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RECORDS AND REPORTING

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October 9, 1998

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

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

Dear Ms. Bayo:

Please find enclosed an original and fifteen copies of the Affidavit of Jino W. Kim in Support of the Motion of GTE Florida Incorporated. We are filing a faxed copy today due to time constraints and in order to meet the Commission's deadline. The original signed affidavit will be filed on Monday, October 12, 1998.

If you have any questions, please do not hesitate to contact me.

Sincerely,

*Kimberly Caswell/dm*

Kimberly Caswell

KC:dm  
Enclosures

- ACK \_\_\_\_\_
- AFS 2
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU Rug
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG 2
- LIN 5
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC 1
- WAS \_\_\_\_\_
- DTH \_\_\_\_\_

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RECORDS & REPORTING



underlying methodologies. The HAI Model's database, preprocessing procedures, and costing algorithms have never been available for complete analysis or validation. On numerous occasions throughout the course of this proceeding, GTE requested permission to analyze the PNR database used by the HAI Model. Only as a result of an order by this Commission did AT&T finally agree to allow GTE to conduct discovery on the undisclosed portions of the HAI Model.

3. On October 8, 1998, this Commission ordered AT&T (PSC-98-1298-PCO-TP), the HAI Model's sponsor, to make a broad range of the underlying preprocessing and geo-coding material available. Pursuant to this order, GTE sent me to Pennsylvania to conduct the PNR site-inspection on October 8, 1998. I went to Pennsylvania with the knowledge that it would require between six to 12 months of analysis in order to fully understand the preprocessing procedures of the HAI database.<sup>1</sup> Therefore, I realized that, at most, all I could perform was a cursory analysis of the data.

4. I concentrated on the geocoding process for the clusters in Florida. My analysis determined that there is a potentially serious problem with the number of lines -- both residence and business -- contained in the clusters. There is a total of 11,951 clusters in Florida. Of these clusters, 187 contain fewer business lines than firms actually located in that cluster and 3,803 clusters contain fewer residence lines than residences. For example, one cluster contained 14 residences and only 5.01 lines.

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<sup>1</sup> PNR set this time period as reasonable for fully understanding the preprocessing. (See *PNR Estimates of the Resources Required to Support the Customer Location Model*, PNR and Associates, Inc., date unknown, at 2.

5. Because of the low geocoding success rate in the lowest two density zones, I also looked at the Census Block Group ("CBG") data. There is a total of 5,790 CBGs in Florida. In 318 of the CBGs, not a single business customer was geocoded. Similarly, in 574 CBGs, not a single residential customer was geocoded. In total, only 75 percent of the business lines and 58 percent of the residence lines in Florida are geocoded.

6. Next, I performed a cursory examination of the total distribution mileage as compared to road mileage per cluster and found another potential flaw in the database. Many of the clusters contain dramatically less distribution length than road miles. This suggests a serious problem with the amount of distribution plant being placed by the HAI Model, which could result in a severe understatement of costs.

7. I need to point out to this Commission that it appears that not all underlying data were made available. Only two files - the Standard Point File and the Standard Cluster File - were made available. Based on the HAI Model's documentation and my understanding of the HAI preprocessing procedures, these two files are the end result of many other models and algorithms, which were not made available. Further, AT&T refused to produce the National Access Line Model ("NALM") for my review, which seems to be direct conflict with this Commission's order. Only following a lengthy discussion between attorneys did PNR agree to make the NALM available for review. Notwithstanding AT&T's representations and the expressed agreement of counsel, it was not until 6:30 P.M. on Thursday when the NALM was made available. However, what was produced did not appear to be a model, but simply a table with line counts per Census Block. There were

no descriptions, algorithms, or queries provided. It appears that AT&T produced an output from the NALM and not the model itself. I found surprising the failure of AT&T/PNR to make available the NALM given GTEFL's considerable efforts to arrange for a review of the model. The attached letter from GTEFL's counsel to AT&T's counsel reflects part of my understanding as to the attempts GTEFL has undertaken to allow for a review of the NALM.

