
	Copper Aerial 28 Gauge	*****	\$56.0
.oop Cost Inputs	Pairs 4200	\$37.18	1 11112
oop Cost Inputs	Pairs 3600	\$34.01	
.cop Cost Inputs	Pairs 3000	\$33.36	
.oop Cost Inputs	Pairs 2400	\$26.26	7
eop Cost Inputs	Pairs 2100	\$20.88	
.oop Cost Inputs	Pairs 1800	\$19.28	
pop Cost Inputs	Pairs 1200	\$12.78	
Loop Cost Inputs	Pairs 900	\$9.86	
oop Cost Inputs	Pairs 600	\$7.21	
eop Cost Inputs	Pairs 400	\$5.58	5
Loop Cost Inputs	Pairs 300	\$4.80	
.oop Cost Inputs	Pairs 200	\$3.84	
oop Cost Inputs	Pairs 100	\$2.90	\$2.
Loop Cost Inputs	Pairs 50	\$2.56	\$1.
Loop Cost Inputs	Pairs 25	\$2.50	51.
Loop Cost Inputs	Pairs 16	\$2.53	\$1.
Loop Cost Inputs	Pairs 12	\$7.50	\$1.
Coop Cook in pass	0.755,070		
	Copper Buried 26 Gauge	2000,000	
Loop Cost Inputs	Pairs 4200	\$33.16	
Loop Cost Inputs	Paris 3600	\$30.20	
Loop Cost Inputs	Pairs 3000	\$29.11	
Loop Cost Inputs	Pairs 2400	\$26.7	7: 21221
Loop Cost Inputs	Pairs 2100	\$22.6	
Loop Cost Inputs	Pairs 1800	\$20.4	
Loop Cost Inputs	Pairs 1200	\$13.2	
Loop Cost Inputs	Paira 900	\$10.7	
Loop Cost Inputs	Pairs 600	\$7.2	
Loop Cost Inputs	Pairs 400	\$5.6	7 56
Loop Cost Inputs	Pairs 300	\$4.3	8 34
Loop Cost Inputs	Pairs 200	\$3.4	9 13
Loop Cost Inputs	Pairs 100	\$2.5	2 52
Loop Cost Inputs	Pairs 50	\$2.1	6 \$1
Loop Cost Inputs	Pairs 25	\$1.9	3 31
Loop Cost Inputs	Pairs 18	\$1.9	3 \$1
Loop Cost Inputs	Pairs 12	\$1.9	3 \$1
	Copper Underground 24 Gauge	\$35.6	so \$58
Loop Cost Inputs	Pairs 4200	\$33.3	76 791
Loop Cost Inputs	Pairs 3600	\$26.2	
Loop Cost Inputs	Pairs 3000	\$21.5	
Loop Cost Inputs	Pairs 2400	\$19 4	570.0
Loop Cost inputs	Pairs 2100		
Loop Cost Inputs	Pairs 1800	\$17.3	
Loop Cost Inputs	Pairs 1200	\$11.5	
Loop Cost Inputs	Pairs 900		
Loop Cost Inputs	Pairs 600	\$7.5	77.
Loop Cost Inputs	Pairs 400	\$6.5	200
Loop Cost Inputs	Pairs 300	\$4.	
Loop Cost Inputs	Pairs 200	\$3.0	5.5 U
Loop Cost Inputs	Pairs 100	\$2.0	
Loop Cost Inputs	Pairs 50	\$1	
Loop Cost Inputs	Pairs 25	\$1.0	
Loop Cost Inputs	Pairs 18	\$1.0	7.53
Leop Cost Inputs	Pairs 12	\$11	00 \$1

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		BCPM 3.1 Default	Company Specific Inputs
Category / Input Sheet	Input Item	1 1000	
Cost of Cable & Wire			
	Fiber Aerial		
oop Cost inputs	Pairs 258	\$12.02	\$12 (
.coc Cost Inputs	Pairs 144	\$9.85	\$10
oop Cost Inputs	Pairs 95	\$7.19	\$7
oop Cost Inputs	Pairs 72	\$6.75	\$5.0
.cop Cost Inputs	Pairs 60	\$6.02	54
sop Cost Inputs	Pairs 45	\$5.27	54
oop Cost Inputs	Pairs 36	\$4 67	\$3 \$2
oop Cost Inputs	Pairs 24	\$3.45	52
Loop Cost Inputs	Pairs 18	\$3.26	
Loop Cost Inputs	Pairs 12	\$3 04	\$1
	Fiber Buried		202
Loop Cost Inputs	Pairs 288	\$12.79	\$12
Loop Cost Inputs	Pairs 144	\$9.96	\$9
Loop Cost Inputs	Pairs 96	\$7.43	\$5
Loop Cost Inputs	Pairs 72	\$6.00	54
Loop Cost Inputs	Pairs 60	\$5 17	54
Loop Cost Inputs	Pairs 48	\$4.95	\$3
Loop Cost Inputs	Pairs 36	\$4.01	\$3
Loop Cost Inputs	Pairs 24	\$3.93	\$7 \$2
Loop Cost Inputs	Pairs 10	\$3.25	
Loop Cost Inputs	Pairs 12	\$2.75	• • • • • • • • • • • • • • • • • • • •
	Fiber Underground	20078	\$11
Loop Cost Inputs	Pairs 288	\$11.50	0 (ST) (S)
Loop Cost Inputs	Pairs 144	\$10.30	2 12517
Loop Cost Inputs	Pairs 96	\$7.40	
Loop Cost Inputs	Pairs 72	\$6.25	
Leop Cost Inputs	Pairs 60	\$5.50	
Leep Cost Inputs	Pairs 48	\$4.75	
Loop Cost Inputs	Pairs 36	\$4 15	
Loop Cost Inputs	Pairs 24	\$3.75	
Loop Cost Inputs	Pairs 18	\$3.45	9 023
Loop Cost Inputs	Pairs 12	\$3.09	

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		BCPM 3 1	Company
Category / Input Sheet	Input Item	Default	Specific Inputs
Cost of Cable & Wire			
	Copper Aerial 24 Gauge	\$52.71	\$70.43
Loop Cost Inputs	Pairs 4200	147.8	
Loop Cost Inputs	Pairs 3600	\$46.45	
Loop Cost Inputs	Pairs 3000	\$35.9	
Loop Cost Inputs	Pairs 2400	\$30 M	
.oop Cost Inputs	Pairs 2100	126.5	
ooc Cost Inputs	Pairs 1800	\$16 B	T. 1725410
oop Cost Inputs	Pairs 1200	\$12.9	
oop Cost Inputs	Pairs 900	10.0	
Loop Cost Inputs	Pairs 600	\$6.8	
Loop Cost Inputs	Pairs 400	\$5.6	
sop Cost Inputs	Pairs 300	\$4.5	8 0500
Loop Cost Inputs	Pairs 200	\$3.3	S 92112
oop Cost Inputs	Pairs 100	\$3.3 \$2.7	(t) 02TV2
Lego Cost Inputs	Pairs 50		W 5000
Loop Cost Inputs	Pairs 25	\$2.6	
Loop Cost Inputs	Pairs 18	\$2.5	
Loop Cost Inputs	Pairs 12	\$2.5	
	Copper Buried 34 Gauge	***	17 \$85.0
Loop Cost Inputs	Pairs 4200	\$36.3	
Loop Cost Inputs	Pairs 3600	\$35.5	
Loop Cost Inputs	Pairs 3000	\$34	
Loop Cost Inputs	Pairs 2400	\$32	
Loop Cost Inputs	Pairs 2100	\$27	**
Loop Cost Inputs	Pairs 1800	\$25	
Loop Cost Inputs	Pairs 1200	\$17	
Loop Cost Inputs	Pairs 900	\$13	
Loop Cost Inputs	Pairs 600	\$9	9.0
Loop Cost Inputs	Pairs 400	\$7	***
Loop Cost Inputs	Pairs 300	\$5	**
Loop Cost Inputs	Pairs 200	54	77
Loop Cost Inputs	Pairs 100	\$3	
	Pairs 50	\$2	CCCC 52.00
L. sp Cost Inputs	Pairs 25	\$2	
Loop Cost Inputs	Pairs 18	7.7	05 \$1
Loop Cost Inputs Loop Cost Inputs	Pairs 12	51	97 51
	Copper Underground 34 Gauge	76702	TOD NAME
Loop Cost Inputs	Pairs 4200	546	0.175
	Pairs 3600	\$42	199
Loop Ceet Inputs Loop Ceet Inputs	Paira 3000	\$36	2.11
Loop Cost Inputs	Pairs 2400		
Loop Cost Inputs	Pairs 2100		
Loop Cost Inputs	Pairs 1800		
Loop Cost Inputs	Pairs 1200		F (F)
Loop Cost Inputs	Pairs 900	1,777	. 04
Loop Cost Inputs	Pairs 600		F 10-4
Loop Cost Inputs	Pairs 400		
Loop Cost Inputs	Pairs 300		
Loop Cost Inputs	Pairs 200	1.7	7.80
L: op Cost Inputs	Pairs 100	1.7	
Loop Cost Inputs	Peirs 50		. 10
Loop Cost Inputs	Pairs 25	1.7	1 44
Loop Cost Inputs	Pairs 16	1.7	
Loop Cost inputs	Pairs 12	5	1 39 \$

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		BCPM 3.1	Company
Category / Input Sheet	input Item	Default	Specific Inputs
	ton Cost Table		
Digital Loop Carrier Remote Syst	Fixed Cost		
	Dic Fiber Size 0	\$19 120 17	\$23,753 4
DLC & Electronic Inputs	Dic Fiber Size 25	\$19 203 56	\$23,753 4
DLC & Electronic Inputs	Dic Fiber Size 49	\$23,789.75	\$23,753
DLC & Electronic Inputs	Dic Fiber Size 97	\$23,886,56	\$30,299
DLC & Electronic Inputs	Dic Fiber Size 121	\$37,691.12	\$30,299
DLC & Electronic Inputs	Dic Fiber Size 193	\$37,873.22	\$46,238
DLC & Electronic Inputs	Dic Fiber Size 241	\$64.291.00	\$51,245
DLC & Electronic Inputs	Dic Fiber Size 241	\$68,377.00	\$89,196
DLC & Electronic Inputs	Dic Fiber Size 573	\$96,859.00	\$113.125
DLC & Electronic Inputs	Dic fiber Size 5/3 Dic fiber Size 1345	\$165,236.00	\$132,112
DLC & Electronic Inputs	Dic fiber Bize 1345	\$100,230.00	
	Per Line Cost for VG		1
DLC & Electronic Inputs	Dic Fiber Size 0 - 193	\$94.00	\$72
DLC & Electronic Inputs	Dic Fiber Size 241 - 673	\$89.11	\$72
DLC & Electronic Inputs	Dic Fiber Size 1345	\$89 11	\$63
Digital Loop Carrier COT Investr	ment Table		
	Fixed Cost		
DLC & Electronic Inputs	Dic Fiber Size 0	\$11,268.16	\$3,319
DLC & Electronic Inputs	Dic Fiber Size 25	\$11,749.30	\$3,319
DLC & Electronic Inputs	Dic Fiber Size 49	\$12,711.57	\$3,319
DLC & Electronic Inputs	Dic Fiber Size 97	\$13,192.71	\$6,975
DLC & Electronic Inputs	Dic Fiber Size 121	\$14,808.60	\$6,975
DLC & Electronic Inputs	Dic Fiber Size 193	\$15,770.87	\$22,492
DLC & Electronic Inputs	Dic Fiber Size 241	\$22,176.00	\$23,030
DLC & Electronic Inputs	Dic Fiber Size 385	\$22,176.00	\$23,962
DLC & Electronic Inputs	Dic Fiber Size 673	\$22,176.00	\$29,833
DLC & Electronic Inputs	Dic fiber Size 1345	\$26.881.00	\$39,474
Remote Terminal DLC Per line I	investment for Extended Range Line Cards		
Manadanan is lon de	RTDLCLPerLineExRange	\$187.50	\$183
Miscellaneous Inputs Miscellaneous Inputs	RTDLCSPerLineExRange	\$125.00	\$183
missoulli record it govia	and the second of the second of the second		
Transport	At the second se	12	
Transport Inputs Sheet	Maximum Nodes on a Ring	12	

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GTE FLORIDA INCORPORATED BCPM Version 3.1 Inputs

Access Line Counts

			Ac	cess Line Con	nra.		Page 19 01 22	*****
				Business	Business	Special	Total	Access
	Wire Center	Place Name	Residence	Single Line	Multiline	Access	Business	Lines
1	ALFAFLXA	ALAFIA	1000000	D controls	REGISTA	ATTITUTE	STATE OF THE PARTY.	STATE OF THE PARTY OF
2	ALTRELXA	ALTURAS	1775		100000	\$6500	111,0000	ASSESSED NO.
3	ANMRELXA	ANNA MARIA	40000	E900000	100200	10000	STATE OF THE PARTY.	Section 2
4	ABDLELKA	AUBURNDALE	12 2 2 2	SECTION 1	200000	(S)(S)(S)	ACCURATE VALUE OF THE PARTY OF	SECTION .
5	BBPKFLXA	BABSON PARK	1000113	Total Control	100000	ASSESSED N	\$2000E	DIVISION N
6	BARTFLXA	BARTOW	2000	BERNOON .	ASSESSED N	1000000	THE REAL PROPERTY.	Alman,
7	BAYUFLXA	BAYOU	10000		\$55,650	B (50)	CANADA .	10000000
ð	BYSHFLXA	BAYSHORE	10000	100000	100000	1000000	ERRORS	1000000
9	BHPKFLXA	BEACH PARK	251,000	20000	15000	NAME OF TAXABLE PARTY.	1000000	SECTION .
10	BRYNFLXX	BRADENTON	200	1 05000	700000	100000	SATES OF	EULES
11	BRBAFLXA	BRADENTON BAY			1,000,000	DEMEN	9607950	THE STATE OF
12	BRJTFLXA	BRADLEY	1000	Ulder All	1,000,000	100	SECTION 1	\$500000
13	BRNDFLXA	BRANDON	1000	A ANNOUS	STATE OF THE PARTY.	CONTRACT	900000	100000
14	CRWDFLXA	CARROLWOOD	10000	1000000	200000		NIECTON.	STELL SHOP
15	CLWRFLXA	CLEARWATER	PACE AND DESCRIPTION OF THE PA	125520	2000000	10000	100000	E
16	CNSDFLXA	COUNTRYSIDE	100000	100100	200000	ALC: NO	E I I I I I	
17	CYGRELKA	CYPRESS GARDENS	116211		F100000	\$50,000	\$150000	
1.8	DUNDFLXA	DUNDEE	BS28	THE SECTION AND ADDRESS OF THE PERSON ADDRESS OF THE PERSON AND ADDRESS OF THE PERSON ADDRESS OF THE PERSON ADDRESS OF THE PERSON ADDRESS OF THE PERSON AND ADDRESS OF THE PERSON ADDRESS OF THE PERSON	10000000	TA SE	1500000	1000
19		DUNEDIN	10000	10000	10000000	THE COLD	E SE	10000
20		ENGLEWOOD	1000		ASSESSED OF		HEREEN.	The second
21		FEATHER SOUND	100000	100000	STITUTE STATE	1000000		
22	FF TFLXA	FROSTPROOF	ESTOR	10000	DESCRIPTION OF THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TWO IS NAMED IN COLUMN TW		100 March 1985	2000 ES
23			E 1	E SECTION AND ADDRESS OF THE PERSON AND ADDR	A STATE OF THE PARTY OF	200	100000	
24		HAINES CITY	ESS	100000	E SERVICE	200	ASSESS	
25		HAINES CITY	20000	B 550	FRESN	199000	RECEIPT.	ATTENDED
26	HGLDFLXA	HIGHLANDS	BISSE	E E	1 1000000	A 100 HE ST	THE REAL PROPERTY.	Section 1
27		HUDSON	1000	A Sheet	5 800000	10000	138800	TODO WELL
28		HYDE PARK	\$1000E		£ COLUMN		14000	
29		INDIAN LAKE			\$ 100,000	E. 250.0	1	B 200
30		INDIAN ROCKS	10000		1-100000	10000	-	STATE OF THE
3.1		KEYSTONE	1000	E PROPER	E STREET	100000	130000	E CENT
35		LAKE ALFRED	1000		\$ 1000000	Section 1	130000	
33			IIIII		(1616516)	STOWN STOWN	F-0000000	
34		LAKE WALES	1000	A STATE OF	2 (SECON)	A CONTRACTOR OF THE PARTY OF TH	100000	1000000
	LKLDFLXL	LAKELAND	00000		255200		1255	1111
	LKLDFLXN	LAKELAND	11505	N TAISON	BASSESSES.	BRIDGE	STREET, STREET	
37	LKLDFLXA	LAKELAND	III SIII	Name of	1000000	the same	2000	Sea State
36	LRGOFLXA	LAND O LAKES	150		W 27 25 1	100000000	2000	ALTERNATION N
40		LEALMAN	10000			1100319	ERROR	MINISTER ST
41	LGBKFLXA	LONGBOAT KEY	8550		ASSESSED NO.	12000	10000	ESS 170
42	The second secon	LUTZ	B1005		SERVICE SERVICE	CITALS	1000	565
43		MOONLAKE	108	Ballia St		100000	20102	FIRE
44		MULBERRY	AND REAL PROPERTY.		1000000	10000	L DESIGN	HAND THE
45		MYAKKA	\$150 BBS		*************************************	1700000	10000	E SERVE
46	NPRCFLXA	NEW PORT RICHEY			1000000	60000	NAME OF TAXABLE PARTY.	8 . 8
47	NGBHFLXA	NORTH GULF BEACH	30	10 (00)	(C) (C)	E-17-15	A	Harris II
48		NORTHPORT	(8 Ye 3 HE)	5.00	1	1		BUSINE
45	OLDSFLXA	OLDSMAR	E 3 3 4 5 5	No. of Local Line	THE REAL PROPERTY.	522000		EN ESTADO
50	OSPRELXA	OSPREY	1		BOHEN.	2000	A ANDRESSES	(S) (S)
51	PLSLFLXA	PALMA SOLA	100	BOXXEST	TO SERVICE STATE OF THE PARTY O	50 50	1 1992	E TANK
57		PALMETTO	100		#355 P	1000	A STATE OF THE PARTY OF THE PAR	1 S S S S S S S S S S S S S S S S S S S
53		PARRISH	1000		DESCRIPTION OF THE PERSON OF T	E0050	THE PERSON NAMED IN	Service Property
54		PASADENA	Company of the last	E 100 100 100 100 100 100 100 100 100 10	133	133593	0.000	
55	PNCRFLA	PINECREST	DEVICE		3571.51	1000		12000
-	CONTRACTOR OF THE PARTY		-	1000	AND DESCRIPTION OF THE PERSON	(C) (C)	September 1	Charles on the last
				-	Garage A.			

