

ORIGINAL



OCT 23 1998

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October 23, 1998

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

Re: Docket No. 980696-TP

Dear Mrs. Bayo:

At the conclusion of the hearing in the above referenced proceeding, Commissioner Deason, sitting chairman in Chairman Johnson's absence, requested that late-filed hearing exhibits be filed by October 23, 1998. Commissioner Deason further indicated that if anyone encountered problems in filing these exhibits by the due date to notify the Prehearing Officer and the staff.

Enclosed for filing in the above referenced proceeding is the Late-Filed Hearing Exhibit No. 92 of Art Lerma as requested by the Staff during in the hearing.

The Staff also requested two additional Late-Filed Hearing Exhibits from MCI/AT&T's witness Don Wood. These two exhibits consist of a HAI 5.0a Model "Run to address MST compliance" and a HAI 5.0a Model "Run with surrogates on interior roadways." Due to the time required to produce the requested exhibits, they will not be available until probably Monday, November 2, 1998. Every effort is being made to produce these exhibits as soon as possible and they will be filed as soon as they can be completed.

Copies of the foregoing are being served on all parties of record in accordance with the attached Certificate of Service.

Thank you for your assistance with this matter.

RECEIVED & FILED  
OCT 23 1998  
FPSC DIVISION OF RECORDS

Sincerely,  
*Tracy Hatch*  
Tracy Hatch

TH:kfj  
Enclosures

11870 OCT 23 1998

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**The following explains the adjusted operating expenses per line for GTE appearing on the Exhibit labeled ALR-4 based on data obtained from responses to AT&T interrogatories:**

The first adjustment reduces total marketing expense (Account Nos. 6611, 6612, and 6613) by 19% to remove product advertising expenses. (Account No. 6613)

The second adjustment reduces network operating expenses (Account Nos. 6531-6535) by 30%. The third adjustment reduces general and administrative expenses (Account Nos. 6711, 6712, and 6721-6.28) by 15%. Page 5 of Exhibit ALR-4 provides the worksheet where these adjustments are calculated. Additional explanations for these adjustments are found in my rebuttal testimony dated September 2, 1998.

The last adjustment addresses the two local direct cost percentages utilized by GTE. To derive local expenses, GTE first applied a local factor of 99.12% to cost pools for its Consumer and Business lines of business. This factor is a ratio of local calls as a percent of local calls plus intraLATA toll calls. I have substituted a local factor of 89.68% based on a ratio of local service revenues as a percent of local revenues plus intraLATA revenues. Marketing costs for example are more driven by the amount of local revenues than the amount of local calls made. In addition, general and administrative expenses such as Executive and Planning or Accounting and Finance, are more driven by changes in revenue levels than they are by changes in local call volumes.

Next, GTE applied a local factor of 84.63% to the Common cost pool, a cost pool that is comprised of expenses which are not directly attributable to the local network or to a line of business. This factor is a ratio of local calls as a percent of local, intraLATA, and interLATA calls. For the same reasons previously stated, I

have substituted a local factor of 45.31% based on a ratio of local revenues as percent of local, intraLATA, and interLATA revenues. (See ALR-4, pages 5 and 6.)

In my rebuttal testimony filed September 2, 1998, I illustrated on Exhibit ALR-1 that operating expenses constitute \$11.99 of GTE's total basic service cost per line. Of this amount, \$7.61 in non-capital related expenses were calculated on a per line basis. The adjustments that are reflected in Exhibit ALR-4 reduce the non-capital related expenses from \$7.61 to \$5.73 per line, and the total GTE operating expenses from \$11.99 to 10.11 per line.