8. Significantly more time is needed for a thorough analysis of the data, preprocessing procedures, and algorithms. Further, the analysis cannot be done at PNR under the time constraints and limited facilities imposed on the analyst by AT&T. This database and the processes associated with it are huge. It simply is not a one-man job, but requires many people with expertise in various disciplines. Also, the necessary tools, such as computers with appropriate software and other support equipment, are needed in order to perform a detailed analysis. I recommend an off-site analysis where sufficient time is allowed and the proper tools available.

9. In conclusion, my short visit to PNR confirmed concerns that the HAI model database is flawed and needs to be more fully examined. Before the HAI Model can be considered as a viable cost model for estimating forward looking economic costs for the telecommunications network of local exchange carriers in this universal service proceeding, an in-depth analysis must be performed on all aspects of the HAI Model.



## EXHIBIT A

NATIONAL ECONOMIC  
RESEARCH ASSOCIATES

Consulting Economists

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## JINO KIM

Senior Analyst  
National Economic Research Associates, Inc.  
777 South Figueroa Street, Suite 4200  
Los Angeles, California 90017  
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Received a B.A. degree in Economics from the University of California, Los Angeles and an M.A. degree in Economics with a concentration in Microeconomics, Econometrics, and Finance from the University of California, Santa Barbara.

Mr. Kim's areas of specialization are telecommunications and financial modeling. For the telecommunications industry, Mr. Kim has analyzed costing methodologies for the local exchange networks in the UNE and Universal Service Fund dockets; advised a telephone local exchange carrier on the regulatory and marketing issues relevant to business -- especially on the implications of the Telecommunications Act of 1996; and provided expert advice to Incumbent Local Exchange Carriers on deregulation and wrote expert reports on their behalf.

He has represented clients in various public utilities commission hearings and legal depositions. For these clients he has analyzed corporate finance and costing methodologies for the local exchange networks. Mr. Kim has conducted an Energy Demand Forecast for a utility.

Mr. Kim has also conducted financial analysis in connection with a memory chip patent infringement case, and market analysis and valuation of intellectual property in connection with litigation involving biomedical patent rights.

In regard to antitrust matters, he has conducted an industry review and analysis of antitrust ramifications stemming from cellular phone industry business practices; and conducted market and antitrust analysis concerning computer hardware industry, including econometric analysis. He has also conducted economic analyses in cases involving aerospace antitrust litigation and

*Jino Kim*

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hospital group mergers. In the several of litigation matters, he was involved in the modeling and computation of economic damages.

He has also conducted an analysis of predatory pricing and price leadership issues involving chemicals industry; and a U.S. crude oil industry review and analysis of alleged royalty skimming by major U.S. crude oil producers, including econometric analysis.

#### Education

UNIVERSITY OF CALIFORNIA, SANTA BARBARA  
M.A. (Economics), 1994  
Concentration in Econometrics, Microeconomics and Finance

UNIVERSITY OF CALIFORNIA, LOS ANGELES  
B.A. (Economics), 1992

#### Professional Experience

NATIONAL ECONOMIC RESEARCH ASSOCIATES  
5/95 - Present Senior Analyst

*Southwestern Bell:*

Analyze costing methodologies for the local exchange networks in Universal Service Docket; help write briefs.

*GTE Incorporated:*

Represent client in various public utilities commission hearings and legal corporate finance, costing methodologies for the local exchange networks; co-author expert reports.

*Korean Electric Power Co.:*

Advise state-monopoly on deregulation.

*Nortel v. Samsung Electronics Co.:*

Financial analysis in connection with a patent infringement case.

*Lobatz v. AirTouch, et al:*

Industry review and analysis of anti-trust ramifications stemming from cellular phone industry business practices

7/1/98

*Consulting Economist*



*Jino Kim*

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*Pacific Telesis:*

Telecommunications consulting.