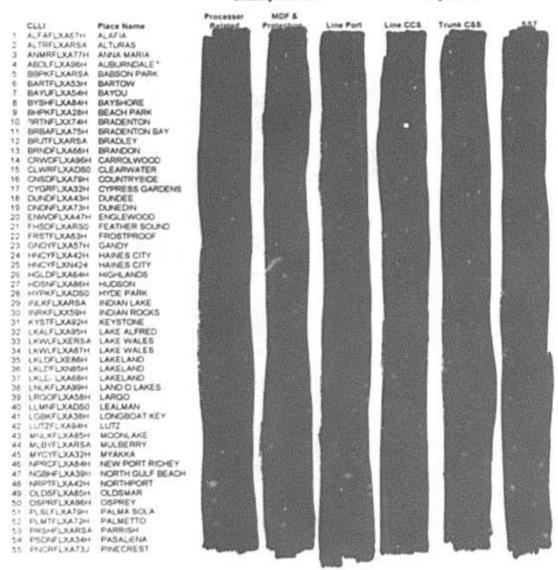
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GTE FLORIDA INCORPORATED

BCPM Version 3.1 Inputs

Switching Investments

Docket No. 880686-TP Dir Test of D. G. Tucek Exhibit DGT-1 FPSC Exhibit No. Page 21 of 22

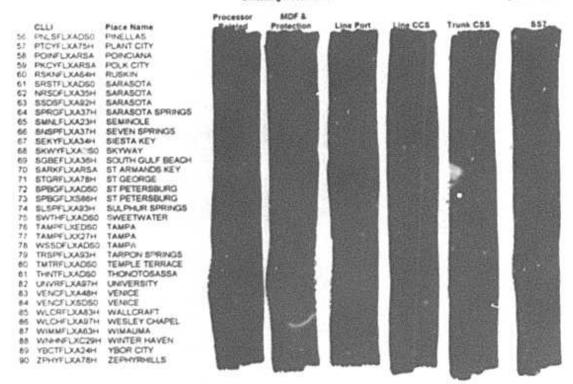


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GTE FLORIDA INCORPORATED BCPM Version 3.1 Inputs

Switching Investments

Docket No 800494-TP
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Docket No. 980696-TP
Direct Testimony of David G. Tucek
Exhibit No. DGT-3
FPSC Exhibit No.
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GTE

BCPM3.1 MODEL RESULTS

State of Florida

July 24, 1998

Docket No. 980696-TP Direct Testimony of David G. Tuce Exhibit No. DGT-3 FPSC Exhibit No.

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Benchmark Cost Proxy Model Results

Area Wide Summary Report

TOTAL SUMMARY GTE CORPORATION FLORIDA WIRE CE!

Investment Per Line Data	Uncapped Annual Amount		A	pped ^t nnual nount
Loop Investment	5	852	S	835
Switch Investment		165	\$	165
IOF Investment	\$ \$ \$	6	5	6
Other Investment	5	142	S	141
Total Investment	\$	1,165	\$	1,148
Expense Per Month Data				Haranasa
Total Capital Cost per Line	S	20.09	\$	19 83
Total Operating Expense per Line	S	11.99	5	11 98
Total Cost per Line	S	32.08	5	31.81
Gross Receipts Tax ²	5	1.00	S	0.99
Line Data				
Average Loop Length in Feet		15,317		
Lines Above \$10K Loop Investment		1,216		
Number of Households		1,256,364		
Number of Residential Lines		1,596,232		
Number of Single Business Lines		287,982		
Multiple Business Lines		351,120		
Non Switched Lines	-	78,731		
Total GRID Lines Served		2,314,065		

[GRID] D. BCPM3 IFL/RESULTS. BCPMMIN_BCPMMIN_GRID_REPORT.CSV PROCESSING - BCPMMIN : CAPCOST - BCPMMIN

¹ GRIDs with Average Loop Investment per line over \$10,000 are capped at \$10,000.

² Application varies so much on a state by state basis, it is not included in the Monthly Cost.

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Benchmark Cost Proxy Model Results

Key Elements

TOTAL SUMMARY
GTE CORPORATION

FLORIDA WIRE CENTERS [90]

Investment: UnCapped

Analysis	Total	P	er Line
GRID Lines Served	2,314,065		5000
Average Distribution Length	1,698,253,465		734
Average Feeder Length	33,748,499,992		14,584
Average Loop Length	35,445,170,600		15,317
Distribution Investment	\$ 918,902,704	\$	397
Feeder Investment	\$ 1,051,546,751	\$	454
Loop Investment (UnCapped)	\$ 1,970,449,456	\$	852

Loop Investment (UnCapped)	s	1,970,449,456	\$ 832	Az	inual Per	
Plant Type		Capped Annual Investment	Percentage	Line Investment		
2112 Motor Vehicle	5	19,187,632	0.71%		8.29	
2114 Special Purpose Vehicle	5		0.00%	2	*	
2115 Garage Work	S	851,732	0.03%	\$	0.37	
2116 Other Work	5	18,312,240	0.68%	5	7.91	
2122 Furniture	5	5,465,281	0.20%	5	2.36	
2123 Office	S	35,394,201	1.31%	2	15.30	
2124 General Purpose Computers	5	28,414,730	1.05%	5	12.28	
Total Support Investment	S	107,625,816	3.99%	\$	46.51	
2111 Land	5	12,173,387	0.45%	5	5.26	
2121 Building	\$	209,265,487	7.76%	5	90.43	
2210 Switching Equipment	5	382,282,984	14.18%	2	165.20	
2230 Circuit Equipment	\$	423,896,779	15.73%	5	183.18	
2230 IOF Equipment	\$	13,190,024	0.49%	5	5.70	
2411 Pole Investment	\$	78,463,943	2.91%	\$	33.91	
2421 Aerial Cable - Copper	\$	162,313,579	6.02%	5	70.14	
2421 Aerial Cable - Fiber	5	340,155	0.01%	\$	0.15	
2421 Aerial Cable	\$	162,653,734	6.04%	5	70.29	
2422 Underground Cable - Copper	\$	104,551,018	3.88%	5	45.18	
2422 Underground Cable - Fiber	5	28,463,531	1.06%	5	12.30	
2422 Underground Cable	5	133,014,549	4.94%	\$	57.48	
2423 Buried Cable - Copper	5	904,409,093	33.56%	\$	390.83	
2423 Buried Cable - Fiber	5	7,157,636	0.27%	5	3.09	
2423 Buried Cable	5	911,566,729	33.82%	\$	393.92	
2441 Conduit Investment	5	260,853,722	9.68%		112.73	
Total Plant Investment	3	2,587,361,337	96,01%	- 2	1,118.10	
Total Investment	\$	2,694,987,153	100.00%	\$	1,164.61	

Assumations.

DID BCPMOIFLIRESULTS BCPMMIN_BCPMMIN_GRID_REPORT.CSV

ESSING - BCPMMIN : CAPLOST - BCPMMIN

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Benchmark Cost Proxy Model Results

Key Elements

TOTAL SUMMARY
GTE CORPORATION

FLORIDA WIRE CENTERS [90]

Plant Specific Expenses 6110 Network Support 6120 General Support	s	38,876		Monthly Per Line Cost	
6110 Network Support	5	38,876			
6120 General Support			0.01%		0.00
orac wanten worp per		24,050,540	4.44%		0.87
6210 COE Switch	\$	66,285,730	12.24%		2.39
6230 COE/IOF Transmission	\$	11,038,819	2.04%		0.40
6310 Information IOT	\$		0.00%		
6411 Poles	\$	857,077	0.16%		0.03
6421 Aerial Copper Cable	5	8,253,001	1.52%		0.30
6421 Aerial Fiber Cable	\$	3,839	0.00%	0.730	0.00
6422 Underground Copper Cable	S	486,685		5	0.02
6422 Underground Fiber Cable	\$	34,958	0.01% 6.28%		1.22
6423 Buried Copper Cable	\$	33,984,531	0.01%		0.00
6423 Buried Fiber Cable	S	57,789 530,426	0.10%		0.02
6441 Conduit Investment System	_		8 16%		1.59
6410 Cable & Wire	\$	44,208,306	26.89%		5.24
Total Plant Specific Expenses	\$	145,622,272	20.897*	,	3.49
Plant Non-Specific Expenses			0.00%		2
6510 Other PP&E	S				
6530 Network Operations	\$	1,030,222	0.19%		0.04
6560 Depreciation/Amort	\$	208,649,783	38.53%	2	7.51
6610 Marketing	\$	43,163,792	7.97%	\$	1.55
6620 Customer Opr Service	5	46,621,005	8.61%	2	1.68
6710 Executive & Planning	5	5,153,886	0.95%	\$	0.19
6720 Guaeral & Administration	\$	66,958,859	12.36%	\$	2.41
6790 Prov Uncollectibles	5	24,342,113	4.49%	\$	0.88
Total Plant Non-Specific Expenses	\$	395,919,659	73.11%	\$	14.26
Total Operating Expense	S	541,541,930	100.00%		19.50
Federal and State Taxes	5	144,670,763		S	5.2
Return On Investment	\$	204,490,083		5	7.36
Monthly Cost per Line	\$	890,702,777		\$	32.0
Gross Receipts Tax1	s	27,831,594		\$	1.0

Assumptions:

[GRID] D. BCPMS FFLRESULTS, SICPMMIN_BCPMMIN_GRID_REPORT.CSV PROCESSING - BCPMMIN : CAPCOST - BCPMMIN

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Benchmark Cost Proxy Model Results

Key Elements

TOTAL SUMMARY GTE CORPORATION

FLORIDA WIRE CENTERS [90]

Investment: Capped1

Lines Above \$10K Loop Investment = Expense Account	Cap	ped Annual Expense	Percentage		ly Per Cost
Plant Specific Expenses			VAVOTULA P		45 4545
6110 Network Support	s	38,876	0.01%		0.00
6120 General Support	5	24,050,540	4.46%		2.39
6210 COE Switch	\$	66,285,730	12.29%		0.40
5230 COE/IOF Transmission	S	10,970,904	2.03%		0.40
6310 Information IOT	\$	13	0.00%		0.03
6411 Poles	5	850,261	0.16%		0.30
6421 Aerial Copper Cable	5	8,237,135	1,53%		0.00
6421 Aerial Fiber Cable	\$	3,678	0.00%		0.02
6422 Underground Copper Cable	\$	486,669	0.09%		0.02
6422 Underground Fiber Cable	\$	29,905	0.01%		1 22
6423 Buried Copper Cable	\$	33,897,334	6.28% 0.01%		0.00
6423 Buried Fiber Cable	\$	49,355	0.09%		0.02
6441 Conduit Investment System	\$	481,346			1.59
6410 Cable & Wire	\$	44,035,684	8.16%		5.24
Total Plant Specific Expenses	\$	145,381,734	26.95%	3	3.24
Plant Non-Specific Expenses			0.00%		
6510 Other PP&E	\$				0.04
6530 Network Operations	5	1,030,222	0.19%		11 (67.17)
6560 Depreciation/Amort	5	206,816,887	38.34%		7.45
6610 Marketing	S	43,163,792	8.00%	. 5	1.55
6620 Customer Opr Service	S	46,621,005	8,64%	. \$	1.68
	S	5,153,886	0.96%	. 5	0.19
6710 Executive & Planning	s	66,958,859	12.419	. 5	2.41
672 General & Administration	s	24,342,113	4.515	. 5	0.88
6790 Prov Uncollectibles	5	394,086,763	1 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1 2 1		14.19
Total Plant Non-Specific Expenses		539,468,497			19.4
Total Operating Expense	\$		2.00	s	5.1
Federal and State Taxes	\$	142,446,052			
Return On Investment	\$	201,290,359		\$	7.2
Monthly Cost per Line	\$	883,204,909		\$	31.8
Gross Receipts Tax ²	S	27,831,594		\$	1.0
Gross recorpts 1 mm			4 . 510.0	nn.	

¹ GRIDs with Average Loop Investment per line over \$10,000 are capped at \$10,000.

[GRID] D 'BCPM3 [FL/RESULTS', 'BCPMMIN_BCPMMIN_GRID_REPORT CSV

OCESSING - BCPMMIN : CAPCOST - BCPMMIN

² Application varies so much on a state by state basis, it is not included in the Monthly Cost.

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Benchmark Cost Proxy Model Results

Zlant Summary Report.

The color The	GTE CORPORATION																	WIRE	ENI	WIRE CENTERS [90]
String S	Density Green		6 19 5		6 to 100	9	to 200	101	959	651 to 85	-		1991	9005 *1	98	10,000		> 10,001		letal
\$ 183 5 173 5 559 5 178 5 171 5 172 5 166 5 164 5 559	tment Per Line Data									0				-		-		ş		52
\$ 184 \$ 183 \$ 178 \$ 176 \$ 175 \$ 175 \$ 166 \$ 166 \$ 162 \$ 138 \$ 138 \$ 15 \$ 2 \$ 25 \$ 25 \$ 25 \$ 25 \$ 25 \$ 25	Inchessed I you Investment		28, 186	м	2,635	-	1,408 \$	-	131	286 5	*	822		77.5	~	239	^	5.63		:
S	one-appearance measurement				181		178 5		32	5 17		2	~	101	**	162	m	133		165
\$ 29,083 \$ 1,407 \$ 235 \$ 1771 \$ 1,473 \$ 1,515 \$ 1,134 \$ 1,080 \$ 852 \$ 949 \$ 949 \$ 9,5083 \$ 1,771 \$ 1,473 \$ 1,515 \$ 1,134 \$ 1,080 \$ 1872 \$ 949 \$ 949 \$ 9,5983 \$ 1,771 \$ 1,473 \$ 1,515 \$ 1,134 \$ 1,080 \$ 1872 \$ 949 \$ 949 \$ 9,581 \$ 1283 \$ 1283 \$ 11,90 \$ 11,18 \$ 1027 \$ 949 \$ 9,581 \$ 1283 \$ 1283 \$ 1283 \$ 1283 \$ 1283 \$ 1283 \$ 1283 \$ 1283 \$ 1283 \$ 11,90 \$ 11,18 \$ 1027 \$ \$ 18,590 \$ 9,687 \$ 1283 \$ 1283 \$ 1283 \$ 11,90 \$ 11,18 \$ 10,28 \$ 12,514 \$	Investment	,	1 '		20.7				4			•		•	ыч	4	m	33		0
\$ 25,983 \$ 3,059 \$ 1,771 \$ 1,473 \$ 1,315 \$ 1,134 \$ 1,080 \$ 852 \$ 949 \$ 25,983 \$ 3,059 \$ 1,771 \$ 1,473 \$ 1,315 \$ 1,134 \$ 1,080 \$ 1871 \$ 1463 \$ 949 \$ 26,983 \$ 3,059 \$ 1,771 \$ 1,473 \$ 1251 \$ 1271 \$ 1463 \$ 949 \$ 26,983 \$ 3,059 \$ 12,53 \$ 1258 \$ 22,811 \$ 1969 \$ 11,18 \$ 10,27 \$ 10,	(flee Facilities	m .	1	n 1					3			142	•	138		127	**	8	5	142
\$ 29,985 \$ 3,059 \$ 1,771 \$ 1,472 \$ 1251 \$ 1969 \$ 1871 \$ 1465 \$ 949 \$ 28,985 \$ 3,059 \$ 1,771 \$ 1,465 \$ 1251 \$ 1251 \$ 1190 \$ 1118 \$ 1927 \$ 1927 \$ 1927 \$ 1927 \$ 1927 \$ 1927 \$ 1927 \$ 1927 \$ 1975 \$ 1927	Investment	_	1,407		235		0		1		1	1114	5	1.080	~	852	1	343	5	1.165
\$ 469.79 \$ 50.97 \$ 30.60 \$ 255.88 \$ 222.81 \$ 19.60 \$ 18.71 \$ 14.65 \$ 949 \$ 28.31 \$ 12.01 \$ 11.90 \$ 11.18 \$ 10.27 \$ 10.27 \$ 10.27 \$ 11.00 \$ 11.18 \$ 10.27 \$ 10	Investment		29,985	67	3,059	MT.	1.771													
genine per line 5 260 70 5 30 60 5 25 38 5 12 55 12 51 11 90 5 11 18 5 10 27 5 refline 5 28 31 5 12 55 5 12 55 5 10 50 5 10 76 5 refline 5 40 11 5 65 69 5 44 25 5 31 31 5 30 60 5 25 81 5 10 76 5 miles Length 48 38 1,534 1,918 1,366 1,058 78 78 90 60 268 25 81 5 10 76 3 Length 59,240 3,674 1,264 1,546 15,462 13,196 9,055 5,108 Length 60,228 38,599 3,630 22,741 18,540 15,462 13,196 9,055 5,108 Length 60,228 38,599 36,991 36,913 36,913 36,103 350,949 21,577	Per Month Data							0				09 01		18.71	*	14.65		6 4 6		20.09
perinte per Line 5 28.31 \$ 12.51 \$ 12.51 \$ 12.51 \$ 11.75 \$ 10.76 \$ 10.77 \$ 10.	d Cost	и	469 79	v,	20.47	17	30.60		E C					8		11.18	10	10.27	•	11 88
\$ 40811 \$ 6569 \$ 4425 \$ 3837 \$ 3533 \$ 3173 \$ 3060 \$ 2583 \$ 1970 \$ 3175 \$ 3060 \$ 2583 \$ 1970 \$ 3175 \$ 3050 \$ 2583 \$ 1970 \$ 3175 \$ 3050 \$ 2583 \$ 1970 \$ 3175 \$ 3050 \$ 3667 \$ 2583 \$ 1970 \$ 3175 \$ 3050 \$ 32574 \$ 1259 \$ 4259 \$ 4267 \$ 4853 \$ 3108 \$ 30528 \$ 38,993 \$ 22,741 \$ 18,523 \$ 14,674 \$ 12,598 \$ 9,995 \$ 5,108 \$ 30,228 \$ 38,999 \$ 126,208 \$ 43,880 \$ 403,235 \$ 421,838 \$ 170,845 \$ 20,275 \$ 1,270 \$ 12,462 \$ 10,190 \$ 26,209 \$ 26,200 \$ 22,317 \$ 8,691 \$ 508,103 \$ 520,949 \$ 210,273 \$ 23,375 \$ 1,276 \$ 25,375 \$ 1,277 \$ 16,300 \$ 13,789 \$ 26,049 \$ 26,290 \$ 22,317 \$ 16,300 \$ 13,789 \$ 26,049 \$ 26,290 \$ 26,2	The Partners was 1 and		28 11	v	14.72	w	13.65		2.08	5 12.5		12.03	-	2	-		1		1	11.04
original asss 1,534 1,918 1,365 1,058 788 599 268 235 complete 592-80 36,975 22,741 18,523 14,674 12,598 9,6877 4,853 h 50,228 38,590 30,406 22,741 18,523 14,662 10,196 9,935 5,108 olds 821 30,104 39,094 126,308 43,580 403,235 421,838 170,845 20,275 1, statistimes 1246 43,581 125,648 52,648 175,652 59,913 508,103 520,849 21,0273 23,737 1, Business Lines 1,246 4,736 6,430 22,317 8,699 36,118 93,012 23,017 1,277 59,012 Lines 1,503 1,311 3,397 1,578 1,4737 16,300 13,789 26,013 20,013 st 4,735 1,303 1,311 3,397 1,578 1,4737 10,0	ting expense per care		11 107	-		10			18.57				w5.	90	*	25 8.		9		27.08
### 1,534 1,918 1,346 1,058 788 599 268 255 99,540 36,975 29,016 22,741 18,523 14,674 12,598 9,687 4,853 60,228 38,599 30,918 24,106 19,810 15,462 13,196 9,955 5,108 ###################################	tading Green Recippo Tax)	9																		
### 1,534 1,918 1,500 14,674 12,598 9,687 4,853 4,853 4,500 15,462 13,196 9,955 5,108 5,222 38,590 30,935 24,106 19,480 15,462 13,196 9,955 5,108 1,204 23,541 126,308 43,580 403,235 421,838 170,845 20,275 1,324 1,234 1,2542 59,913 508,103 520,949 210,273 23,737 1,324 1,234 1,234 1,331 1,3397 1,371 14,737 16,300 13,789 26,049 26,049 26,049 20,315 1,311 1,3397 1,371 14,737 16,300 13,789 26,049	Data									***		101		400		268		255		114
99,240 36,975 22,016 22,741 10,015 24,106 19,480 15,462 13,196 9,955 5,108 10,228 38,599 30,915 24,106 19,480 15,462 13,196 9,955 5,108 11,256 23,275 11,256 43,581 52,548 175,562 59,913 508,103 520,949 210,273 23,777 1,256 43,581 52,548 175,562 59,913 508,103 520,949 210,273 23,777 8,699 78,776 81,307 55,015 59,012 11,6 4,775 5,774 20,515 81,641 86,518 93,012 72,777 59,012 20,019 20,019 21,0	Distribution Length		ij		1.534		816		.00		63	14.674		12.598		196		4,853	ď,	14,584
delt R21 30,104 10,915 24,106 19,800 10,404 20,215 170,845 20,275 1,311 delt R21 30,104 19,054 126,108 43,810 401,235 421,838 170,845 20,277 1,317 mathemeter 1,246 43,546 43,840 43,840 26,013 50,649 21,0273 21,377 1,377 81,307 55,015 21,377 1,377 <th< td=""><td>Feeder Length</td><td></td><td>59,740</td><td></td><td>36,975</td><td></td><td>29,016</td><td>*</td><td></td><td>1</td><td></td><td></td><td></td><td>13 100</td><td></td><td>0.044</td><td></td><td>4.108</td><td></td><td>15,318</td></th<>	Feeder Length		59,740		36,975		29,016	*		1				13 100		0.044		4.108		15,318
Lines 1246 40,504 19,054 126,308 43,580 403,235 421,838 170,845 20,275 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1,	in I many		80.228		38,509		30,935	**	4,106	0	0	13,402		27.130		200				
Lines 1246 42,641 52,548 175,662 59,913 508,103 520,949 210,273 23,777 1, nest Lines 237 8,456 6,420 22,317 8,659 78,776 81,307 55,015 24,575 16,000 13,777 59,012 15,000 13,777 59,012 15,000 13,777 16,000 13,777 26,019 2	read recibin				20.104		19.00	1.2	800.9	43,83	g	403,235		421,838		170,84		20.7	som	230,00
1246 43,501 32,500 22,317 8,599 78,776 81,307 55,015 22,515 11,000 22,317 8,541 86,518 93,012 72,727 59,012 116 4,715 5,764 20,515 8,641 86,518 93,012 72,727 59,012 56,61 13,01 13,11 3,597 1,578 14,717 16,300 13,789 26,049 26,049	her of Households		3.4		20,102				4.44.9	60.09	- 17	508,103		520,949		210,27		23.73		1,596.23
116 4,755 5,754 20,515 8,641 86,518 93,012 72,727 59,012 116 4,755 5,754 20,515 1,578 14,737 16,300 13,789 26,049	ber of Residential Lines		2.56		43,681		20,000			3.6	93	78.776		11,307		15,03		29.67		287,982
116 4,733 5,784 40,232 1,578 14,737 16,300 13,789 26,049 66 1,303 1,311 3,597 1,578 14,737 16,300 13,789 26,049	ber of Smith Business Lines		17		9.4%		0.00	51f		1.6		84.518		43,032		72,77		\$9,033		351,120
107 1707 1707 1707 1707 1707 1707 1707	spie Business Lines		-		4,733			đ6	1.407	1.5	*	14,737		16,300	الي	13,78		26,047		18,230
	Switched Lines		2		1,303		-			1	1	111001		711 588	-	151.67	-	137,49		2,314,065