**GTE  
 EXPENSE PER LINE AND INVESTMENT RATIOS  
 AT&T PROJECTED EXPENSE  
 (\$000's)**

Account	Description	(A)	(B)	(C)	(D)	(E)
		GTE USF EXPENSE AS FILED	GTE USF EXPENSE ADJUSTED	PHYSICAL LINES/ INVESTMENT BCPM3.1	INVEST RATIO	ADJUSTED EXPENSE PER LINE
6110	Network Support Expense	\$40	\$23	2,314,065		0.0008
6120	General Support	\$24,050	\$20,097	2,314,065		0.7237
6210	COE Switching	\$107,500	\$107,500	619,975	0.1734	
6230	COE Transmission	\$15,479	\$15,479	612,733	0.0253	
6310	Information Orig/Term	\$0	\$0			
6411	Poles	\$630	\$630	57,686	0.0104	
6421.1	Aerial Copper Cable	\$16,497	\$16,497	324,434	0.0508	
6421.2	Aerial Fiber Cable	\$14	\$14	1,209	0.0113	
6422.1	Underground Copper Cable	\$2,303	\$2,303	494,813	0.0047	
6422.2	Underground Fiber Cable	\$98	\$98	79,262	0.0012	
6423.1	Buried Copper Cable	\$63,899	\$63,899	1,700,443	0.0376	
6423.2	Buried Fiber Cable	\$74	\$74	9,043	0.0082	
6441	Conduit Investment System	\$952	\$952	465,424	0.0020	
6510	Other Property Plant	\$0	\$0	2,314,065		0.0000
6530	Network Operations	\$1,031	\$653	2,314,065		0.0235
6610	Marketing	\$43,164	\$31,360	2,314,065		1.1293
6620	Services	\$46,621	\$43,194	2,314,065		1.5555
6710	Executive and Planning	\$5,155	\$2,529	2,314,065		0.0911
6720	General and Administrative	\$66,958	\$38,863	2,314,065		1.3275
6790	Uncollectibles	\$24,341	\$24,341	2,314,065		0.8766
<b>Total</b>		<b>\$ 418,806</b>	<b>\$ 366,506</b>		<b>0.3254</b>	<b>5.7280</b>

Sources (A, C & D) GTE USF expense as filed - from responses to AT&T's 4th interrogatory, item no. 39.  
 Bates page 0002853

(B) GTE USF expense adjusted - from ALR - 4, pages 5 & 6.

(E) (Column B divided by column C expressed in thousands) divided by 12

**GTE  
EXPLANATION OF AT&T PROJECTED EXPENSE  
BY ACCOUNT**

In the fourth set of data responses to AT&T, GTE provided details of the USF adjusted expense by account and by cost pool. All AT&T adjustments were made to the adjusted cost pools before the local amount was determined.

1. **6110** - Summarized 611x series of accounts from the "adjusted cost pool" column of the Consumer, Business and Common cost pools - Bates pages 2880, 2881, and 2883 of the fourth set of data responses to AT&T dated September 3, 1998. The amounts for the Consumer and Business cost pools were multiplied by the revised local factor (89.68%) and the Common cost pool was multiplied by the revised local factor (45.31%).
2. **6120** - Summarized 612x series of accounts from the "adjusted cost pool" column of the B&C, Consumer, Business and Common cost pools - Bates pages 2877, 2880, 2881, and 2883 of the fourth set of data responses to AT&T dated September 3, 1998. The amounts for the Consumer and Business cost pools were multiplied by the revised local factor (89.68%) and the Common cost pool was multiplied by the revised local factor (45.31%).
3. **6530** - Summarized 653x series of accounts from the "adjusted cost pool" column of the Consumer, Business and Common cost pools - Bates pages 2880, 2881, and 2883 of the fourth set of data responses to AT&T dated September 3, 1998. The amounts for all three pools were reduced by 30%. The revised amounts for the Consumer and Business cost pools were multiplied by the revised local factor (89.68%) and the Common cost pool was multiplied by the revised local factor (45.31%).
4. **6610** - Summarized 661x series of accounts from the "adjusted cost pool" column of the Consumer, Business and Common cost pools - Bates pages 2880, 2881, and 2883 of the fourth set of data responses to AT&T dated September 3, 1998. The amounts for all three pools were reduced by 19%. The revised amounts for the Consumer and Business cost pools were multiplied by the revised local factor (89.68%) and the Common cost pool was multiplied by the revised local factor (45.31%).
5. **6620** - Summarized 662x series of accounts from the "adjusted cost pool" column of the B&C, Consumer, Business and Common cost pools - Bates pages 2877, 2880, 2881, and 2883 of the fourth set of data responses to AT&T dated September 3, 1998. The amounts for the Consumer and Business cost pools were multiplied by the revised local factor (89.68%) and the Common cost pool was multiplied by the revised local factor (45.31%).

6. **6710** – Summarized 671x series of accounts from the “adjusted cost pool” column of the B&C, Consumer, Business and Common cost pools – Bates pages 2877, 2880, 2881, and 2883 of the fourth set of data responses to AT&T dated September 3, 1998. The amounts for Consumer, Business and Common cost pools were reduced by 15%. The revised amounts for the Consumer and Business cost pools were multiplied by the revised local factor (89.68%) and the Common cost pool was multiplied by the revised local factor (45.31%).
7. **6720** – Summarized 672x series of accounts from the “adjusted cost pool” column of the B&C, Consumer, Business and Common cost pools – Bates pages 2877, 2880, 2881, and 2883 of the fourth set of data responses to AT&T dated September 3, 1998. The amounts for Consumer, Business and Common cost pools were reduced by 15%. The revised amounts for the Consumer and Business cost pools were multiplied by the revised local factor (89.68%) and the Common cost pool was multiplied by the revised local factor (45.31%).
8. **LOCAL FACTOR**- The local factor, applied to Consumer and Business cost pools, was calculated by dividing regulated local revenues by the total of local and intraLATA revenues. The local factor, applied to Common cost pool, was calculated by dividing regulated local revenues by the total of local, intraLATA and interLATA revenues. All revenues are from 1997 ARMIS report 43-03. GTE’s factors were calculated based on percent local calls to total calls. GTE’s factors were 99.12% and 84.63% respectively.