*Litton Industries v. Hewlett-Packard:*

Market and anti-trust analysis concerning electronic hardware industry, including econometric analysis.

*Dayton Power & Light Co.:*

Analysis of Future Energy Demand in the U.S. as a whole, and the Midwest Region in particular; Energy Demand Forecast.

*Litton Systems, Inc. v. Honeywell, Inc.:*

Economic analysis in litigation case involving aerospace industry anti-trust litigation.

*Center for Neurological Studies v. Chugai Pharmaceutical Inc, et al:*

Market analysis and valuation of intellectual property in connection with litigation involving biomedical patent rights and exploitation thereof.

*Aqua Tri, et al v. Olin Corporation, et al:*

Analysis of predatory pricing and price leadership issues in involving chemicals industry.

*Proposed acquisition of Dominican Hospitals by Santa Cruz Hospitals:*

Review of economic efficiency and anti-trust issues with hospital groups merger.

*The MacMahon Foundation, et al v. Amerada Hess Corporation, et al:*

The U.S. crude oil industry review and analysis of alleged royalty skimming by major U.S. crude oil producers, including econometric analysis.

UNIVERSITY CALIFORNIA, SANTA BARBARA

9/92 - 6/94 Teaching Assistant

Taught Intermediate Microeconomics and Introductory Macroeconomics to classes ranging in sizes 20 to 40.

EXCEL FINANCIAL DATA SERVICES

6/94 - 4/95 Investment Analyst

Daily seminars to update foreign exchange traders on economic climate of the day. Fundamental analysis in connection with trading and daily company seminar.

7/1/98

University of Economics

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7/1/98

*Consulting Economics*

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October 6, 1998

**VIA FACSIMILE AND OVERNIGHT DELIVERY**

Mr. Tracy Hatch  
AT&T Communications of the  
Southern States, Inc.  
Suite 700  
101 N. Monroe Street  
Tallahassee, FL 32301  
Fax: 904-425-6361

Re: Docket No. 980696-TP - AT&T Response to GTE Florida Incorporated's  
Discovery Requests

Dear Tracy:

Over one week ago, during the oral argument on BellSouth's Motion to Compel AT&T to produce documents, you and I discussed the fact that AT&T's response to one of GTE Florida Incorporated's ("GTEFL") requests for the production of documents was factually wrong. Specifically, GTEFL's Request for Production of Documents number twelve (12) sought the "PNR National Access Line Model, Version 2.0, along with all associated inputs which were used to produce the runs of HAI 5.0a for Florida." AT&T responded to this request on or around September 1, 1998 by objecting to GTEFL's request on the grounds that the information sought "is the proprietary intellectual property of third party vendors and is only available from PNR."

As AT&T is well aware, the National Access Line Model ("NALM") is *not* the proprietary information of PNR. Rather, the NALM is the proprietary property of AT&T and MCI. AT&T's September 16, 1998 response to BellSouth's Motion to Compel makes this fact abundantly clear. In the letter from PNR that AT&T attached to its Opposition to BellSouth's Motion, PNR clearly and succinctly states that the NALM is a "custom version of a commercially available product" that is "proprietary to AT&T and MCI." A copy of the PNR letter is attached.

Collier, Shannon, Rill &amp; Scott, PLLC

Mr. Tracy Hatch  
 October 6, 1998  
 Page two

AT&T has known since at least September 9, 1998 (the date of the PNR letter) that the NALM is the property of AT&T and MCI. AT&T Communications of the Southern States, Inc. has known since at least September 16, 1998 -- the date AT&T filed its opposition to BellSouth's Motion to Compel -- that the NALM is the property of AT&T and MCI. Despite this knowledge, AT&T has failed to produce the NALM to GTEFL.