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Benchmark Cost Proxy Model R Armis Report Format

FLORIDA WIRE CENTERS [90] TOTAL SUMMARY GTE CORPORATION Investment: UnCanned

Investment: UnCapped		Small		Medium			
ī	Account	UnCapped			UnCapped		
Account Description	Number	Investment		%	Investment		%
Plant In Service							
Land & Support	2110	5		- 1	5	4	
COE Switch	2210	\$		- 1	5		
COE Circuit	2230	5		- 1	\$		
Poles	2411	\$		- 1	\$		
Aerial Cable	2421	\$		0.00%	5		0.00%
Underground Cable	2422	5		0.00%	5		0.00%
Buried Cable	2423	S		0.00"=	5		0.00%
Conduit	2441	5			5		
Total Plant in Service		S			\$	2	
Plant Specific Expenses		Amount		%	Amount		%
Network Support	6110	5	1	0.00%			0.00%
General Support	6120	5	-	0.00%	14,700		0.000
COE Switch	6210	5		0.00%	17		0.00
COE Transmission	6230	5	-	0.00%	1.00	-	0.00
Information IOT	6310	5		0.00%			0.00
Cable & Wire	6410	S		0.00%		-	0.00
Total Plant Specific Exp		5		0.00%	5		0.90
Plant Non-Specific Expenses		1					also considerate
Other PP&E	6510	5		0.00%	1750		0.00
Network Operations	6530	S	7	0.00%	1.5		0.00
Depreciation/Amort	6560	5	20	0.00%	1.50	- 12	0.00
Marketing	6610	S		0.00%	1.500		0.00
Customer Opr Service	6620	5	(*)	0.00%	10.00		0.00
Executive & Planning	6710	5		0.00%	1 C C C C C C C C C C C C C C C C C C C	-	0.00
General & Administration	6720	S	100				0.00
Prov Uncollectibles	6790	5					0.00
Total Plant NonSpecifice Exp		5		0.00%	5.5		0.00
Total Operating Expense	1	S			5		
Operating Taxes		1					
Federal and State	7200	5	- 8		5		
Gross Receipts Tax	7240	5	-		5	_	-
Total Tax	1	5			5		
Return On Investment		S			5	-	

GRID) D/BCPM31FL/RESULTS//BCPMMIN_BCPMMIN_GRID_REPORT CSV PROCESSING - BCPMMIN : CAPCOST - BCPMMIN

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FLORIDA WIRE CENTERS [90] TOTAL SUMMARY GTE CORPORATION Investment: UnCapped

		Large			Total	
-		UnCapped			UnCapped	
Account Description		Investment	%	_	Investment	*/4
Plant In Service						
	S	329,064,690	- 1	5	329,064,690	- 1
	5	382,282,984	- 1	5	382,282,984	- 1
COE Circuit	S	437,086,803	- 1	\$	437,086,803	
Poles	5	/8,463,943		5	78,463,943	
Aerial Cable	5	162,653,734	13.47%	5	162,653,734	13.47%
Underground Cable	5	133,014,549	11.02%	\$	133,014,549	11.02%
Buried Cable	5	911,566,729	75.51%	\$	911,566,729	75.51%
Conduit	\$	260,853,722		5	260,853,722	
Total Plant in Service	S	2,694,987,153		5	2,694,987,153	
Plant Specific Expenses	_	Amount	%	\	Amount	%
Network Support	5	38,876	0.01%		38,876	0.01%
General Support	5	24,050,540	4,44%		24,050,540	4.44%
COE Switch	5	66,285,730	12.24%	S	66,285,730	12.24%
COE Transmission	5	11,038,819	2.04%	5	11,038,819	2.04%
Information IOT	S		0.00%	5		0.00%
Cable & Wire	\$	44,208,306	8.16%	_	44,208,306	8.16%
Total Plant Specific Exp	S	145,622,272	26.89%	S	145,622,272	26.89%
Plant Non-Specific Expenses						0.000
Other PP&E	S	- 2	0.00%			0.00%
Network Operations	\$	1,030,222	0.19%		1,030,222	0.19%
Depreciation/Amort	5	208,649,783	38.53%		208,649,783	38.53%
Marketing	S	43,163,792	7.97%		43,163,792	7.975
Customer Opr Service	5	46,621,005	8.61%		46,621,005	8.615
Executive & Planning	5	5,153,886	0.95%		5,153,886	0.959
General & Administration	5	66,958,859	12.36%		66,958,859	12.369
Prov Uncollectibles	5	24,342,113	4.49%		24,342,113	4.495
Total Plant NonSpecifica Exp	5	395,919,659	73.11%	5	395,919,659	73.119
Total Operating Expense	5	541,541,930		S	541,541,930	
Operating Taxes				١.	144,670,763	
Federal and State	5	144,670,763		S	h	
Gross Receipts Tax	5	27,831,594	_	5	The second leaves to the secon	-
Total Tax	5	172,502,357		5		
Return On Investment	5	204,490,083		5	204,490,083	

Assumptions:

[GRID] D./BCPM31FL/RESULTS/_/BCPMMIN_BCP PROCESSING - BCPMMIN : CAPCOST - BCPMMIN

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Benchmark Cost Proxy Model R Page // of 112 Armis Report Format

FLORIDA WIRE CENTERS [90] TOTAL SUMMARY GTE CORPORATION

Investment: Canned

Investment: Capped Lines Above \$10K Loop Inv:	1,216	Sma	11		Medi	um	
thes Above store Loop in	Account	Capped			Capped		
Account Description	Number	Investment		%	Investment		%
Plant In Service							
Land & Support	2110	5		- 1	S	1.7	
COE Switch	2210	S	-	- 1	5		
COE Circuit	2230	5		- 1	5	4	
Poles	2411	\$	*		\$		n non
Aerial Cable	2421	5		0.00%	S		0.00%
Underground Cable	2422	5	4	0.00%e	\$		0.00%
Buried Cable	2423	5	*	0.00%	5		0.00%
Conduit	2441	\$			5		
Total Plant in Service		S	+		\$	*	
Plant Specific Expenses		Amount		%	Amount		%
Network Support	6110	5		0.00%			0.00%
General Support	6120	\$		0.00%		80	0.00%
COE Switch	6210	5	50	0.00%		23	0.00%
COE Transmission	6230	5	5.5	0.00%		13	0.00%
Information IOT	6310	5	2.0	0.00%	Christian Company		0.00%
Cable & Wire	6410	5		0.00%			0.00%
Total Plant Specific Exp		5		0.00%	5		0.009
Plant Non-Specific Expenses	1						
Other PP&E	6510	5	*	0.00%	43.23		0.00%
Network Operations	6530	5	(*)	0.00%	5		0.009
Depreciation/Amort	6560	S		0.00%	1.00	3	0.00%
Marketing	6610	S		0.00%	1000	-	0.000
Customer Opr Service	6620	5	\times	0.00%	\$		0.009
Executive & Planning	6710	5		0.00%	1100	0.5	0.00
General & Administration	6720	S				10	0.00
Prov Uncollectibles	6790	S		1000000		- 11	0.00
Total Plant NonSpecifice Es	D.	5	14	0.00%	\$		0.00
Total Operating Expense	1	s			S		
Operating Taxes	1						
Federal and State	7200	s			5		
Gross Receipts Tax	7240	s			\$	2.0	2
Total Tax		5			S		
Return On Investment	1	s			s		

GRIDs with Average Loop Investment per line over \$10,000 are capped at \$10,000.

[GRID] D\BCPM31FL\RESULTS\\BCPMMIN_BCPMMIN_GRID_REPORT.CSV PROCESSING - BCPMMIN CAPCOST - BCPMMIN

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Household Category Summary

TOTAL SUMMARY GTE CORPORATION

FLORIDA WIRE CENTERS [90]

Total Annual Cost of Local Service = \$ Uncapped State Average Monthly Cost= \$ 890,702,847.03

32.08

Monthly Cost Category	Number of Households
\$0<=\$5	0
\$5<=\$10	0
\$10<=\$15	0
\$15<=\$20	11,268
\$20<=\$25	78,452
\$25<=\$30	319,289
\$30<=\$35	503,806
\$35<=\$40	200,098
\$40<=\$45	80,406
\$45<=\$50	32,803
\$50<=\$55	10,284
\$55<=\$60	6,632
\$60<=\$65	3,111
\$65<=\$70	959
\$70<=\$75	921
\$75<=\$100	4,411
\$100<=\$150	2,107
\$150<=\$200	705
\$200<=\$250	326
\$250<=\$300	263
\$300<=\$500	250
\$500<=\$1000	273
\$1000+	0
Total Households	1,256,364

Loop Category	Number of Households
0 <= 5Kft	93,349
5Kft <= 10Kft	284,089
10Kft <= 15Kft	301,349
15Kft <= 20Kft	232,576
20Kft <= 25Kft	138,388
25Kft <= 30Kft	90,610
30Kft <= 40Kft	85,909
40Kft <= 50Kft	20,380
50Kft <= 60Kft	5,496
60Kft <=70Kft	1.733
70Kft <= 80Kft	1,524
80Kft <= 90Kft	482
90Kft <= 100Kft	250
100Kft <=150Kft	227
150Kft <= 200Kft	2
200Ktf+	(

Loop Information	Length
Minimum Loop Length Maximum Loop Length Average Loop Length	0 160,119 15,317
Lines Above \$10K Loop Inv	1,216

Азантріість:

[GRID] D.BCPM.) IFLARESULTS. . BCPMMIN_BCPMMIN_GRID_REPORT CSV PROCESSING - BCPMMIN : CAPCOST - BCPMMIN

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Benchmark Cost Proxy Model Results

Inventory Report

TOTAL SUMMARY GTE CORPORATION FLORIDA WIRE CENTERS [90]

Inventory Detail

Aerial Route Length	30,316,935
Buried Route Length	68,852,178
Underground Route Length	19,662,297
Number of Poles	180,940
Number of Manholes	30,323
Number of DLC-L Terminals	2,466
Number of DLC-S Terminals	612

GRID Line Detail

Grid Lines Served on DLC-L	1,405,865
Grid Lines Served on DLC-S	47,710
Grid Lines Served on Copper	860,282
Total GRID Lines Served	2,314,065

[GRID] D/BCPM31FL/RESULTS/ BCPMMIN_BCPMMIN_GRID_REPORT.CSV PROCESSING - BCFMMIN : CAPCOST - BCPMMIN

Switching-Global Inputs

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Manual Inputs

	G	ilobal Inputs
SS7_SESS	300,000.00	SS7 Investment - SES
SS7_DMS	150,000.00	SS7 Investment - DM:
Engineering_Option	D	Default Engineered CCS and Calls per Lin
USF_Option	D	Calculation of USF Investment per Lin
HB_Mult	2	"Heavy Business" Loading Multiplie
Min_Mult	1.2	Minimum Loading Multiplie
Bus Pen_Rat	0.3	Business Penetration Rati
ExcessCCS_Option	L	Include Reserved CCS Investment in Line Port or Usage
LT_MDF_Prot_USF_Pct	100%	Portion of line protector and MDF attributable to USI
Line_Port_USF_Pct	100%	Portion of Line port attributable to USI
LineCapConstraint	80,000	Line Capacity Constrain
CCSCapConstraint	1,800,000	CCS Capacity Constrain
CallsCapConstraint	600,000	Calls Capacity Constrain
Loc_TDM_Calls	0.98	Direct Routed Fraction of Local Interoffice Traff
S_Threshold	4000	Small Office Standalone Thresho
H_Threshold	3500	Small Office Host Thresho
R_Threshold	500	Small Office Remote Thresho

SWDiscountFactorTable

Switching Global Inputs

	New Discount Rate	Growth Discount Rate	Percent of Lines New	Protector Discount
	50%	50%	50%	50%
		- Code	COR	50%
NAME OF TAXABLE PARTY.	50%	20.30	20.78	200

att Discoudi sector more		LEDE & Devised at	2 Ind Port	Line CCS	Trunk CCS	887
Owther Types	Nanadaya Proposition	MINI OF ETOLOGICAL				
Country of the Countr	60333	12190	0.9301	0.9561	0.9715	05931
	4.7.744			-	O COURSE	No. of Lot
	0.7050	0.6171	0.9483	0.9630	0.9933	WW
	0.1939				A compare	C850A
	0.0740	0.6171	0.9905	0.9663	0.9800	0.97.04
DMCM	0.7103			4 645	*77	MA
	0.0754	0.6171	0.9980	0.9791	NA.	N.
DMCK	V-7 8-7"		The same of the same of the same of			

Partitioning Percentages for Small Switches

Processor.	Line Port	STATE STATE	23	TUNK CAS	PRINCELLY	200
	216	23%	33%	6.17E-02	4.58E-02	000000
Standalone	210	200	706	7 02F-02	5.70E-02	80000
Host	200	207	2000	7	5 91F-02	26
Darmetta	33%	58%	5		2000	١

Vendor Discounts for Small Switches

Vehdor 3.	0.00%
	0.00%
9)	%00.0
以下 大ない可能ののはないはないはないと	Hective Discount

for Small Switches

		Vendor 1	Vendor 2	Vendor
		CBC 000		
A Charles	Evend Investment per Switch 5	289,262,50		•
Standardne	The same of the sa	CHCF		
	investment per Che	60.7*		•
	County September Suffer S	589 262 60	•••	**
lost	LIXED ITTERRITORING DOLLARS	000		
	Investment per Line	45.54	•	
	of Author Cautholi	54 269 76	•	
Ramote	Pixed investment per canno	66		
	Investment per Line 5	144.58		

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SWStateDefaultInputs

725.000	Required	Required	Required	Required	Required	Required
State	ARMIS Percent Local Calls	ARMIS Percent Toll Calls	ARMIS Percent Residence Lines	ARMIS Percent Business Lines	Default EngineeredCa Its/Line	Default EngineeredC CS/Line
RI	81%	19%	71.09%	28.91%	2.5	
SC	88%	The second second	72.25%	27.75%	2.5	3.60
	84%		71.80%	28.20%	2.5	3.60
SD	91%		72.99%	27.01%	2.5	
TN	86%	-	67.89%	32.11%	2.5	
TX	-		71.09%	28.91%		3.60
UT	89%		70.21%	29.79%		3.60
VT	79%		65.62%	34.38%		
VA	85%	-	THE RESERVE OF THE PERSON NAMED IN	28.86%		
WA	84%		71.14%	24.00%	-	
WV	89%	The second secon				
WI	84%	The second secon		30.33%		-
WY	82%	18%	69.03%	30.97%	4.3	3.00

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	Epistro	Critolia .	Optional	S28288	優れて江川時	SECTION S
State	number of busy hour local/EAS calls per residence line	number of busy hour local/EAS calls per business line	number of busy hour toll calls per residence line	number of busy hour toll calls per business line	number of local/EAS Minutes per call per residence line	number of local/EAS Minutes per call per business line
AL						
AK	1					
AZ						
AR						
CA	1					
CO	1					
CT	1					
DE						-
DC						
FL						
GA						
HI						
ID						
IL						
IN	_					
IA						
KS						
KY						-
LA						
MB						
MD						
MA						-
Mu						-
MN						-
MS	1					
MO						-
MT						-
NE						
NV						-
NH						-
NJ						-
NM					-	+
NY					-	-
NC					-	+
ND					-	+
OH					-	+
OK					-	-
OR					+	
PA				-	-	-
PR						