GTE  
EXPENSE PER LINE  
USF FILING  
SUMMARIZED FROM RESPONSES TO AT&T 4th SET OF INTERROGATORIES  
(ITEM #39, BATES PAGES 2853-2897)

Account	Description	USF		Summarized				
		Expenses		Pools Before Local Factor Applied				
		As Filed	Network	B&C	Consumer	Business	Common	Total
		By GTE						
6110	Network Support Expense	\$40			\$2	\$2	\$43	\$47
6120	General Support	\$24,050		\$2,360	\$11,495	\$5,235	\$6,033	\$25,123
6210	COE Switching	\$107,500	\$107,500					\$107,500
6230	COE Transmission	\$15,479	\$15,479					\$15,479
6310	Information Orig/Term	\$0	\$0					\$0
6411	Poles	\$630	\$630					\$630
6421.1	Aerial Copper Cable	\$16,497	\$16,497					\$16,497
6421.2	Aerial Fiber Cable	\$14	\$14					\$14
6422.1	Underground Copper Cable	\$2,303	\$2,303					\$2,303
6422.2	Underground Fiber Cable	\$98	\$98					\$98
6423.1	Buried Copper Cable	\$63,899	\$63,899					\$63,899
6423.2	Buried Fiber Cable	\$74	\$74					\$74
6441	Conduit Investment System	\$952	\$952					\$952
6510	Other Property Plant	\$0	\$0					\$0
6530	Network Operations	\$1,031			\$25	\$1,015		\$1,040
6610	Marketing	\$43,164			\$10,103	\$32,526	\$1,074	\$43,703
6620	Services	\$46,621		\$14,589	\$26,756	\$4,533	\$1,203	\$47,081
6710	Executive and Planning	\$5,155		\$2	\$144	\$442	\$5,402	\$5,990
6720	General and Administrative	\$66,958		\$2,689	\$8,327	\$8,798	\$55,885	\$75,699
6790	Uncollectibles	\$24,341						\$24,341
	Total	\$418,806	\$207,446	\$19,640	\$56,852	\$52,551	\$69,640	\$430,470
	Total Adjusted Local		1.00	1.00	0.9912	0.9912	0.8463	
			\$207,446	\$19,640	\$56,352	\$52,089	\$58,936	\$418,804

GTE  
AT&T CALCULATION OF  
EXPENSE REDUCTION ADJUSTMENT  
BASED ON DATA PROVIDED IN THE  
FOURTH SET DATA RESPONSES TO AT&T

Account	Description	USF		Network	Pools Before Local Factor				Total
		Expenses As Filed By GTE	EXPENSE REDUCTION PERCENT		And After Expense Reduction				
					B&C	Consumer	Business	Common	
6110	Network Support Expense	\$40				\$2	\$2	\$43	\$47
6120	General Support	\$24,050			\$2,360	\$11,495	\$5,235	\$6,033	\$25,123
6210	COE Switching	\$107,500		\$107,500					\$107,500
6230	COE Transmission	\$15,479		\$15,479					\$15,479
6310	Information Orig/Term	\$0		\$0					\$0
6411	Poles	\$630		\$630					\$630
6421.1	Aerial Copper Cable	\$16,497		\$16,497					\$16,497
6421.2	Aerial Fiber Cable	\$14		\$14					\$14
6422.1	Underground Copper Cable	\$2,303		\$2,303					\$2,303
6422.2	Underground Fiber Cable	\$98		\$98					\$98
6423.1	Buried Copper Cable	\$63,899		\$63,899					\$63,899
6423.2	Buried Fiber Cable	\$74		\$74					\$74
6441	Conduit Investment System	\$952		\$952					\$952
6510	Other Property Plant	\$0		\$0					\$0
6530	Network Operations	\$1,031	30%			\$18	\$711	\$0	\$728
6610	Marketing	\$43,164	19%			\$8,183	\$26,346	\$870	\$35,399
6620	Services	\$46,621			\$14,589	\$26,756	\$4,533	\$1,203	\$47,081
6710	Executive and Planning	\$5,155	15%		\$2	\$122	\$376	\$4,592	\$5,092
6720	General and Administrative	\$66,958	15%		\$2,286	\$7,078	\$7,478	\$47,502	\$64,344
6790	Uncollectibles	\$24,341							\$24,341
	Total	\$418,806		\$207,446	\$19,236	\$53,654	\$44,681	\$60,243	\$409,601
	Total Adjusted Local			1.00 \$207,446	1.00 \$19,236	0.8968 \$48,117	0.8968 \$40,070	0.4531 \$27,296	\$366,506