During our discussion on September 28, 1998, you assured me that you were "looking into the matter" and discussing it with your colleague from the Washington proceedings, Ms. Susan Proctor. To date, AT&T has not produced the NALM to GTE. Despite your assurances, no one at GTEFL has received any communication from you or AT&T regarding NALM.

AT&T's failure to produce the NALM is a blatant violation of this proceeding's discovery rules. The hearings in the above referenced proceedings are scheduled to begin in less than one week. Time is of the essence. AT&T's steadfast refusal to produce the NALM is severely jeopardizing GTEFL's ability to analyze HAI 5.0a and is preventing the Florida Commission from receiving full, fair, and accurate testimony regarding the viability of the AT&T/MCI sponsored HAI Model. Accordingly, AT&T must produce the NALM immediately.

Sincerely,



BRIAN P. FARLEY  
 Counsel for GTE Florida Incorporated

cc: Commissioner and Prehearing Officer E. Leon Jacobs, Jr. (via facsimile)  
 William P. Cox, Esq. (via facsimile)  
 Kimberly M. Caswell, Esq. (via facsimile)  
 John B. Williams, Esq. (via hand delivery)

Attachment



Service | Solutions | Strategic Advantages

September 9, 1998

AT&T Communications of the Northwest, Inc.  
Susan D. Proctor  
Senior Attorney  
1875 Lawrence Street, Suite 1875  
Denver CO 80202

MCI Telecommunications Pacific Corporation  
Reggie Pena  
Senior Attorney  
707 17th Street, Room 600  
Denver CO 80202

VIA FACSIMILE (360-586-1150)

Dear Ms. Proctor and Mr. Pena,

The purpose of this letter is to respond to the requests of GTE Northwest Incorporated ("GTE") and U S WEST Communications, Inc. ("U S WEST") for the data underlying the HAI Model which has been submitted to the Washington Utilities and Transportation Commission. GTE and U S WEST are requesting electronic copies of the following:

1. Dun and Bradstreet National Database
2. Metromail, Inc. National Database
3. PNR National Access Line Model ("NALM"), Version 2.0, along with all associated inputs used to run the HAI model for Washington
4. CENTRUS Geocoding Software
5. Point-Coding Reference Data for that Software
6. Wire Center Mapping Mapping Boundaries

All items, with the exception of item 3, are publicly available from their respective owners. PNR has the rights to use each item either via purchase or special contractual arrangements. However, this information is proprietary to our vendors and cannot be re-sold or provided by PNR to any third party. Item 3, PNR's NALM, is a custom version of a commercially available product. This custom version is proprietary to AT&T and MCI.

In the past, other companies have requested this or similar information and we have been consistent in our response. To accommodate these requests without violating the agreements with our data vendors, PNR has hosted two opportunities for companies to come to our offices and review the above data in the form in which it is input into the HAI model. This arrangement was the only one to which our vendors would agree. GTE took advantage of this review opportunity on both occasions (first on April 16<sup>th</sup> and again

Economic, Statistical and Market Research Consultants  
101 Greenwood Avenue, Suite 502, Jenkintown, Pennsylvania 19024  
215-688-9200 • 215-688-9912 (Fax) • <http://www.pnr.com>

Attachment 4

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on May 12<sup>th</sup> and 13<sup>th</sup>, and U S WEST participated in just the second meeting. While the sessions were originally established to examine data for Nevada and Minnesota, other companies requested and received access to review the data from other states.

Representatives from OTE and U S WEST are welcome to visit our offices at their convenience. If you have any questions please call me on (215) 886-9200.

Sincerely,



William M. Newman

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that copies of the Affidavit of Jino W. Kim in Support of the Motion of GTE Florida Incorporated in Docket No. 980696-TP were sent via U.S. mail on October 9, 1998 to the parties on the attached list.

  
Kimberly Caswell / dm  
Kimberly Caswell

## Service List

(Official Service List)  
Docket No. 980595-TP

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

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