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	CPUTFORM	Optoble	Optional	Sphraining	SEE ST. LEWIS	RECEIPTION.
State	number of busy hour local/EAS calls per residence line	number of busy hour local/EAS calls per business line	number of busy hour toil calls per residence line	number of busy hour toll calls per business line	number of local/EAS Minutes per call per residence line	number of local/EAS Minutes pe call per business lins
Ri						
SC						
SD						
TN						
TX						
UT						
VT						
VA					-	-
WA						
WV						-
WI						
WY	1					

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	SEPHIA!	Cploid	Calculated	Calculated	Required	Required
State	number of toil Minutes per call per residence line	number of toll Minutes per call per business line	Calculated Engineered Calls/Line	Calculated Engineered CCS/Line	Land Loading	Bullding Loading
RI		-			0.0117	0.0738
					0.0117	0.0738
SC					0.0117	0.0738
SD	-				0.0117	0.0738
TN	-	_			0.0117	0.0738
TX		-			0.0117	0.0738
UT					0.0117	0.0738
VT				-	0.0117	0.0738
VA					0.0117	0.0738
WA					0.0117	0.0738
WV					0.0117	0.0738
WI					0.0117	0.0738
WY					0.0117	0.0750

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VStateL	Required	Required	Required	Required	Required	Required
State	Telco E&I Factor	Common Equipment & Power Factor	Percent of local calls that are interoffice	ABSBH CCS/Trunk	Feature Calls/ Total Calls	657 Usage Attributable to Basic Calls
AL	0.0577	0.0682	60%	28.8	30%	25%
AK	0.0577	0.0682	60%	28.8	30%	25%
AZ	0.0577	0.0682	60%	28.8	30%	25%
AR	0.0577	0.0682	60%	28.8	30%	25%
CA	0.0577	0.0682	60%	28.8	30%	25%
CO	0.0577	0.0682	60%	28.8	30%	25%
CT	0.0577	0.0682	60%	28.8	30%	25%
DE	0.0577	0.0682	60%	28.8	30%	25%
DC	0.0577	0.0682	60%	28.8	30%	259
FL	0.0000	0.0000	78%	28	30%	259 259
GA	0.0577	0.0682	60%	28.8	30%	
HI	0.0577	0.0682	60%	28.8	30%	
ID	0.0577	0.0682	60%	28.8	30%	
IL	0.0577	0.0682	60%	28.8	30%	-
IN	0.0577	0.0682	60%	28.8	30%	
IA	0.0577	0.0682	60%	28.8	30%	
KS	0.0577	0.0682	60%	28.8	30%	-
KY	0.0577	0.0682	60%	28.8	309	
LA	0.0577	0.0682	60%	28.8	304	-
ME	0.0577		60%	28.8	309	
MD	0.0577	0.0682	60%	28.8	309	
MA	0.0577	0.0682	60%	28.8	309	
MI	0.0577		60%	28.8	305	
M2	0.0577		The second second second		309	
MS	0.057				304	
MO	0.057				30	
MT	0.057				30	take and the same of the same
NE	0.057				30	
NV	0.057				30	
NH	0.057				30	-
NJ	0.057				30	
NM	0.057		The same of the sa		30	
NY	0.057				30	
NC	0.057				30	
ND	0.057			The second secon	30	MATERIAL PROPERTY.
OH	0.057	THE RESERVE OF THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TWO IS NAMED IN COLUMN TW		The second secon	30	
OK	0.057	And in case of the last of the			30	
OR	0.057			-		174. 2
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PR	0.057	7 0.068	2 60	20.0		

Docket No. 980696-TP
Direct Testimony of David G. Tucek
Exhibit No. DGT-3
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	Required	Required	Required	Required	Required	BOOK STATE OF
State	Line /Trunk	Switch Percent Line Fill	5ESS Share	DMS Share	Call Completion Fraction	Reserve CCS \$/Ln: 5ESS Host/ Standalone (Discounted
AL	14	90%	50%	50%	0.7	
AK	14		50%	50%	0.7	
AZ	14		50%	50%	0.7	
AR	14		50%	50%	0.7	
CA	14		50%	50%	0.7	
CO	14		50%	50%	0.7	
CT	14		50%	50%	0.7	
DE	14		50%	50%	0.7	
DC	14		50%	50%	0.7	
FL	12		50%	50%	0.65	
GA	14		50%	50%	0.7	
HI	14		50%	50%	0.7	
ID	14		50%	50%	0.7	
IL	14		50%	50%	0.7	
IN	14	4	50%		0.7	
IA	14		50%			
KS	14	90%				
KY	14	90%			the same of the sa	
LA	1-	4 90%		The second second		
Mil	1-	4 90%				
MD	1	4 90%				
MA	1	4 90%				
240	1	4 90%		-		
MN	1	4 909				
MS	1			100		
MO	1	4 909			-	-
MT	1	4 909		-		
NE	1	4 909				
NV		4 909				
NH	1	4 909				
NJ		4 909				
NM		4 909			-	
NY		4 904		The second name of the second na		
NC		4 904				
ND		4 904	THE RESERVE TO THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TWO IS NAME			
OH		4 904	THE RESERVE OF THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TWO IS NAMED IN COLUMN TW			
OK		14 904	0.00			7
OR		90				7
PA		14 90°				7

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	Required	Required	Required	Required	Required	関係 4つ ECO 施設
Sinte	Line /Trunk	Switch Percent Line Fill	SESS Share	DMS Share	Call Completion Fraction	Reserve CCS \$/Ln: 5ESS Host/ Standalone (Discounted)
RI	14	90%	50%	50%	0.7	
SC	14	90%	50%	50%	0.7	
SD	14		50%	50%	0.7	
TN	14	90%	50%	50%	0.7	
TX	14		50%	50%	0.7	
UT	14		50%	50%	0.7	
VT	14	-		50%	0.7	
	14			50%	0.7	
VA	14			50%	0.7	
WA	14			50%	0.7	
wv	14			50%	0.7	
WI	14				0.7	

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	Optional Control	Ophotal	<pre><pre>cplicial</pre></pre>	Ortional E	
State	Reserve CCS \$/Ln: 5ESS Remote (Discounted)	Reserve CCS \$/Ln: DMS Host/ Standalone (Discounted)	Reserve CCS \$/Ln; DMS Remote (Discounted)	Small Switch Vendor 1 Share	Small Switch Vendor 2 Share
AL				1	
AK				1	
AZ				il	
AR				1	
CA				1	_
CO				1	
CT				1	
DE				1	_
DC				1	
FL				1	
GA				1	
HI				1	
ID				1	
IL.					
IN				1	
1A				1	
KS				1	
KY				1	
LA				1	
ME				1	
MD				i	
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NH				1	
NJ			-	+	
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NY				_	
NC			-		
ND					
OH			+		i
OK			-		1
OR				_	1
PA					1
PR				-	

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SEC.	Calcius Section
	Small
	Switch
	Vendor 3 Share
State	The second second second
AL	0
AK	0
AZ	0
AR	0
CA	0
CO	1 0
CT	1 0
DE	1
DC	1
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nunia.	Options Alles
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SC	0
SD	0
TN	0
TX	0
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VT	0
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Direct Testimony of David G. Tucek
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Switch Type Variable	Total Lines	Co Trunks	Calle	Line CCS	SEHJER	JEH*Total Lines/SER*Total	5EH*Trenks	Constant
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Drop, NID, Protector Costs

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Drop, NID, Protector Costs

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Soft Rock . Buried Feeder Cable

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Soft Rock Structure

Soft Rock - Feeder Conduit

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Soft Rock - Distribution Conduit

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Direct Testimony of David G. Tucek Exhibit No. DGT-3 FPSC Exhibit No. Page 2.0 of 112

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Hard Rock Structure

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Hard Rock · Buried Feeder Cabl

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Backfill S	TORK DO STREET WANTED TO STREET	6000	9.000			100	2000	100,000	0.24
Backfill S	Plow		44.00%			\$ 0.23	11.00%		
Backfill S	Rocky Plow	200	1,004		**	0.70	\$-000°C	100.00%	
Comparison Com	Trench & Backfill	2 0.47	2000		-	101 \$	40.00%	100.00%	2 :
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Trench S 107 100 00% S 0.16 S 2.43 4.00% 100 00% S	Backhoe Trench	\$ 0.73	\$ 000 B			\$ 163	100%	100 00%	
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	Cut & Restore Sod	18	200 000		16.0		100,00%		-

Hard Rock Structure

Hard Rock - Feeder Conduit

Hard Rock - Feeder Conduit			CAL About			2.54		DENSITY 5	301-10000		_
MATERIAL STATE OF SALES	Cost	DENSITY 2	% Assigned Telephone	- 1	Weighted Amount	M	Cost	% Activity	% Assigned Telephonn	A	eighted mount
Activity Trench & Backfill Rocky Trench Backhoe Trench Hand Dig Trench Boring Cut & Restore Auphalt Cut & Restore Concrete Cut & Restore Sod	\$ 117 \$ 168 \$ 189 \$ 280 \$ 404 \$ 204 \$ 186 \$ 1.85	0.00% 15.00% 10.00% 8.00% 15.00% 25.00% 20.00%	97.18% 97.18% 97.18% 97.18% 97.18% 97.18% 97.18% 97.18%	5 5 5 5 5 5	1 02 0 57 0 75 2 70 3 43 2 86 0 51	5 5 5	1 17 1 68 1 89 2 80 4 04 2 04 1 86 1 85	0.00% 15.00% 10.00% 8.00% 15.00% 25.00% 20.00% 7.00%	97 18% 97 18% 97 18% 97 18% 97 18% 97 18% 97 18%	\$ \$ \$ \$ \$	1 02 0 57 0 75 2 70 3 43 2 86 0 51

Hard Rock - Distribution Condu	-	THE RESERVE OF THE PERSON IN	are second	1651-3	11-0802916	4,56	Salara Straige	DENSITY 5		-	7777
	Con	DERBITY	% Assigned	dol	Weighted Amount	11	Cost	S Activity	& Assigned Telephone	A	nighted movet
Trench & Backfill Rocky Trench Backhoe Trench Hand Dig Trench Boring Cut & Restore Asphalt Cut & Restore Concrete Cut & Restore Sod	\$ 1.17 \$ 1.68 \$ 1.89 \$ 2.80 \$ 4.04 \$ 2.04 \$ 1.86 \$ 1.85	20.00%	97.18% 97.18% 97.18% 97.18% 97.18% 97.18% 97.18%	5 5 5 5 5	0.95 0.57 0.75 2.70 3.43 2.86 0.58	5	1.17 1.68 1.89 2.80 4.04 2.74 1.86 1.85	0 00% 14 00% 10 00% 8 00% 15 00% 25 00% 20 00% 8 00%	97 18% 97 18% 97 18% 97 18% 97 18% 97 18% 97 18% 97 18%	5 5 5 5 5	0.95 0.57 0.77 2.77 3.4 2.84 0.5

Hard Rock - Buried Feeder Cath	经的现代表	DENSITY	1551-5000	Service Francisco	100		THE RESERVE THE PERSON NAMED IN COLUMN TWO IS NOT THE OWNER.			
STATE OF THE PARTY	Cost way	根如明节	% Assigned Telephone	Weighted	Adju	oet simint	% Activity	% Assigned Telephood	1000	glated sount
Plow Rocky Plow Trench & Backfull Rocky Trench Backhoe Trench Backhoe Trench Hand Dig Trench Bore Cable Puth Pape & Pall Cable Cut & Restore Asphalt Cut & Restore Concrete Cut & Restore Sod	\$ 0.23 \$ 0.38 \$ 1.17 \$ 1.68 \$ 1.89 \$ 2.75 \$ 4.04 \$ 3.27 \$ 2.04 \$ 1.86 \$ 1.85	0.00% 0.00% 0.00% 15.00% 10.00% 8.00% 15.00% 0.00% 25.00% 20.00% 7.00%	100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00%	\$ \$	\$ \$ \$ \$ \$ \$	0.23 0.38 1.17 1.68 1.89 2.75 4.04 3.27 2.04 1.86 1.85	0.00% 0.00% 0.00% 15.00% 10.00% 8.00% 15.00% 0.00% 25.00% 20.00% 7.00%	100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00% 100.00%	\$ \$ \$ \$ \$ \$ \$ \$ \$	1 05 0 58 0 77 2 78 3 53 2 94 0 53

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Docket No. 980696-TP
Direct Testimony of David G. Tucek
Exhibit No. DGT-3
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Page 77 of 112

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Soring	4.45	10000	07 186	4.59
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tocky Trench	1.83		07 184	0.47
Lackhoe Trench	\$ 2.08		07 18 G	17.0
Land Dig Trench	100		97 18%	1.54
orine	2		07 18%	4.59
bt & Restore Asphalt	7	33300	97 18%	\$ 4.06
Out & Restore Concrete	7		97 18%	\$ 0.22
Out & Restort Soul	5 20		The Section	12.64
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Rocky Plow	0.43	3000 G	100.00%	
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Trench & Backfill	4	10000	100	\$ 0.7
Socky Trench	6 5	8008	1001	\$ 0.48
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ck - Aerial Distribution Distribution	Administration of the second o	d Onys

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Tow	7	0000			\$ 0.38	0.00%	100 004	
Rocky Plan	\$ 0.38	0000			1117	0.00%	100 00%	
Treath & Backfull	\$ 1.17	0000	10000	0.08	891	14 00%	\$ 9,00 001	0.48
Rocky Teench	168	14 00%		300	- 180	10.00%	\$ \$000.0001	0.58
Saction Treach	1.89	10 00		0.77	2 275		100 00%	0.17
Hand Dig Trench	\$ 275	8 000	100,000		1 404	15 00%	100 00%	2.78
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Cut & Bestuar Concrete	1 186	20.00			. 55			
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Backhoe Trench	1 28	8008	100,000	0.70
Hand Dig Trench	100	1000	10000	
Bore Cable	\$ 443	10000	100,000	
Push Pipe & Pull Cable	150	4000	100 001	
Cut & Restore Asphalt	77	33.00%	800000	4 17
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Cut & Restore Sod	\$ 2.05	3.00%		A DESIGN

6 Asigned We Tolerbook As	\$5% \$ 100% \$	日の神の大きのは
Cost Indicated Cost		CHARLES IN COMPLETE
ard Rock - Aerial Distribution	oles	actions and Ostys

Manhole Inputs

Normal - Manhole

Per Unit Costs DENSITY 0-5	Unit Cost	Cost Adjustment	% Assigned	
Handhole 3x5 or 4x6	THE PERSON NAMED IN COLUMN 2 I	Multiplianing and	Telephone	Unit Cost
Manhold 12x6x7	\$ 9,036.93 \$ 10,971.33		97.18% 97.18% 97.18% 97.18% 97.18%	\$ 9,036.93 \$ 10,971.33 \$ 3,206.94

Soft Rock - Manhole			NOT A STREET, LANSING	DENSITY 0-5	945	Car. 1969a	DENSITY 6-100	CONTRACTOR NO
运输业总统	As a year Per Un	(Coro	Cost	% Assigned Telephone	Unit Cost	Cost Adjustment	% Assigned Telephone	Unit Cost
Handhole 3x5 or 4x6 Manipole 4x6x7	\$ 5,356.06 \$ 9,299.17 \$ 11,289.70	s -		97% 97% 97%	\$ 9,036.93 \$ 10,971.33		97% 97% 97% 97%	\$ 9,036.93 \$ 10,971.33
Manhold 12x6x7 Adder 12x6x7 Conduit Per Duct Foot	\$ 2,800.00 \$ 1.39	\$ 700.00		97% 97%		Property Tokyon, Carry Street, Co.	97%	

Hard Rock - Manhole		-	MATERIAL AT SMALE	PUNSTRY 0.5	SCHOOL SERVICE	Highlighten	DENSITY 6-100	Street Addition to be well
	SECURE UN	10:	Cost Administrated	% Assigned	Unit Cost	Cost Adjustment	W Assigned Telephone	Unit Cost
Handhole 3x5 or 4x6 Manhole 4x6x7 Manhold 12x6x7 Adder 12x6x7 Conduit Per Duct Foot	\$ 6,437.86 \$ 11,462.77 \$ 16,698.70 \$ 2,800.00 \$ 1.39	\$ - \$ - \$ 900.00		97% 97% 97% 97% 97%	\$ 11,139.52 \$ 16,227.80 \$ 3,595.66		97% 97% 97% 97% 97%	\$ 11,139.52 \$ 16,227.80 \$ 3,595.66

Manhole Inputs

Normal - Manno.z		A 101 400	The state of the s	I The second	MINSTY, 201-650	STATISTICS
不可用のおして 大きのかり 女子のは はい	「はいちんなに、つめる」	SENSITY 101-AA		- Constitution of the last of	S. A controlled	200
	Cost	% Assigned Teleribote	Unit Cost	Adjustment	Telephone	Unit Cost
A STANDARD COLUMN STANDARD STANDARD	Adjuster	A Ministration			07 18%	\$ 5,205.02
Handhole 3x5 or 4x6		97.18%	w .		47.18%	\$ 9,036.93
Manhole 4x6x7		97.18%			97.18%	\$ 10,971.33
Manhold 12x6x7		481.16	\$ 10,971.33		97.18%	\$ 3,206.94
Adder 12s6x7		97.18%		With the same	97.18%	\$ 1.35
Conduit Per Duct Foot	A DECEMBER OF THE PARTY OF THE	97.18%	-	The second second		

DENSITY 201-650	% Assigned Usit Con	~	97% \$ 9,036.93	~	s	97% \$	
Segree 101-200	WAssigned Unit One Adjustment	il.	074 4 903693			0274 \$ 135 MINISTER	
Soft ROCK - PLANISHONE	The state of the s	the the state of t	e 3x5 or 4x6	4x6x7	12x6x7	2x6x7	Day Dayer Boot

Tall Oct	6,256.31 11,139.52 16,227.80 3,595.66 1.35
& Assigned	97% \$ 97% \$ 97% \$ 97% \$ 97% \$
Cost	
ALCORDON.	6,236.31 11,139.52 16,227.80 3,995.66
VSTIN TOLINO	97% S 97% S 97% S 97% S
Out	Adjustmont
anhole	gar, page 1
d Rock - Manhole	thole 3x5 or 4 shole 4x6x7 shold 12x6x7 ser 12x6x7

Manhole Inputs

CONTRACTOR OF STREET	A Management Stope D	FNC77772551.5000	DE	NSTTY 5001-1000	0.50000
	Cost	% Assigned Teleshone Unit Cost	Cost	% Assigned Telephone	Unit Cost
が記載できる。 では、 では、 では、 では、 では、 では、 では、 では、	Conjunction	Contract of the last of the la	-	1 100 1 110	EN 2006 3 4
andhole 3x5 or 4x6		win .		97.18%	10 0000 3
lanhole 4x6x7		n		07 184	11 110 01 31
fanbold 12x6x7		2		07 194	1206.94
dder 12x6x7		97.18% \$ 3,206.94	ROSE DESIREMENTAL SERVICE	07 18%	1.35
swhilt Per Duct Foot	三年 学典に記述	97.18% \$ 1.35 \$			

oft Rock - Manhole

Solt Roch - Presentation	TENDE	TY 5001-10000
	Cont. Cont. Cont. Cont. Adjustment T	Assigned Unit Cost
THE RESIDENCE OF THE PARTY OF T		97% \$ 5.205.02
Headhole 3x5 or 4x6	70°C02°C \$ 36.26	07% \$ 9,036.93
Manhole 4x6x7	97% \$ 9,030,93	2
Manhold 12x6x7		
Adder 12x6x7		97% \$ 1.35
Conduit Per Duct Foot		

ard Rock - Manhole

Tologian Using	97% \$ 6,256.31 97% \$ 11,139.52 97% \$ 16,227.80 97% \$ 3,595.66 97% \$ 1,35	
Cost DB Adjustment		
Unit Cost	6.256.31 11.139.52 16.227.80 3.595.66	1
Amigned Tributone	978 978 978 978	216
Cost		
		04
	Unit e 3x5 or 4xi s 4x6x7 d 12x6x7 2x6x7	Per Duct Fo