GTE  
 AT&T APPLICATION OF  
 LOCAL SERVICE FACTORS  
 BASED ON DATA PROVIDED IN THE  
 FOURTH SET DATA RESPONSES TO AT&T

Account	Description	USF Expenses		Pools After Local Factor Application				Local		Total
		As Filed By GTE	Network	B&C	Local Factor	Consumer Business	Factor	Common		
6110	Network Support Expense	\$40			89.68%	\$2	\$2	45.31%	\$19	\$23
6120	General Support	\$24,050		\$2,360	89.68%	\$10,309	\$4,695	45.31%	\$2,734	\$20,097
6210	COE Switching	\$107,500	\$107,500		89.68%	\$0	\$0	45.31%	\$0	\$107,500
6230	COE Transmission	\$15,479	\$15,479		89.68%	\$0	\$0	45.31%	\$0	\$15,479
6310	Information Orig/Term	\$0	\$0		89.68%	\$0	\$0	45.31%	\$0	\$0
6411	Poles	\$630	\$630		89.68%	\$0	\$0	45.31%	\$0	\$630
6421.1	Aerial Copper Cable	\$16,497	\$16,497		89.68%	\$0	\$0	45.31%	\$0	\$16,497
6421.2	Aerial Fiber Cable	\$14	\$14		89.68%	\$0	\$0	45.31%	\$0	\$14
6422.1	Underground Copper Cable	\$2,303	\$2,303		89.68%	\$0	\$0	45.31%	\$0	\$2,303
6422.2	Underground Fiber Cable	\$98	\$98		89.68%	\$0	\$0	45.31%	\$0	\$98
6423.1	Buried Copper Cable	\$63,899	\$63,899		89.68%	\$0	\$0	45.31%	\$0	\$63,899
6423.2	Buried Fiber Cable	\$74	\$74		89.68%	\$0	\$0	45.31%	\$0	\$74
6441	Conduit Investment System	\$952	\$952		89.68%	\$0	\$0	45.31%	\$0	\$952
6510	Other Property Plant	\$0	\$0		89.68%	\$0	\$0	45.31%	\$0	\$0
6530	Network Operations	\$1,031			89.68%	\$16	\$637	45.31%	\$0	\$653
6610	Marketing	\$43,164		\$14,589	89.68%	\$7,339	\$23,627	45.31%	\$394	\$31,360
6620	Services	\$46,621		\$2	89.68%	\$23,995	\$4,065	45.31%	\$545	\$43,194
6710	Executive and Planning	\$5,155		\$2,286	89.68%	\$110	\$337	45.31%	\$2,080	\$2,529
6720	General and Administrative	\$66,958			89.68%	\$6,348	\$6,707	45.31%	\$21,523	\$36,863
6790	Uncollectibles	\$24,341			89.68%	\$0	\$0	45.31%	\$0	\$24,341
	Total	\$418,806	\$207,446	\$19,236		\$48,117	\$40,070		\$27,296	\$366,506

**GTE FLORIDA**  
**DEVELOPMENT OF PERCENT LOCAL BASED ON ARMIS REVENUE**  
**CALCULATION OF ADVERTISING PERCENT OF MARKETING**  
 (\$000's)

REVENUE

<u>LINE</u>	<u>CATEGORY</u>	<u>ARMIS 43-03 REVENUE</u>	<u>% OF TOTAL</u>	<u>% OF TOTAL EXCL InterLATA</u>
510	Basic Local Revenue	\$ 100,631	45.31%	89.68%
525	IntraLATA Revenue	\$ 57,612	5.21%	10.32%
5080/5270	InterLATA Revenue	\$ 546,649	49.48%	
	Total	\$ 1,104,892		

MARKETING

	<u>43-03 1997 Costs</u>	<u>% Total</u>
6611 Product Management	\$ 16,536	30.16%
6612 Sales	\$ 27,638	50.41%
6613 Product Advertising	\$ 10,657	19.44%
Total 661X	\$ 54,831	100.00%

**CERTIFICATE OF SERVICE  
DOCKET 980696-TP**

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished via  
\*hand delivery/\*\*Federal Express and U.S. Mail to the following parties of record on this  
23rd day of October, 1998:

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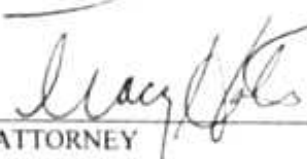
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