Manhole Inputs

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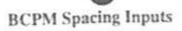
406 (But A STREET, 0810)	Control Species	DENSITY > 10001		
	Cost	% Assigned Telephone	United	16
Charles of the Control of the Contro		97.18%	\$ 5.20	05 02
Handhole 3x3 or 4x0	_	07 184	000	036.93
Manhole 4x6x7		2011	* 10071	11 11
Manhold 12x6x7		481 16		00 00
Adder 12x6x7		97.18%	9.0	3 -
Conduit Per Duct Foot	THE STREET STREET	97.18%	-	-

Soft Rock - Manhole

	Cost	S Amgred	Dest Cost
achole 3x5 or 4x6		47.6	\$ 5,205.02
sphole 4x6x7		41.6	٠.
anhold 12x6x7		415	•
4der 12x6x7		2/6	•
adult Per Duct Foot	NOSCHOOL STATE	97.6	-

Hard Rock - Manhole

	Cost P Au	HOOR .	That
C. C. C. Cont. Cont. of Conc.	The second second	0.00	3
le 315 or 416		2000	=
e 4x6x7		# / A	
d 12x6x7		AL A	3 606
2x6x7		91.6	,
Pee Duct Foot	State of the latest of the lat	97.6	



Spacing Tables

Feeder Spacing Table

Control of the Contro	a Walter State of the	In I	ect	A STATE OF THE STA
Density	Manbole Spacing	Pole Spacing	Guy Spacing	Relative Pole Units
0	750	175	1750	10.00
- 6	750	175	1750	10.00
- 101	750	175	1750	10.00
101	750	175	1750	10.00
201	(#35.42°05)	175	1750	10.00
651	750	175	1750	10.00
851	750		1750	10.00
2551	750	175	The same of the sa	10.00
5001	750	175	1750	10.00
10001	750	175	1750	10.00

Distribution Spacing Table

THE RESIDENCE OF STREET STREET, SANS	· 大工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工工	Service In I	eet 100	The commender
Dentity	Manbole 8	Pole Spacing	Guy Specing	Relative Pole Units
The state of the s	750	175	1750	10.00
	750	175	1750	10.00
6	750	175	1750	10.00
101	750	175	1750	10.00
201		175	1750	10.00
651	750	175	1750	10.00
851	750		1750	10.00
2551	750	175	1750	10.00
5001	750	175		10.00
10001	750	175	1750	10.00

BCPM Loop Percent Table Inputs

700000	Hurana Terri	da . Transpot	##54.90 July 18.50
Sides	UnderOrad %	- Branet S.	v. Aerial%
0	200.00	12.89%	0.21%
	36.91%	12.89%	0.21%
101	92.14%	763%	0.24%
201	90.78%	8.24%	0.97%
651	93.74%	\$ 13%	1.13%
851	90.65%	7.48%	1.55%
2551	2012	2.97%	233%
1006	96.67%	0.00%	133%
10001	96.67%	8000	111%

5001 96.67% 0.00% 111%	0 0 0 101 201 201 851	86 91% 86 91% 92 14% 90 78% 91 74%	12.89% 12.89% 1.63% 1.24% 5.13% 7.48%	0.21% 0.24% 0.24% 0.97% 1.13% 1.88%
The second secon	l			

Ŧ	191 2 101	Barbard St.	Application
16	Upolituma 14	DUCKED A	The second second
	26.91%	12.89%	0.21%
	24.014	12 89%	0.21%
и	80 VI W		****
	92.14%	7.63%	4.970
1	90.78%	224%	0.97%
	01748	\$115	1116
	-	3.40%	1 65%
- 1	90.003	48.4	
	20.70	2.07%	7.334
	86.678	\$000	333%
	Sec. 678.	9.000	1334
Н	PG-01-W	-	

0.21% 0.21% 0.97% 1.11% 1.11% 1.11% 1.11% 1.11% 1.11%

12.89% 12.89% 7.63% 8.24% 5.13% 7.44% 0.00% 0.00%

90 14% 90 14% 91 14% 90 65% 94 70% 96 67%

Challed batter 1.	DOMEST AND CO.	12 CONTRACTOR (1)	村八世の対象を	を見るは	THE PERSON NAMED IN	- Service -	Sect. 500.	1.1001.1
	10 10 10 10 10 10 10 10 10 10 10 10 10 1	6-100 pg fra	STORY OF THE	Selle April 1	1801-832	83174-000	- weeks and a	
1	The state of the s	3	2	7	*	P4 1		
-	-	3	3	3	-	- +		
20	-	+	1	7		- 9	-	
10-19	115	15	51		10	35	35	
20.49	35	35	93	44	98	55	93	_
>50	33	25	20	-	-	Т	-	
Other		1		1				

2337

Distribution	-00 %s	98,00	98.00	0016	98 00	98.00	00 86	98.00	98.00
2	800	5.00%	5.00%	\$5.00%	55.00%	65.00%	65.00%	\$00.59	MOD 37
DAMES AND IN	63	0	•	_	_			_	

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	Paredie	Dec Mari	Parent Male	Line per
Disploy	Steph Penalty	Designation	duntary	A DOMESTICAL DE
	900.00	2.80	4 00%	97.43%
	01 000	1.20	6.10%	95.81%
-	-	57	11 00%	9 44%
101	-	1 5	14.40%	26 50E
201	83 40%	2.50	10.00	
441	74.20%	5.70	25 30%	78.73%
100		5.70	25.80%	78.73%
100	60 40E	5 90	40.50%	66.28%
1007	y	7 10	40 60%	65.12%
X		1 19	78 00%	12 99%

Structure Allocation Table (Percent of Structure Assigned to Facility)

1252	Sheeture S. S.	musters 9.
0	\$00.00	50.00%
200	\$0.00%	50.00%
000	\$0.00%	\$0.00%
3400	\$0.00 E	50.00%
9000	\$00.0%	\$0.00%
4300	75.00%	25.00%

100	\$0.00% \$0.00% \$0.00%
Specific *	100.00% 50.00% 30.00%
Salara (S	0.00% 35.00% 50.00% 25.00%
Separate Property of	100.00% 65.00% 59.00% 75.00%
Page 8	2017

Docket No. 980696-TP
Direct Testimony of David G. Tucek
Exhibit No. DGT-3
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	horimes	neilinea	#DSJ8	Planning	Trigget(DS1)	SZZS	DSCCAP
STORESON.	LASMINST	acceptation.	1	\$7.5 G	0	OC3	2016
	2.4	07	2	57 5%	49		8064
	24	07	* * * *	47 S.C.	194		16128
-	24	97	67	47.49	187		32256
-	24	5.8	40	50.00	171		64512
_	24	87	8 3		1546		96768
_	24	97	103	•	2319		129024
	24	97	340		3092		161280
	7 7	97	288	57.5%	3864	OC48X6	193536
	4 7	9,0	336		4637	_	225792
	4 6	36	384	57.5%	5410	_	258048
	4 6		433			_	29030
	7 .	9 00	487	57.5%		-	32256

Ring Size Table

Docket No. 980696-TP
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Varies	Varies	I	2.8	-	336	Z	Z	1344	7	7	448	28	29	21	0.041667	Y.	NA N	××
17	ri	-	-		-		_	-	***	-	914	,000	-	-	***	£4	64	*

		Other	Utilization	Discount	Units Required	System Capacity
Description Campulation and Assault	1	8	57.0%	20.0%	2	Varies
Fiber Tip Cable (Per Fiber)	2 2		57.0%	4759	-	Varies
Fiber Patch Panel (Per Fiber)	5	200	NA	4159	-	20
Sonet Terminal Shelf (OC3)	\$ 27,204	3,190	27.00	43 DG	_	28
DS3 Card	\$ 3,742	5 384	×0.10	6104		
DS1 Card	\$ 272	\$ 31	92.078	14.00	_	11
Sonet Terminal Shelf (OC12)	\$ 44,922	\$ 4,950	N	36.00		96
OC3 Card	\$ 9,454	200	N. N.			- ×
3 DC3 Cred (OC12)	\$ 4,404	\$ 456	l	10.0%		121
Cones Terminal Shelf (OC48)	\$ 83,936	\$ 11,040	3	45.5		
Solice Learning	18.581	\$ 514	NA.	57.6 %		6
OC3 Card	1000	470		\$6.0%		90
3 DS3 Card (OC48)	2.004					448
DSX3 Cross Connect Shelf	200		47.04			
DSX3 Cross Connect Card	2 2		20.00	e s		٧.
DSX1 Cross Connect Jack Field	2 1.620	736				
Channel Bank Shelf	2 4,000	727	2002			0.04166
Channel Bank Card	500	n .			200	NA.
Fiber Repeater (OC3)	\$ 25.673	3,130	NA	\$0.95	10.0	NA.
Fiber Repeater (OC12)	20,203	•	1	460%		NA.
The Beating (OCAS)	\$ 91.707	\$ 6,230	1000			

Equipment Price Inputs

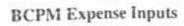
Docket No. 960696-1P
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Transport Inputs

TO SHARE SHOWING THE PROPERTY OF THE PROPERTY	Value
	Transport
	8 Maximum number of nodes on a ring
MaxNodes	1 410 Air to Boule Factor
ARFactor	A Access line to DSO trunk factor associated with host remote links
LTFactor	to A cross line to DSO trunk factor associated with host tandem trunks
TPactor	cour of moores access circuits to the number of exchang. access lines
SPFactor	And Measurem Repeater (miles)
RepeaterDist	_
MOUPerDS1	
RDSWitch	-
EASPet	25 U.S. Petroni of intercents and a second of the standents
CLLIMatch	Caca to nactural trace
	Fiber Factors
MEAerialFiber	75.00% Mileage Equipment Acriat rice 15ct (per fiber mile)
MEUndergroundFiber	75.00% Mileage compined States (for fiber mile)
MEBuriodFiber	
FiberPoleFactor	O. 4.5 Eilber Combit Pactor
FiberConduitFactor	o od Miscellaneous Equipment & Power Factor
Power And Equipment Pactor	
SheethSharingFactor	O c Trus Point Sharing Factor
TwoPointSheathSharingFactor	
FiberMixAcrial	345
FiberMixUnderground	
rest . A dis Bourland	63.UU FIRST PRING

BCPM Miscellaneous Inputs

	Tariff Training	
	1 4 75 000 00 Maie	Majerial & Installation for Fiber Optics Terminal at CO and Customer Loc
Specificat	_	A contract (Cost new 176. 1 on consider (Noth (erminals & repeater))
"noner T I	\$ 2,000,00 Aven	CONTRACTOR OF THE PROPERTY OF
The Team Secure	S . Mate	Material & Installation for Piper (criminal on control of
TA I COURT I SHOW	S . Male	Material & Installation for D4 type equipment
Misself	RK OOS FULL	full Factors for Electronics
SectionicFill	, and	Bill Factors for High Capacity Opic Multiplexen
HOspfill	ide	Count Of C Electronics The count in
SmallDLCDiscount	-	DAY CANDON OF THE PARTY OF THE
armeDLCDiscount	طنب	LARK DAL EXCUDING UNIVERSE
TO PLANTE CO.	2016 Max	Maximistic Central Office Terminal CAA-t-Sam-
Marcollyce	672 Max	Maximum Central Office Terminal DLC-5 Stire
Matcoldics	-	Central Office Terminal DLC-L Per line investment
COTDLCLFerLine	-	Central Office Terminal DLC-S Per line Investment
COTDLESPECIE		Financial Data
	14 14 14 14	Return On South
ReturnOnEquity		Rate
DebtRate	22 5% Debt Ratio	Ratio
DebcRatio		
		Tax Data
1 17.00.00	35.0% Fed	35.0% Federal Tax Rate
POSCIBLIAN BIC	5.5% 324	5.5% State Tat Rute
State Tax Rate	1.2% Ad	1.2% Ad Valorem, Insurance, etc.
AdValoremInsurance	0.0% Od	0.0% Other Tax Rate
OtherTatRate		La Banasalation
		18X Depteration
Daries Committee of the	CCG&SUM	COAS Use Survival Curves
DOORSHILL	Mid Year Convention	vention
Book onventos	ELG ELG / VG	3/ VG
BookELO_VG	Remaining Life WL / RL	/RL
BookWL, KL	3	Calculated Results
	TOO OOUT	CAN CONSTITUTE Small - Pricing ratio after Discount
DLC-SDiscount	JOS GOLDI	Di C. Lasee - Pricing ratio after Discount
DLC-LDiscount	-	Elber subble cost ratio after discount
FiberCostRatio		Carlo Cost main after dischard
ConnerCostRatio		Copper Catala Cont tado area services
and the second	26 GE	Clause of copier caries
Copposition	Version 3 Imput Chi	3 Imput Change: Extended Range Little Card Imputs
0.27	15.58 02	Central Office Terminal DLC-L Per line investment on extensed names.
COTDLCLPerLineExKange		Central Office Terminal OLC-S Per line Investment for Extended Kingle Line Latin
COTDLCSPerLineExRange	200	Remote Terminal DLC-1, Per line Investment for Extended Range Line Cards
RTDLCLPed.incExRange	135.00	Remote Terminal DLC-S Per line Investment for Extended Range Line Cards
RTDLCSPerLincExRange	2007	managed in face) when Patenaked Range line cards are Required in DLC
		CAST TOTAL COLL S CAST AND ASSESSMENT OF THE PARTY OF THE



Expense Inputs

Aggregate Support Inputs

continued that a layele state of a said the	Re	sidence	Bı	siness
Aggregate Support Level at:	S	20.00	5	20.00
Aggregate Support Level at:	s	30.00	5	30.00
Aggregate Support Level at:	5	31.00	\$	51.00
Aggregate Support Level at:	s	50.00	5	50.00
Aggregate Support Level at:	5	60.00	\$	60.00
Aggregate Support Level at:	5	70.00	5	70.00
Aggregate Support Level at:	\$	80.00	5	80.00

Support and Expense Factors for Tier 1 Companies

Support Ratio Table

Support Ratio Table	Support Accounts					
	Small of Small	2. Medium	Large			
6112 Motor Vehicle	0.811%	0.811%	0.811%			
6114 Special Purpose Vehicles	0.000%	0.000%	0.000%			
6115 Garage Work Equipment	0.036%	0.036%	0.036%			
6116 Other Work Equipment	0.774%	0.774%	0.774%			
6122 Purniture	0.231%	0.231%	1.496%			
61213 Office Support	1.496%	1.496%	1.201%			
6124 General Purpose Computers	1.201%	1.201% 4.549%	4.5499			
Total Support Ratio	4.549%	4.34970	4.547.4			

BCPM Expense Inputs

Per Line Monthly Operating Expenses for Small, Medium and Large Companies

Business Expense Table		The Charles of the Control of the Co	Contract the line	A SACTION OF THE PERSON OF THE	Bxpense	no % per investment	Dett. 177
Cost	USOAR	- 1	LIXED COM PARTIE	Lares	Small	Medium	of large
Element	Account Account	Strait	- Monagar	0.00	00000	00000	00000
Network Support Expense	6110	000	0.00	0.87	MA	NA	NA
General Support	6120	\$ 0.87	0.00		0.1734	0.1734	0.1734
COR Switching	6210			, ,	0.0253	0.0253	0.0253
COR Transmission	6230				- NA Sec	NA	NA
Information Orie/Term	6310				0.0109	60100	0.0109
Jac	1189			•	0.0508	0.0508	0.0508
Total Course Cable	6421.1				00113	0.0113	0.0113
A mind tither Cable	6421.2				0.0047	0.0047	0.0047
1. Accounted Councer Cable	6422.1				0.0012	0.0012	0.0012
The deservered Fiber Cable	6422.2				0.0376	0.0376	9750.0
Busing Concer Cable	6423.1		,	, ,	0.0082	0.0082	0.0082
Burley Cher Cable	6423.2	~			0.0030	0.0020	0.0020
Bulled Floor Carne	6441				00000	0,000	0.0000
Constitution of the Part	6510		^			00000	0.0000
Cade repert	06530	\$ 0.04	, .		UN COL	NA	NA P
WILL CONTROLL	0199	155	,	1 48	100	NA	NA NA
Marketing	6620	\$ 1.68	·	•		N/A	NA
Services	0129	\$ 0.19		^ •	8	NA	NA
Executive and Administrative	6720	15 241	1 5 741		1	N/A	N/A
Uncollectibles	0629	2 0.00	, ,				
		10.7		4	1		

7727/98 11:4:

BCPM State Specific Inputs

State Information Table

Direct Testimony of David G. T Exhibit No. DGT-3	UCE
FPSC Exhibit No Page /c2 of 112	

1.00	Residence	Single	Special Access	Gross
		Factor	Ratio	Receipts Tax
State ID	Multiplier	The second second second second	0.1300	3,90%
AK	1.0949	0.2833	0.1300	3.90%
AL	1.0875	0.1563	0.1300	3.90%
AR	1.0051	0.0546	0.1300	3.90%
AZ	1.1242	0.5358	0.1300	3.90%
CA	1.1714	0.0662	0.1100	3.90%
CO	1.1474	0.0898	The same of	
CT	1 1036	0.0101	4 1200	
DC	1.2661	0.0734	0.1200	
DE	A 02-04-05-05	0.1622		The second of
FL.	1.2106	0.0768		4 000
GA	1.1897	0.5726		
HI	1.0507	0.1579		3.90%
IA	1.0843	0.154	0.4300	3.90%
ID	1.1048	0.1390	10.000000000000000000000000000000000000	4 0.04
II.	1.0647			
IN	1.0713		0.1304	
KS	1.0301		0.000	3.90%
KY	1.1114	100000000		3.90%
LA		0.410		3.90%
MA	1.2348		(14) L. L. C.	3.90%
MD	1.1504	1		
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NV	1.175			774
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OR	1.071		200	
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VT	1.21		668 0.1	244
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WI	1.13	70.7		300 3.9
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WY	1.03	555 0.0	687 0.1	300 3.9

BCPM Capital Costs Inputs

Capital Cost Inputs

	Economic Life (years)	Tax Life (years)	Future Net Salvage (percent)	Survival Curve	Gompertz C	Gempertz G	Gompertz S
Account	C	0	0%	Square Life	0.000000000	0.000000000	0.000000000
and	- "	1 .	10%	CG&S	1.36885980	-0.01372330	0.00357234
Motor Vehicle	-l :		0%	CG&S	1.39000000	-0.03578191	0.02459161
Special Purpose Vehicles	-1		0%	CG&S	1.02766470	-5.71031270	0.14552408
Garage Work	10		0%	CG&S	1.02766470	profit a file of the contract	0.14552408
Other Work	10		1 50	CG&S	1.18428730		0.01557655
Building	30		0%	CG&S			0.01557655
Furniture	10		0%	CG&S			0.1631610
Office Support	- 10		5 0%	CG&S			0.14552408
General Purpose Computers		5	5 0%	CG&S	White Company of the		0.0003817
Switching	10		5 0%	0.07.09.0		The state of the s	0.0035723
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BCPM FCC Lines File

Direct Testimony of David G. Tucek
Establish No. DGT 1

FPSC Exhibit No. ______

Page /c*/ of 112

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BCPM FCC Lines File

Direct Testimony of David G. Tucel Exhibit No. DGT-3 FPSC Exhibit No. Page 705 of 112

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1		AND DESCRIPTION	Loop	K San San	STANSACTOR STAN	No.	oop Length	阿斯图学30
				Non- Switched	Non- Non-	Dis	uribu	investme
	Wire Center, Residence	Single	Meltiple Business	Working	Working Revenue	A PROPERTY OF THE PARTY OF	on Feeder	Cap
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3	TRSPFLXA		10.00					
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		SHOW.	The state of the s					V. 100 a

Page 2 of 3

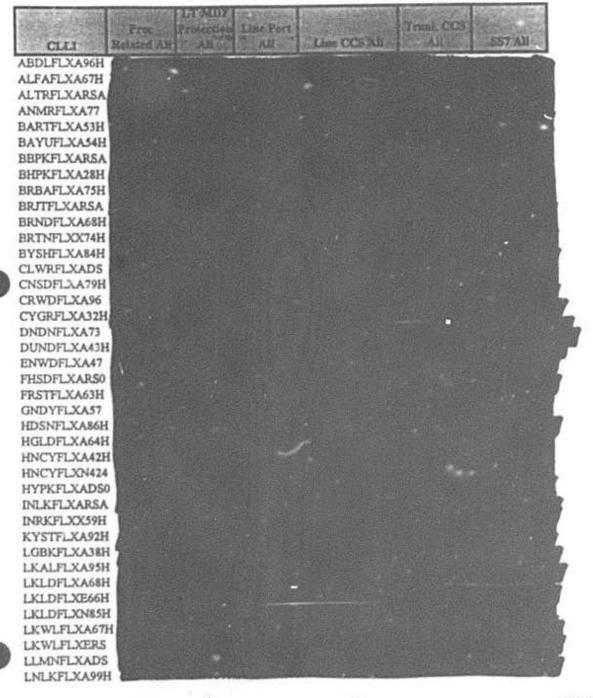
Lines xls

BCPM FCC Lines File

Direct Testimony of David G Tucek Exhibit No DGT-3 FPSC Exhibit No Page 104 of 112

			Loo	os en en en en	DEC. ROSS		140000	Loop I	ength	
Wire Center	Residence	Single Butiness	Maltiple Business	Non- Switched Working	Non- Working	Non- Revenue	Unage	Distribut tion	Feeder	nt Loop Cap
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VENCFLXS					Į.					
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WNHNFLXC			-		N.					
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ZPHYFLXA				E (100)						

BCPM SCM File



BCPM SCM File

Direct Testimony of David G Tuceł
Exhibit No: DGT-3
FPSC Exhibit No.
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CLLI	Proc Related Al	PASSOL	Line Pari All	line CCS	Trank C	CS SS7 Att
VENCFLXA48H	No. of the last		(Silmons)			
VENCFLXSDS0	NO SECTION					
WIMMFLXA63						
WLCHFLXA97				THE STATE		
WLCRFLXA83H						
WNHNFLXC29						
WSSDFLXADS0						
YBCTFLXA24H						
ZPHYFLXA78H						

BCPM Switch UserData File

Direct Testimony of David G. Tucek Exhibit No. DGT-3 FPSC Exhibit No. ______ Page //o of 112

	CITI	DCN	Switch	Englantre d Calls /Line	Regintered CCS	Lines Trunk	Percent Pin
	ABDLFLXA96H	328					4100
	ALFAFLXA67H	328			(0)	100	THE STATE OF THE S
	ALTRFLXARSA	328		6300	231		
	ANMRFLXA77	328		STORY	100		100 (2)
	BARTFLXA53H	328	CENTRAL	B	100		- 1
	BAYUFLXA54H	. 328	A1015	到海路			
	BBPKFLXARSA	328		116	188		
	BHPKFLXA28H	328			938	100	
	BRBAFLXA75H	328				1000	1333
	BRJTFLXARSA	328			800		100
	BRNDFLXA68H	328		7.49		100	1131
	BRTNFLXX74H	328			100	100	III III
	BYSHFLXA84H	328	21 0 81	The state of	100		DEED 1
	CLWRFLXADS	328		THE STATE OF THE S	1 100	100	0.00
١	CNSDFLXA79H	328		VALUE OF		1 100	
•	CRWDFLXA96	328	Will Street	1080			
	CYGRFLXA32H	328	Victor in		i iii	103	
	DNDNFLXA73	328	100 100				1000
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	ENWDFLXA47	328					
	FHSDFLXARS0	328		1000		翻	
	FRSTFLXA63H	328			8		
	GNDYFLXA57	328	(Sevie	13			* 3
	HDSNFLXA86H	328		THE REAL PROPERTY.	1 26		
	HGLDFLXA64H	328		Fig. 3	l Wil		
	HNCYFLXA42H	328			1 10		
	HNCYFLXN424	328		CHAIN IN	1 65	10:37	the said
	HYPKFLXADS0	328	WES W	100		1 100	P. 1
	INLKFLXARSA	328		と			1000
	INRKFLXX59H	328	Miles E	600			-
	KYSTFLXA92H	328				E 800	9.5
	LGBKFLXA38H	328			1		- E
	LKALFLXA95H	328					(40.7)
	LKLDFLXA68H	328					
	LKLDFLXE66H	328					
	LKLDFLXN85H	328		100			
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S	LKWLFLXERS	328	The same	100			1
)	LLMNFLXADS	328		William .			
	LNLKFLXA99H	321		1			
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CUJ	OCN	F witch	Engineere d Calls	Engineered CCS	Lines Trunk	Percent Fill
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MLBYFLXARS	328	1285				
MNLKFLXA85	328	100				
MYCYFLXA32	328		1000		i W	12.000
NGBHFLXA39H	328		- 日本		1 10	
NPRCFLXA84H	328				1 10	
NRPTFLXA42H	328					
NRSDFLXA35H	328	Will				
OLDSFLXA85H	328			t m		
OSPRFLXA96H	328				7 100	
PKCYFLXARS	328				100	
PLMTFLXA72H	328					
PLSLFLXA79H	328					
PNCRFLXA73J	328					
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PTCYFLXA75H	328					
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the Cost of)		
Basic Local Telecommunications)		
Service, pursuant to Section 364.025,)	Docket No. 980696-TP	
Florida Statutes)		
)		

DIRECT TESTIMONY OF

DR. JAMES H. VANDER WEIDE

ON BEHALF OF

GTE FLORIDA INCORPORATED

AUGUST 3, 1998

1		GTE FLORIDA INCORPORATED
2		DIRECT TESTIMONY OF DR. JAMES H. VANDER WEIDE
3		DOCKET NO. 980896-TP
4		
5		I. INTRODUCTION
6		
7	Q.	WHAT IS YOUR NAME AND BUSINESS ADDRESS?
8	A	My name is James H. Vander Weide. I am Research Professor of
9		Finance and Economics at the Fuqua School of Business of Duke
10		University. I am also President of Financial Strategy Associates, a
11		firm that provides strategic and financial consulting services to clients
12		in the electric, gas, insurance, telecommunications, and water
13		industries. My business address is 3606 Stoneybrook Drive, Durham,
14		North Carolina
15		
16	Q.	WOULD YOU PLEASE DESCRIBE YOUR EDUCATIONAL
17		BACKGROUND AND PRIOR ACADEMIC EXPERIENCE?
18	A	I graduated from Cornell University in 1966 with a Bachelor's Degree
19		in Economics I then attended Northwestern University where I
20		earned a Ph.D. in Finance. In January 1972, I joined the faculty of the
21		School of Business at Duke University and was named Assistant
22		Professor, Associate Professor, and then Professor.
23		
24		Since joining the faculty, I have taught courses in corporate finance,
25		investment management, and management of financial institutions

Management, Journal of Finance, Journal of Financial and Quantitative Analysis, Journal of Bank Research, Journal of Accounting Research, Journal of Cash Management, Management Science, The Journal of Portfolio Management, Atlantic Economic Journal, Journal of Economics and Business, and Computers and Operations Research. I have written a book titled Managing Corporate Liquidity: an Introduction to Working Capital Management, and a chapter for The Handbook of Modern Finance, "Financial Management in the Short Run."

Q. HAVE YOU PREVIOUSLY TESTIFIED ON FINANCIAL OR ECONOMIC ISSUES?

Yes. I have submitted testimony and/or testified on the cost of capital investment risk, incentive regulation, pricing, depreciation, accounting, and other financial and economic issues before the Federal Communications Commission, the Federal Energy Regulatory Commission, the National Telecommunications and Information Administration, the Canadian Radio-Television and Telecommunications Commission, the U.S. Congress, the public service commissions of 39 states and the District of Columbia, and the insurance commissions of five states

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

I have been asked by GTE Florida Incorporated ("GTE") to make an
independent appraisal of the average cost of capital to be used as
input in the cost model selected by the Commission for determining
the cost of providing basic local telecommunications service

- Q. WHAT AVERAGE COST OF CAPITAL DO YOU RECOMMEND FOR
 USE IN FORWARD-LOOKING STUDIES OF THE COST OF
 PROVIDING BASIC LOCAL TELECOMMUNICATIONS SERVICE?

 A I recommend that an average cost of capital of 12.65 percent be used
- A. I recommend that an average cost of capital of 12.65 percent be used in forward-looking studies of the cost of providing basic local telecommunications service.

A

- Q. IS THIS COMMISSION REQUIRED TO USE A FORWARD-LOOKING COST METHODOLOGY IN THIS PROCEEDING?
 - Yes. The Florida Legislature has ordered this Commission to determine the "total forward-looking cost" of providing basic service (Fla. Stat. ch. 364.025(4)(b)). When referring to the long-run forward-looking economic cost of providing services, economists sometimes use the term, total service long-run incremental cost ("TSLRIC"). I have therefore determined the economic cost of capital to GTE on a forward-looking economic basis. As I discuss later in my testimony, an economic cost study of a service that is being offered by a firm such as GTE operating in a competitive environment should include an economic cost of capital that is forward-looking, rather than backward-looking and accounting based. The forward-looking

1	Q.	HOW DOES THE COST OF CAPITAL AFFECT INVESTORS'
2		WILLINGNESS TO INVEST IN A COMPANY?
3	A.	The cost of capital measures the return investors can expect on
4		investments of comparable risk. Rational investors will not invest in
5		a particular investment opportunity if the expected return on that
6		opportunity is less than the cost of capital. Thus, the cost of capital
7		is a hurdle rate for both investors and the firm
8		
9	Q.	DO ALL INVESTORS HAVE THE SAME POSITION IN THE FIRM?
10	A	No. Debt investors have a fixed claim on a firm's assets and income
11		that must be paid prior to any payment to the firm's equity investors
12		Since the firm's equity investors have a residual claim on the firm's
13		assets and income, equity investments are riskier than debt
14		investments. Thus, the cost of equity exceeds the cost of debt
15		
16	Q.	WHAT IS THE OVERALL OR WEIGHTED AVERAGE COST OF
17		CAPITAL?
18	Α	The overall or weighted average cost of capital is a weighted average
19		of the cost of debt and cost of equity, where the weights are the
20		percentages of debt and equity in a firm's capital structure
21		
22	Q.	CAN YOU ILLUSTRATE THE CALCULATION OF THE OVERALL
23		OR WEIGHTED AVERAGE COST OF CAPITAL?
24	A	Yes. Assume that the cost of debt is 9 percent, the cost of equity is
25		15 percent, and the percentages of debt and equity in the firm's

1		capital structure are 25 percent and 75 percent, respectively. Then
2		the weighted average cost of capital is expressed by 0.25 times 9
3		percent plus 0.75 times 15 percent, or 13.5 percent.
4		
5	Q.	HOW DO ECONOMISTS DEFINE THE COST OF DEBT
6		COMPONENT OF THE WEIGHTED AVERAGE COST OF
7		CAPITAL?
8	A.	Economists define the cost of debt as the market interest rate that a
9		firm would have to pay on newly-issued debt obligations. In efficient
10		markets, the market interest rate is also the best estimate of future
11		interest rates. The correct economic definition of the cost of debt is
12		thus forward looking and market oriented
13		
14	Q.	HOW DO ECONOMISTS DEFINE THE COST OF EQUITY
15		COMPONENT OF THE WEIGHTED AVERAGE COST OF
16		CAPITAL?
17	A	Economists define the cost of equity as the return investors expect to
18		receive on alternative equity investments of comparable risk. Since
19		the return on an equity investment of comparable risk is not a
20		contractual return, the cost of equity is more difficult to measure than
21		the cost of debt. There is agreement, however, as I have already
22		noted, that the cost of equity is greater than the cost of debt. There
23		is also agreement among economists that the cost of equity, like the

cost of debt, is both forward looking and market based

market values of debt and equity. (See, for example, Brealey/Myers, Chapter 9, page 214, *Principles of Corporate Finance*, Fifth Edition, 1996, McGraw-Hill.) For example, if a firm's debt has a market value of \$25 million and its equity has a market value of \$75 million, then its total market capitalization is \$100 million, and its capital structure contains 25 percent debt and 75 percent equity

A

Q. WHY DO ECONOMISTS MEASURE A FIRM'S CAPITAL STRUCTURE IN TERMS OF THE MARKET VALUES OF ITS DEBT AND EQUITY?

Economists measure a firm's capital structure in terms of the market values of its debt and equity because that is the best measure of the amounts of debt and equity that investors have invested in the company on a going-forward basis. Furthermore, economists generally assume that the goal of management is to maximize the value of the firm, where the value of the firm is the sum of the market value of the firm's debt and equity. Only by measuring a firm's capital structure in terms of market values can its managers choose a financing strategy that maximizes the value of the firm.

A

Q. HOW DO INVESTORS MEASURE THE RATE OF RETURN ON THEIR INVESTMENT PORTFOLIOS?

Investors, like economists, measure the rate of return on their investment portfolios in terms of the market values of the debt and equity in their portfolios. Suppose an investor has a portfolio.

purchased in 1977 for \$20,000, which has a market value of \$100 000 1 at the beginning of 1997. Further suppose that the value of the 2 portfolio at the end of 1997 is \$112,000 and that the investor earns 3 interest and dividends of \$3,000 during the course of 1997. Then, 4 assuming for simplicity that dividends and interest are not reinvested 5 in the portfolio during the year, the investor's rate of return in 1997 is 6 15 percent [(112 - 100/100) + 3/100 = 15 percent] 7

8

9

10

11

DOES THE \$20,000 INVESTMENT MADE IN 1977 AFFECT THE Q. CALCULATION OF THE INVESTOR'S RATE OF RETURN ON **INVESTMENT IN 1997?**

No. The fact that the investor purchased the portfolio in 1977 for 12 A. \$20,000 has no bearing on the investor's earned rate of return in 13 1997. Thus, the historical or embedded cost of the investment is 14 irrelevant to the calculation of the rate of return. Investors calculate 15 their rate of return based on market values, not book values. 16

17

18

19

20

21

22

23

24

25

YOUR EXAMPLE CLEARLY DEMONSTRATES THAT THE Q. INVESTOR'S EARNED RATE OF RETURN IN 1997 DEPENDS ON THE \$100,000 MARKET VALUE OF THE PORTFOLIO AT THE BEGINNING OF 1997, NOT ON THE \$20,000 HISTORICAL COST, OR BOOK VALUE, OF THE PORTFOLIO AT THE BEGINNING OF 1997. DO INVESTORS MEASURE THE REQUIRED RATE OF RETURN FOR 1998 IN TERMS OF THE MARKET VALUE OR THE

1		containing all of the firm's debt and equity securities would be 13.5
2		percent (.25 x 9 percent + .75 x 15 percent = 13.5 percent).
3		
4		Thus, the investors' required rate of return from an investment in the
5		company is the same as the company's weighted average cost of
6		capital, where both the required rate of return and the weighted
7		average cost of capital are measured in terms of market value
8		weights.
9		
10	Q.	IS THE ECONOMIC DEFINITION OF THE AVERAGE COST OF
11		CAPITAL CONSISTENT WITH THE WAY COMPETITIVE FIRMS
12		DETERMINE THE REQUIRED RATE OF RETURN ON
13		INVESTMENT DECISIONS?
14	Α	Yes. Competitive firms equate their required rate of return to their
15		average cost of capital, where the average cost of capital is
16		measured in terms of market value capital structure weights
17		
18	Q.	DOES THE REQUIRED RATE OF RETURN ON AN INVESTMENT
19		VARY WITH THE RISK OF THAT INVESTMENT?
20	A.	Yes. Since investors are averse to risk, they require a higher rate of
21		return on investments with greater risk
22		
23	Q.	DO ECONOMISTS AND INVESTORS CONSIDER FUTURE
24		INDUSTRY CHANGES WHEN THEY ESTIMATE THE RISK OF A
25		PARTICULAR INVESTMENT?

1	A	Yes. Economists and investors consider all the risks that a firm might
2		incur over the future life of the company.
3		
4	Q.	DO INVESTORS ALSO USE MARKET VALUE WEIGHTS TO
5		MEASURE THE RISK OF THEIR INVESTMENT PORTFOLIOS?
6	A.	Yes. One measure of investment risk is a company's beta. Using the
7		previous example, where the firm's debt has a market value of \$25
8		million and its equity a market value of \$75 million, if the firm's debt
9		has a beta of .5 and its equity a beta of 1.2, then the beta on a \$100
10		million portfolio containing all of the firm's debt and equity would be
11		1.025 (.25 x .5 + .75 x 1.2 = 1.025).
12		
13	Q.	WHY DO INVESTORS MEASURE THE RISK AND RETURN ON
14		THEIR INVESTMENT PORTFOLIOS USING MARKET VALUE
15		WEIGHTS RATHER THAN BOOK VALUE WEIGHTS?
16	Α	Investors measure the risk and return on their investment portfolios
17		using market value weights because market value weights are the
18		best measure of the amounts the investors currently have invested in
19		each security in the portfolio. From the investor's point of view, the
20		historical cost or book value of his investment is entirely irrelevant to
21		the current risk and return on his portfolio. Thus, the return, and the
22		risk or uncertainty of the return, can only be measured in terms of
25		market values
24		
25		

1	Q.	IS THE ECONOMIC DEFINITION OF THE AVERAGE COST OF
2		CAPITAL CONSISTENT WITH REGULATORS' TRADITIONAL
3		DEFINITION OF THE AVERAGE COST OF CAPITAL?

No. As noted above, the economic definition of the average cost of capital is based on the market costs of debt and equity, the market value percentages of debt and equity in a company's capital structure, and the future expected risk of investing in the company Regulators, in contrast, have traditionally defined the average cost of capital using the embedded cost of debt, the book values of debt and equity in a company's capital structure, and the risk of investing in a franchised provider of telecommunications services.

A

Q. WHAT IS THE DIFFERENCE BETWEEN THE MARKET COST OF DEBT AND A COMPANY'S EMBEDDED COST OF DEBT?

A. The market cost of debt is the rate of interest a company would have to pay if it issued debt under today's market conditions. The embedded cost of debt is the company's total interest expense divided by the total book value of its debt. Thus, the embedded cost of debt is an average of the interest rates the company has paid in the past to issue debt securities. This calculation of the embedded cost of debt, however, provides no basis for measuring the market cost of debt.

Q. WHAT IS THE DIFFERENCE BETWEEN THE MARKET VALUE
AND THE BOOK VALUE OF A COMPANY'S DEBT?

1	A.	Yes. The book value of a company's equity is defined as the book
2		value of a company's assets minus the book value of the company's
3		debt
4		
5	E	Book Value of Equity = Book Value of Assets - Book Value of Debt
6		
7		Since the book value of a company's assets, in turn, is equal to the
8		historical cost of a company's assets minus accumulated
9		depreciation, the book value of a company's equity can also be stated
10		as the historical cost of a company's assets, minus the accumulated
11		book depreciation on these assets, minus the book value of a
12		company's debt:
13		
14	В	ook Value of Equity = Historical Cost of Assets - Accumulated Book
15		Depreciation - Book Value of Debt
16		
17		Thus, the book value of a company's equity reflects the historical cost
18		of the company's assets.
19		
20	Q.	WHY HAVE STATE AND FEDERAL REGULATORS DEFINED THE
21		AVERAGE COST OF CAPITAL IN TERMS OF EMBEDDED COSTS
22		AND BOOK VALUES RATHER THAN FORWARD-LOOKING
_3		COSTS AND MARKET VALUES?
24		
25		

1	A.	State and federal regulators have defined a company's average cost
2		of capital in terms of embedded costs and book values because these
3		concepts were consistent with the regulators' accounting model of the
4		firm. Economists, in contrast, generally employ an economic model
5		of the firm in which forward-looking costs and market values are the
6		relevant standards
7		
8	Q.	IS THE TRADITIONAL STATE AND FEDERAL REGULATORY
9		DEFINITION OF THE AVERAGE COST OF CAPITAL CONSISTENT
10		WITH THE ECONOMIC PRINCIPLES UNDERLYING A FORWARD-
11		LOOKING COST STUDY?
12	Α.	No. As I have already noted, such studies are based on forward-
13		looking economic costs, as required by the Florida Legislature (as
14		well as the FCC). Economic costs are forward looking and market
15		based, not backward looking and accounting based.
16		
17	Q.	IN SUM, THEN, WHAT IS THE PROPER DEFINITION OF THE
18		AVERAGE COST OF CAPITAL FOR USE IN THE FORWARD-
19		LOOKING COST STUDY THE COMMISSION IS TO CHOOSE IN
20		THIS PROCEEDING?
21	A.	The Telecommunications Act of 1996 ("the Act") removes all barriers
22		to entry for basic local telecommunications services and opens the
23		market to full competition. In a competitive market for basic local
24		telecommunications service, forward-looking economic cost is the
25		appropriate cost benchmark. Furthermore, the average cost of capital

1		market envisioned by Congress. Sections III and IV of this testimony
2		below further explain with specificity why the business risks faced by
3		GTE in providing basic local telecommunications service justify a
4		different cost of capital rate
5		
6	Q.	CAN YOU SUMMARIZE YOUR VIEWS ON THE COST OF CAPITAL
7		COMPONENT OF A FORWARD-LOOKING COST STUDY?
8	A	Yes. Such cost studies measure the forward-looking economic cost
9		of providing service. The only cost of capital definition that is
10		consistent with the forward-looking, economic assumptions of a
11		forward-looking cost model is an average cost of capital based on the
12		market cost of debt, market value percentages of debt and equity in
13		a competitive firm's capital structure, and a forward-looking view of
14		risk
15		
16		III. RISK
17	Q.	YOU HAVE STATED THAT THE COST OF CAPITAL DEPENDS ON
18		INVESTMENT RISK. HAVE YOU STUDIED THE RISK OF
19		INVESTING IN THE LOCAL EXCHANGE OPERATIONS OF
20		TELECOMMUNICATIONS COMPANIES SUCH AS GTE?
21	A	Yes, I have.
22		
23	Q.	WHAT ARE THE MAJOR FACTORS THAT AFFECT THE RISK OF
24		INVESTING IN THE LOCAL EXCHANGE OPERATIONS OF LECS
25		SUCH AS GTE?

A. The risk of investing in the local exchange operations of LEC's such
as GTE depends on their operating leverage, the level of competition,
rapidly-changing technology, and the regulatory environment

A

Q. WHAT IS OPERATING LEVERAGE?

The provision of facilities-based telecommunications services is a business that requires a large commitment to fixed costs in relation to variable costs, a situation called high operating leverage. The relatively high degree of fixed costs in the provision of facilities-based telecommunications service exists because of the average LEC's large investment in fixed assets such as central office, transport, and loop facilities. High operating leverage causes GTE's net income to be highly sensitive to fluctuations in revenues

A

Q. WHAT IS THE CURRENT STATUS OF COMPETITION FOR LECS SUCH AS GTE?

LECs such as GTE offer three basic services: intraLATA toll, carrier access and local exchange. The intraLATA toll market has become highly competitive in recent years. Most states, including Florida, have removed barriers to entry into this market. Customers in GTE's service territory have the opportunity to choose alternate carriers for intraLATA toll on a 1+ basis. In fact, GTE has suffered significant market share loss in the intraLATA toll market, especially since it completed implementation of 1+ presubscription in February 1997. Indeed, GTE has informed me that approximately two-thirds of new

1		Services Inc. ("ACSI"), AT&T, BellSouth, City of Lakeland, e.spire,
2		Intermedia Communications Inc ("ICI"), MCi, MFS, TCG, Time
3		Warner, Teligent, and WorldCom
4		
5	Q.	DO YOU HAVE ANY EVIDENCE THAT COMPETITIVE LOCAL
6		EXCHANGE CARRIERS INTEND TO COMPETE VIGOROUSLY IN
7		THE LOCAL EXCHANGE MARKET?
8	A	Yes. On the signing of the Act, the AT&T Chairman declared that
9		AT&T intends to capture a third of till local market within the next few
10		years. He also asserted that AT&T ve ws interconnection with Bell
11		company networks as only one means of entering the local exchange
12		market:
13		
14		"We also plan to enter the local market by other means
15		The technology and the partners are available to us
16		right now. And in some cases we're already using
17		them. For example, we've doubled our use of alternate
18		access providers over the last year. We've already
19		signed contracts with 20 alternate access companies
20		covering 95 cities. We're also pursuing the use of
21		cable based telephony and even fixed wireless

22

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technology. As you know, 200 million Americans live

within the cellular and PCS territories where we're

already licensed. I should also tell you that, on a

selective basis, we'll build our own network facilities to

offer local services. We're already designing the networks, and we'll begin installing fiber rings and new switching technology in several cities. Most of our large business customers are already hard-wired to the AT&T network for long distance. A substantial number of the lines serving customers from our digital switching centers are connected directly to the offices of business customers. Under the provisions of the [Telecom] bill, and with some straightforward software changes, we could begin to handle our business customers' local service. The California P. U.C. has already cleared the way for us to do this, and we have similar plans for other states.

Keep in mind that long distance amounts to 70 percent of the total telecommunication services bill for most companies. So I think you'll find that corporations are far more likely to give their local business to a long distance company rather than give their long distance business to the local company." (Robert E. Allen, "The 1996 Telecommunications Bill," remarks delivered at a news conference in Washington, D.C., February 8,

1996.)

13,500 buildings passed, and 490,000 business lines in service. TCI currently provides cable TV service either directly or indirectly (that is, through affiliates) to approximately 20.5 million subscribers. In addition, TCI's cables pass approximately 49 million homes, one-third of the homes in the U. S. (Local Competition Report, Vol. 7, No. 2, January 19, 1998, page 1, and "At Last, Telecom Unbound," Business Week, July 6, 1998, pp. 24-31.)

The \$11.3 billion acquisition of Teleport and the \$48 billion acquisition of TCI will give AT&T a tremendous boost in its efforts to provide a complete package of long distance, wireless, Internet access, and local exchange services to business and residential customers throughout the country. In addition, Mr. Armstrong has expressed his intention for AT&T to reach agreements with other cable providers so that AT&T can provide local service through direct connections to 50 million of its 90 million customers by the end of 1999. ("AT&T Board to end Year With Talks on Cost Cuts, Possibly Huge Investments," The Wall Street Journal, December 17, 1997, p. B6.)

Q. DO YOU HAVE ANY EVIDENCE THAT INVESTORS EXPECT
ALECS TO BE HIGHLY SUCCESSFUL IN THEIR COMPETITION
WITH INCUMBENT LOCAL EXCHANGE CARRIERS SUCH AS
GTE?

Yes. Investors' opinions about the likely success of the ALECs in attracting business from incumbents is reflected in the ALECs' rapidly rising stock valuations. WorldCom recently paid \$14 billion for one ALEC, MFS, and \$2.9 billion for another ALEC, Brooks Fiber WorldCom has also offered \$37 billion for MCI, at least in part because WorldCom places a high valuation on MCI's local exchange facilities, and AT&T has offered \$48 billion for TCI because AT&T places a high valuation on TCI's direct wireline connection to potential customers of its communications services The stock prices of companies such as ICG and Teleport have also increased dramatically since mid-1997. Indeed, Teleport's stock price increased by 70 percent from July 1997 to January 1998, when AT&T agreed to acquire Teleport for \$11.3 billion. These companies' high market valuations reflect investors' assessment that the competitive local exchange carriers will wrest considerable market share from incumbents such as GTE.

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WHY HAVE ALECS SUCH AS AT&T, MCI, BROOKS FIBER,
TELEPORT, AND ICG FOCUSED PRIMARILY ON OFFERING
FACILITIES-BASED SERVICE TO BUSINESS CUSTOMERS?

ALECs have focused primarily on providing facilities-based service to business customers because telecommunications prices have historically been set well above the cost of providing service for business customers in order to provide support to high-cost residential customers, especially those in rural areas. Because of the

current price structure in telecommunications, competitors can achieve a high percentage of industry profits by attracting a relatively small percentage of industry customers

Q. DO THE ALECS ALSO HAVE PLANS TO PROVIDE FACILITIES-BASED LOCAL EXCHANGE SERVICE TO RESIDENTIAL CUSTOMERS?

Yes. At the time the AT&T/TCI merger was announced, AT&T reported that it plans to offer facilities-based communications services, including local exchange service, to residential customers through a new operating unit, AT&T Consumer Services, which "will own and operate the nation's most extensive, broadband local network platform" and "provide the broadest set of consumer communications services—including local, long distance, wireless and international communications, cable TV, dial-up and high-speed Internet access services—all under the AT&T brand name." ("AT&T, TCI to Merge, Create new AT&T Consumer Services Unit," AT&T press release, June 24, 1998.) Indeed, as previously noted, AT&T proclaims that it "expects to win up to 30% of the local market and boost TCI's cable subscriber base when the two companies complete their recently announced \$48-billion merger." (Local Competition Report, Vol. 7, No. 14, July 6, 1998.)

Q. IS THE TECHNOLOGY CURRENTLY AVAILABLE FOR AT&T AND OTHERS TO PROVIDE BROADBAND TELECOMMUNICATIONS

SERVICES, INCLUDING VOICE, TO RESIDENTIAL CUSTOMERS

OVER WIRELINE FACILITIES SUCH AS THOSE AT&T IS

ACQUIRING FROM TCI?

A. Yes. As Business Week notes in its cover story article, July 6, 1998.

Yes. As Business Week notes in its cover story article, July 6, 1998, page 26, "The technology for providing telephone service over the cable network is now developed enough to offer an economically feasible—and potentially much better—alternative to the existing copper wire." Cox Communications has already demonstrated the feasibility of offering local exchange service over its cable network, having launched local phone service in four markets where it has signed 17 percent of the homes where its services are offered (Business Week, July 6, 1998, p. 30.)

14.

Q.

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ARE THERE OTHER TECHNOLOGIES FOR PROVIDING FACILITIES-BASED LOCAL EXCHANGE SERVICE TO RESIDENTIAL CUSTOMERS?

Yes. In addition to its plan to offer bundled communications services to residential customers over TCI's cable network. AT&T has developed a new fixed wireless technology that will allow it to bypass the local network for both residential and business customers that are not currently in the service territories of TCI and its affiliates. AT&T's new fixed wireless technology will have the capability of carrying high-speed digital communications directly to most households in the country at many times the capacity of traditional copper wire. The service, to be priced at local rates, will allow AT&T to enter the local

A.	Yes. Utilicore Corp, a startup phone company with headquarters in
	downtown Sarasota, has targeted "concentrated clusters of
	residential customers throughout the state." ("Wired for Success."
	The Sarasota Herald Tribune, May 11, 1998, p. 12.) Utilicore already
	has signed interconnection agreements with all of Florida's major
	local phone companies and plans to use its own switches and billing
	technology to offer a complete package of local and long distance
	service and Internet access to every unit in an apartment of
	condominium complex at significant discounts to GTE's taliffed rates

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Q. DOES GTE FACE COMPETITION FROM OTHER INCUMBENT LOCAL EXCHANGE COMPANIES?

Yes. BellSouth has announced plans to begin offering PCS and other local exchange services in GTE's service territory in Florida. In addition, SBC has announced with respect to its proposed merger with Ameritech that it plans to deliver fully competitive local exchange service in 30 new major metropolitan markets throughout the country, including the Tampa Bay area currently served by GTE. ("Full Competition at the Heart of SBC-Ameritech Merger," SBC press release, May 12, 1998; "SBC Could Be Coming," St. Petersburg Times, May 15, 1998, p. 1E.)

Q. ARE INVESTORS PRIMARILY CONCERNED WITH CURRENT OR
FUTURE EXPECTED COMPETITION WHEN THEY ASSESS THE
INVESTMENT RISK OF GTE?

1	A	Investors are primarily interested in future expected competition when
2		they assess the investment risk of GTE because expected future
3		competition is a primary determinant of volatility in the expected
4		returns on their investment.
5		
6	Q.	CAN GTE'S INVESTMENT RISK BE MEASURED BY GTE'S
7		CURRENT SHARE OF THE LOCAL EXCHANGE MARKET?
8	A	No. GTE's current share of the local exchange market reflects its
9		historical position as the franchised provider of local exchange
10		services in its service territory. GTE's privileged position as the
11		franchised provider has been eliminated. As a result of this
12		elimination and recent technological advances in telecommunications.
13		some 240 firms have been certificated to provide local exchange
14		service in Florida. There can be no doubt that GTE's future market
15		share of the local exchange market will be less than its current market
16		share. Indeed, GTE's experience with competition in the intraLATA
17		toll market suggests that its market share will rapidly decline as
18		certificated carriers begin offering local exchange services
19		
20	Q.	HAVE AT&T AND OTHER COMPETITORS RESTRICTED THEIR
21		LOCAL EXCHANGE OFFERINGS TO MAJOR CITIES?
22	A	No. Wireless North and McLeodUSA, for example, have been formed
23		to offer competitive local exchange service in rural areas of the
24		country. Wireless intends to use its PCS licenses in Iowa, Minnesota,
25		North Dakota, South Dakota, and Wisconsin along with a 2,500 mile

that competition will increase, GTE's current market share is a poor indicator of future competition and risk

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Q. IS GTE ABLE TO COMPETE ON EQUAL TERMS WITH COMPETITORS IN THE LOCAL EXCHANGE?

No. GTE faces a number of disadvantages in its efforts to compete in a fully competitive local exchange market. As the incumbent LEC, GTE has the obligation to provide telecommunications services to all customers, even those whose rates fail to cover the cost of providing service. Telecommunications prices have historically been set to provide subsidies to high-cost customers in low density geographic areas. Such subsidies are inconsistent with the competitive framework of the Act Although the Act requires the FCC and trie States to implement mechanisms that eliminate the implicit subsidies that have previously financed the provision of basic local telecommunications service, the Act fails to identify how such subsidies can be replaced. In truly competitive markets, there are no sources to subsidize prices that are lower than cost. Investors are concerned that the universal service support mechanisms that will be put in place may not be sufficient to balance the incumbent LEC's obligation to continue to provide service in high-cost areas, while competitors are free to serve only the most profitable markets

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Q. WHAT IS THE IMPACT OF RAPIDLY CHANGING TECHNOLOGY ON TELECOMMUNICATIONS COMPETITION?

Rapid advances in telecommunications technology are a primary A driver behind the increasing level of competition faced by the local exchange companies. Advances in semiconductor technology have both increased the capability and lowered the cost of telecommunications equipment, so other firms can compete more easily with local exchange companies. Breakthroughs are also occurring in fiber optic, data communications, and wireless technologies. The capacity of fiber optic networks is increasing dramatically, thus allowing fiber-based competitive access providers to offer more services. Recent advances in data communications and technologies, especially technologies for Internet protocol transporting voice signals over data communications networks, offer yet another opportunity for bypassing the local loop. Sprint recently announced plans to offer local exchange services over a new nationwide packet-switched data network. New data networking and Internet protocol technologies are also the major factors reducing the cost of providing local exchange services over cable networks. AT&T has announced its intention to rely on these technologies in its upgrade of the TCI network. Wireless technology is also changing Analysis anticipate that AT&T's new fixed wireless rapidly technology will allow AT&T to completely bypass the local loop in areas not served by its recently acquired cable TV facilities. In sum technological developments have substantially eroded the competitive advantage once enjoyed by local exchange companies

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1	Q.	HOW DOES RAPIDLY CHANGING TECHNOLOGY AFFECT THE
2		RISK OF INVESTING IN LOCAL EXCHANGE COMPANIES SUCH
3		AS GTE?
4	Α	Rapidly changing technology increases GTE's risk in two ways. First
5		it threatens GTE's ability to recover the investment cost of its new
6		telecommunications plant. Second, it reduces the cost of entry for
7		competitors. Rapid advances in fiber optics, wireless, and multimedia
8		transmission technologies, for example, have shortened the economic
9		lives of the LECs' current investments in copper-based facilities and
10		allowed cable TV, interexchange, and wireless companies to compete
11		efficiently to offer local exchange service. Advances in these
12		technologies further threaten the LECs' heavy investment in landline
13		telecommunications service
14		
15	Q.	HOW DOES REGULATION AFFECT THE RISK OF GTE?
16	A	Since regulation impairs GTE's ability to compete on the same terms
17		as its competitors, regulation increases the risk of investing in GTE
18		
19	Q.	HOW DOES THE FORWARD-LOOKING RISK OF INVESTING IN
20		GTE'S LOCAL EXCHANGE BUSINESS IN FLORIDA COMPARE TO
21		THE FORWARD-LOOKING RISK OF INVESTING IN GTE'S
22		PARENT COMPANY?
23	Α	The forward-looking risk of investing in GTE's local exchange
24		business in Florida is greater than the forward-looking risk of
25		investing in GTE's parent company because GTE's local exchange

1		business in Florida has less geographic diversity, less diversity of
2		products and services, less ability to realize economies of scale and
3		scope, and less access to the capital markets
4		
5	Q.	HOW DOES THE FORWARD-LOOKING RISK OF INVESTING IN
6		GTE'S LOCAL EXCHANGE BUSINESS IN FLORIDA COMPARE TO
7		THE FORWARD-LOOKING RISK OF INVESTING IN THE S&P
8		INDUSTRIALS?
9	Α	The forward-looking risk of investing in GTE's local exchange
10		business in Florida is approximately equal to the forward-looking risk
11		of investing in the S&P Industrials
12		
13	Q.	DO YOU HAVE ANY EVIDENCE THAT THE FORWARD-LOOKING
14		RISK OF INVESTING IN GTE'S LOCAL EXCHANGE BUSINESS IN
15		FLORIDA IS APPROXIMATELY EQUAL TO THE FORWARD-
16		LOOKING COMPOSITE RISK OF INVESTING IN THE S&P
17		INDUSTRIALS?
18	Α	Yes. I noted previously that the forward-looking risk of investing in
19		GTE's local exchange business in Florida is greater than the forward-
20		looking risk of investing in GTE's parent company. The average Value
21		Line market-weighted beta for the Regional Bell Holding Companies
22		("RHCs") and GTE's parent company is 95 as compared to the
23		average beta of approximately 1.0 for the companies included in the
24		S&P Industrials A beta of 95 cannot be statistically distinguished
25		from a beta of 1.0. Since the forward-looking risk of GTE is greater

1		than the forward-looking risk of GTE's parent, and the forward-looking
2		risk of GTE's parent is approximately equal to the forward-looking risk
3		of the S&P Industrials, the S&P Industrials are a conservative proxy
4		for the forward looking risk of investing in GTE
5		
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7		
В		IV. GTE'S COST OF CAPITAL ESTIMATE
9		
10	Q.	HOW DID YOU CALCULATE THE COST OF CAPITAL THAT
11		YOU RECOMMEND FOR USE IN THE COST STUDY THE
12		COMMISSION WILL CHOOSE IN THIS PROCEEDING?
13	Α	I calculated the weighted average cost of capital to be used in the
14		forward-looking cost study by employing the market based
15		percentages of debt and equity in the capital structures of
16		competitive firms, the market cost of debt, and the market required
17		rate of return on an equity investment in competitive firms of
18		comparable risk
19		
20	Q.	HOW DID YOU MEASURE THE MARKET-BASED
21		PERCENTAGES OF DEBT AND EQUITY IN THE CAPITAL
22		STRUCTURE OF COMPETITIVE FIRMS?
23	Α	I calculated the average market-based percentages of debt and
24		equity in the capital structures of the S&P Industrials, a composite
25		of all large competitive companies in the U.S. economy for each of

1		backward-looking monopoly assumptions in the cost of capital
2		component
5		
4	Q.	WHAT IS THE AVERAGE MARKET-BASED CAPITAL
5		STRUCTURE OF THE S&P INDUSTRIALS?
6	Α	As shown in Schedule JVW-1, the market-based capital structure
7		of the S&P Industrials at December 31, 1997, contains 18.28
8		percent debt and 81 72 percent equity. The average market-based
9		capital structure of the S&P Industrials for the five-year period
10		ending December 31, 1997, contains 22,45 percent debt and 77,55
11		percent equity. From the data I have examined. I believe the five-
12		year average capital structure of the S&P Industrials is a
13		conservative estimate of the target capital structure GTE would
14		employ in the competitive local exchange environment assumed by
15		a forward-looking economic cost study
16		
17		
18	Q.	HOW DOES THE AVERAGE MARKET-BASED CAPITAL
19		STRUCTURE OF THE S&P INDUSTRIALS COMPARE TO THE
20		AVERAGE MARKET-BASED CAPITAL STRUCTURE OF THE
21		LOCAL EXCHANGE COMPANIES?
22	Α	The market-based capital structures of the local exchange
23		companies cannot be determined because their stock is not
24		publicly traded. Thus, a comparison of the average market-based
25		capital structure of the S&P Industrials to the average market-

1		based capital structure of the local exchange companies is not
2		possible
3		
4	Q.	HOW DOES THE AVERAGE MARKET-BASED CAPITAL
5		STRUCTURE OF THE S&P INDUSTRIALS COMPARE TO THE
6		AVERAGE MARKET-BASED CAPITAL STRUCTURE OF THE
7		RHCS AND GTE?
8	Α	As shown in Schedule JVW-2, the market-based capital structure
9		of the RHCs and GTE at December 31 1997 contains 19.86
10		percent debt and 80 14 percent equity, and their five-year average
11		market-based capital structure contains 22 77 percent debt and
12		77 23 percent equity. Thus, the average market-based capital
13		structure of the RHCs and GTE is approximately equal to the
14		average market-based capital structure of the S&P Industrials
15 16	Q.	DO THE MAJOR INTEREXCHANGE CARRIERS EMPLOY
17	ų.	APPROXIMATELY THE SAME PERCENTAGE OF DEBT AS THE
18		RHCS AND GTE?
19	Α	No As also shown in Schedule JVW-2, the major interexchange
20		carriers employ significantly less debt and more equity than the
21		RHCs and GTE. Their average market-based capital structure at
22		December 31, 1997, contains 12,88 percent debt and 87,12
23		percent equity, while their five-year average market-based capital
24		structure contains 18 75 percent debt and 81 25 percent equity

1		
2	Q.	HOW DID YOU MEASURE THE MARKET COST OF DEBT
3		INVESTMENTS?
4	Α	I used the 6.94 percent yield to maturity on Moody's A-rated
5		industrial bends for March 1998, as reported in Moody's Investors
6		Service Credit Survey April 1998. This estimate is conservative
7		because it does not include the flotation costs that must be paid to
8		issue the debt securities required to finance the building of local
9		exchange facilities on a forward-looking basis
10		
11	Q.	HOW DID YOU MEASURE THE MARKET COST OF AN EQUITY
12		INVESTMENT IN GTE?
13	Α	I applied the DCF Model to the S&P Industrials
14		
15	Q.	WHY DID YOU APPLY THE DCF MODEL TO THE S&P
16		INDUSTRIALS?
17	Α	As noted above, a proper forward-looking economic cost study for
18		the provision of basic local exchange service is based on the
19		assumption that the market for local exchange services is:
20		competitive. At the present time, there are no publicly-traded
21		companies that have built telecommunications networks solely for
22		the purpose of providing local exchange services in a competitive
23		market. Since the S&P Industrials are a well-known sample of
2-		publicly-traded competitive companies whose risk, on average
25		approximates the risk of providing telecommunications services in

1		a competitive market. I believe the 581' Industrial group is a good
2		proxy for the risks of investing in the facilities required to provide
3		local exchange services on a forward looking basis
4		
5	Q.	WHAT DCF RESULT DID YOU OBTAIN FROM YOUR
6		APPLICATION OF THE DCF MODEL TO THE S&P
7		INDUSTRIALS?
8	Α	As shown on Schedule JVW-3 1 obtained a market-weighted
9		average DCF cost of equity of 14 30 percent for the S&P
10		Industrials
11		
12	Q.	WHAT IS YOUR ESTIMATE OF GTE'S OVERALL COST OF
13		CAPITAL?
14	Α	Lestimate GTE's overall cost of capital to be 12.65 percent, based
15		on a 6.94 percent market cost of debt, a capital structure
16		containing 22 45 percent debt and 77 55 percent equity, and a cost
17		of equity of 14 30 percent
18		
19	Q.	DOES THIS CONCLUDE YOUR TESTIMONY?
20	Α	Yes, it does
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Direct Testimony of James H. Vander Weide Exhibit No. JVW-1 FPSC Exhibit No.

Page 1 of 1

Capital Structure of the S&P Industrials 1993—1997

Year	Debt	Equity	Percent Debt	Percent Equity
1997	452,223,758	2,021,531 136	18.28%	81 72%
1996	403,597.304	1,563,230.554	20.52%	79.48%
1995	404,451.096	1,371,230 999	22.78%	77 22%
1994	355,598.015	1,045,070 467	25.37%	74 63%
1993	424,477 328	1,045,348.651	28 88%	71.12%
Total	2,040,347,501	7,047,411.807	22.45%	77.55%

Direct Testimony of James H. Vander Weide Exhibit No. JVW-2 FPSC Exhibit No. Page 1 of 1

Capital Structure of the Regional Bell Holding Companies and GTE 1993—1997-

Year	Debt	Equity	Percent Debt	Percent Equity
1997	76,817.997	309,931,746	19-86%	80 14%
1996	55,361,499	192,134,666	22.37%	77.63%
1995	54,869,295	199,658.054	21.56%	78 44%
1994	52,539,192	141,452,829	27.08%	72 92%
1993	54,501 791	154,047,475	26.13%	73.87%
Total	294,089 774	997,224 770	22.77%	77.23%

Capital Structure of the Interexchange Carners AT&T, Frontier, MCL Sprint, and WorldCom 1993—1997

Year	Debt	Equity	Percent Debt	Percent Equity
1997	27,564 209	186,502 253	12.88%	87.12%
1996	24,881.898	136,730 858	15-40%	84 60%
1995	41,870,419	146,653,650	22.25%	7.7.70%
1994	34,459.433	102.824 152	25.10%	74.90%
1993	26,414 200	99,988 647	20.90%	79 10%
Total	155-150-150	1.72 1.00 . 1	18.75%	81.25%

Source of data. Compustat Database May 1966

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Special restrictions in the company sport the 1996 (Extraction CEC) and

Appropriate Control of the Control o	Mean			
	30.00	of the same	1364	
Continue	10-14	Dis Self	3112.4	6-1-10-
At fact that	91511-	3	1. 4	34
Additional Action	547 11	5110	4.7	11230
Arthurs A Chemistre	305.6-4	5		44.0
Altacetsons In	5- 111	1. 1.	7. 4	13
Alleghers Telestyre mi	6,2417611	3 3.	70.00	37
Altroquer (m)	\$30,504	3113.11	100	1113
Allied Signal Inc.	\$44,500	31815	0.2011.	1000
ALTTEL Com-	\$44 KtX	3100	100.2	11121
America Hers, Cars	2500 1410	3 (1).		0.93 (0)
Service and Community of the	\$10.000	35.31	19.00	
-rigs fra	541 175	57.0	100	1981 A
Samples High to the Inc.	54 4 4	5	12.00	2002
Whe Curp	5.07661		1, 6	
the Last Districts Marketing (1)	\$03	\$ 1100	4	1.4
- trong World Inds to-	Sec. 34	5.744		10000
1 Com	51-1-11-	5000		
addition Inches 7	544.70	6.44		(40)4 (
Avery Denneson Lorg	\$1.17	50.1	100	
Estert C. Ft. Inc.	50,000	p 12	4.3	14.10
Burnick Gold Corp.	5.000	5 14		
Battle Mtn Gold Co	50.00	1		11 (cd
Phage 9/ & Trent/ In-	54-7-11	1		84.74
tractor into ter	\$94.87	3000		12.44
Berton Dokenson A.S.	\$71 Tem	5 12		14.45
Destlords	\$14.75.7	\$ 100		
Front of Athern Separations	511 1,2772	\$		6.4
Becaming Exerts that the	\$115270	30.15		4
Fenomis were Chiese	532417	5: 1.	1	10.00
Burlington Resim	547.4	50 101	= 277	10 11
Compression Compression	2845250	5920	15250	1400
THE RESIDENCE STATE OF THE STAT	\$3,0251	5 14	37.7.02	19821
0.890(4)(0.0)	\$114 1001	(\$1)301	7,516	1431
Congate Paterollus Co.	\$10000	\$6.975		11:1-33
COLUMBIA - RECATION ROUGHS AND	\$10.938	0.57131030	12.0	N0600
Considerate of the street	\$ (6.95)	50.020	1100411	1914211
r rangaret broke final	301000	35.000		21.7
Enviol/Corp.	\$282268	\$0.70%		
Dietuxia (Stirg)	\$39,780	51 177		11 (12)
Frommuley Folk Some Co.	5407907	\$1000		2.4.50

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Description of the Analysis of the Assistance of

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	Store	Quarters	1381 0	0.05505
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T5224 F C1251	\$17.007	311190	8 9	25.634
Disk Chillians	\$10.000			
Durwick The Nember	\$70.714	7		
Lastman Auda Lie	\$46.54			
Labor Crity	\$41.70			
Extrancing	344444	3		124
FGAGIN	52 - 4	4 14		1, 14
I menoral resident	50.1 111		7459	
Engelhard Coty	\$20.00	5 1	4.1	44.
	51. 1.		5 6	
Fluor Corp		511.011	2.2	
Lordone Brands in	3.0141			
Convert to:	5711 144		5) 4)	
Gen cal Biocolio	584.4.m	5		
General Signal Corp	\$44.657			0.00
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Gallage W.W. III.	\$105 843	8\$17,71107	72.46	
COURT (COURT)	\$124.000			
Territoria de la como	\$ 111652			11
*ten Corp Lini	550.4 15			
*Kasberi ini	\$ 10.620	3	* = d	14.4
corespondent	\$49.11.7		14	
Amestical London Long	\$70.000		- 4	
Minneywell Inc	SHE WAL			
ithrone, Taxal Van ten	Shiri Mala	50.1	-1	
Ingersuli Francii (i.e.	\$40.1.74	\$1.10		1, 1,
Inti Figures & Ecopore as	\$47,719	\$1.40	- 1	7.5
FTT Inds Inc Ind	\$30,007	\$1.14		
Johnson & Johnson	\$7,100	31121		
Johnson Otis Inc	\$56,613	\$11.7		
Reflect Co.	541125	\$1000	11 2	
Rumbindy (Clark 6, ep.	\$4.575	300	1,0	ff on
Emilit Hidden mi	\$54.9071	5 m		
Ly Crabome Inc	54 - 600	5.11	1.5	0.00
Mallinckrodt Inc New	\$ 11, 871	\$11.14	* * *	4 11 17
Mayber Corp.	\$52.50 1	\$0'tr-	4.0	140-
McLioraids Corp.	Sheat	\$5.00	1.0	4 4
McCasiw Hill Companies	3 VY 1975	3mm		
Meredith Corp	540 007	311	14 =	75,000
Minnesota Mng & Mig Co.	50x1811	\$17.50		14.49

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Discounted Cash Flow Analysis of the S&P industrial Group

	Mean			
	Stock	Quarterly	DBES	Cost of
Company	Price	Dividend	Grawtii	Equity
Morton Inti Inc Ind New	\$31.375	\$0.120	11.7%	15.54%
Naico Chem Co	\$39 844	\$0.250	10:5%	11.450
National Syc Inds Inc.	\$56 157	\$0.310	12.0%	34.6.50
New York Times Co.	\$71.063	\$0.370	13.3%	14.41
Newmont Mrsg Corp	\$32,500	\$0.030	14-0%	14.44
Nordstrom Inc.	\$63.375	\$0.140	13.9%	14 (9)%
Nucor Corp	\$57.532	\$0.120	14:8%	15.81%
Occidental Pete Corp	\$29 125	50 250	8.35	12:27%
Pharmacia & Upjohn Inc.	\$41.844	\$0.270	511500	14.56%
Phelps Dodge Corp	\$67.844	\$0.500	107150	1156%
Pitney Bowes Inc	\$49.251	\$0,725	12 8%	14 995
Polaroid Corp	\$43,907	\$0.150	12 B%	14 43%
Potlatch Corp	\$44.813	\$0.435	8.3%	12.79%
Procter & Gamble Co	\$85 157	\$0.253	13.0%	14.42%
Quaker Oats Co	\$54,500	\$0.285	11.15	13.57-
Ralston Punna Co	\$104.469	\$0.300	12.0%	13.36%
Raytheon Co	\$56,375	\$0.200	10.6%	12.26=
Rockwell Intl Corp New	\$56.094	\$0.255	12.65	14 77
Rubbermaid Inc	\$28 751	\$0.160	13.0%	15.67%
Russell Corp	\$27 157	\$0.140	12.35	14.76%
Sara Lee Corp	\$50.063	\$0.230	13.3%	15 14%
SBC Communications Inc.	\$42,094	\$0.234	11.0%	13.62%
Schenng Plough Corp	\$81 938	\$0.220	14.0%	15.70%
Seagram Ltd	\$39.844	\$0.165	13.0%	14.98%
Sears Roebuck & Co	\$57.438	\$0.230	13.4%	15 325
Sherwin Williams Co	\$35.282	50 113	12.3%	13.82%
Sigma Aldrich Corp	\$39.282	\$0.070	12.8%	13.65%
Snap On Tools Corp	\$44.219	\$0.210	11.8%	14.05%
Sprint Corp	\$68.594	\$0.250	12.7%	14.44%
Stanley Wks	\$53 407	\$0.200	12.2%	13.98%
Sysco Corp	\$24 313	\$0.090	13:5%	15.28%
Textron Inc	\$77.251	\$0.285	12:7%	14.46%
Thomas & Betts Corp	\$59.469	\$0.280	13.3%	15/56%
Time Warner Inc	\$76.250	\$0:090	13:5%	14.07%
Times Mirror Co New	\$60.813	\$0.180	14.0%	35.43%
Tribune Co New	\$67.438	\$0.170	13.2%	14.41%
TRW Inc	\$53.125	\$0.310	9.9%	12 63%
United States Surgical	\$31.782	\$0.040	14.85%	15.41%
United Technologies Corp	\$96.469	\$0.360	13.7%	15.50%

Discounted Cash Flow Analysis of the S&P Industrial Group

			Mean	
Company	Stock Price	Quarterly Dividend	I/B/E/S Growth	Cost of Equity
UST Inc	\$29 282	\$0.405	8.9%	15.38%
USX-Marathon Group	\$36.938	\$0.210	10 1%	12.76%
Walgreen Co	\$34.313	\$0.063	14.9%	15.79%
Waste Mgmt Inc New	\$33.219	\$0.170	10.8%	13.21%
Weyerhaeuser Co	\$59.157	\$0.400	10.2%	13.37%
Whirtpool Corp	\$70.438	\$0.340	11.0%	13.27%
Williamette Inds Inc	\$38.407	\$0.160	10.3%	12.25%
Winn Dixie Stores Inc.	\$41.782	\$0,255	9.6%	12.44%
Wngley Wm Jr Co	\$83.969	\$0.200	12.4%	13.53%
Xerox Corp	\$109.250	\$0.360	12.7%	14.27%
Weighted Average				14 30%

Source: Standard & Poor's Compustat Database May 1998. Price is average of April 1998 high and low prices. Quarterly dividend obtained from the indicated annual dividend rate as reported by Compustat, divided by 4. I/B/E/S growth rate is the April mean estimate of the long-term growth rate as reported by Compustat.

Notes: In applying the DCF Model to the S&P Industrials, I included in the DCF analysis only those companies in the S&P Industrial group which have a reported stock price, pay a dividend, have a positive growth rate, have at least 3 analysts' long-term growth estimates, and have at least one common share outstanding. To be conservative, I also eliminated those 25 percent of companies with the highest and lowest DCF results. The weighted average DCF result for 2nd and 3" quartiles shown on JVW-3 is 14.3 percent. Elimination of the 1" and 4" quartiles of the S&P Industrials had a negligible effect on the market value capital structure.

Notation:

d,		Quarterly Dividend (indicated annual dividend divided by 4)
P.	16	Average of the high and low stock prices during April 1998.

FC = Flotation costs expressed as a percent of gross proceeds (5 percent)

g = I/B/E/S mean forecast of future earnings growth April 1998

k = Cost of equity using the quarterly version of the DCF Model as shown by the formula below

$$k = \left[\frac{d_0(1+g)^{\frac{1}{4}}}{P_0(1-FC)} \cdot (1+g)^{\frac{1}{4}} \right]^4 - 1$$