

RECEIVED - INVESTING DIV

BEFORE 99 MAR 19 PM 6:22

THE PUBLIC UTILITIES COMMISSION OF OHIO

7000

In the Matter of the Application of)
Cincinnati Bell Telephone Company)
For Approval of a Retail Pricing Plan) Case No. 96-899-TP-ALT
Which May Result In Future Rate)
Increases and for a New Alternative)
Regulation Plan)

Direct Testimony
of
Doris E. McCarter

Submitted on Behalf of the Staff of
The Public Utilities Commission of Ohio

March 19, 1999

This is to certify that the images appearing are an
accurate and complete reproduction of a case file
document delivered in the regular course of business.
Technician Jovan Schaffer Date Processed 3-22-99

1 **Q. What is your name, business address, and current occupation?**

2 A. My name is Doris E. McCarter. My business address is Public Utilities
3 Commission of Ohio, 180 East Broad Street, Columbus, Ohio, 43215. My
4 current position is Utility Specialist 2.

5
6 **Q. Please state your work experience.**

7 A. I have been employed by the Public Utilities Commission for over nine years.
8 I began with the Commission in December 1989 as the telecommunications
9 policy advisor to former PUCO Commissioner Richard M. Fanelly. In that
10 capacity, my duties were to advise the Commissioner on all state and national
11 telecommunications matters, including costing and pricing issues. Since
12 March 1997, I have been employed in the Telecommunications Division as a
13 Utility Specialist 2. In addition to my direct work experience, I took a long
14 run marginal costing seminar conducted by Dr. Rick Emmerson of Indetec. I
15 received a Bachelor's Degree from Capital University, summa cum laude, and
16 a Master's Degree in Public Policy and Administration from Columbia
17 University.

18
19 **Q. What is the purpose of your testimony?**

20 A. I am the person who has reviewed the CBT Switching TELRIC studies, the
21 Common Transport Study, the Telco Engineering Factor, the Directory
22 Listings Study, and the Maintenance and Direct Administrative components
23 of the TELRIC ACF. Specifically, I am responsible for responding to the

1 following objections: AT&T Objections 17, 19, 21, 25, 27, and 28¹; MCI
2 Objections 28, 29, and 35; and CBT Objections 93, 95, and 96.² I am also
3 responsible for responding to the Directory Listings Study issues raised within
4 the Supplemental Testimonies of Messrs. Mette and Starkey.

5
6 Lastly, several objections have been raised but have not been supported by
7 testimony. I am limiting my testimony only to those objections supported by
8 testimony.³

9
10 **TRANSIT SERVICE**

11
12 **Q. In its objections, MCI argues that the rate resulting from the Transport and**
13 **Termination Study should be the rate which is applied to transit traffic. Do**
14 **you agree with this proposal?**

15 **A. In its Arbitration Award the Commission decided that access rates for transit**
16 **service is appropriate. Furthermore, the Local Service Guidelines also state**
17 **that access rates are the appropriate rates for transit service.⁴**

18

¹ In Mr. Webber's February 3, 1999 deposition, he withdrew most of his testimony with respect to CBT's switching studies. This withdraw eliminated AT&T's Objections 13, 20, 26, and 29.

² OCC withdrew its objections in a prehearing conference conducted in August 1998.

³ Specifically, MCI Objections 23, 32, 36, 37, 38, and 39 were not accompanied by testimony.

⁴ The guideline with respect to transit traffic is IV.E.2.a.

1 **GROSS RECEIPTS TAX**

2
3 **Q. Did Staff make a recommendation in its Staff Report regarding Gross Receipts**
4 **Tax?**

5 **A. Staff recommended that Gross Receipts Tax be removed from the cost studies.**
6 **This continues to be Staff's general recommendation.**
7

8 **TPI ADJUSTMENT**

9
10 **Q. Did Staff make a recommendation in its Staff Report regarding a TPI**
11 **adjustment for investments?**

12 **A. In those instances where CBT does not have updated investment data**
13 **available to it, the current investment amounts should have a TPI factor**
14 **applied to them. This continues to be Staff's recommendation.**
15

16 **UNBUNDLED PORT TERMINATIONS**

17
18 **Q. In his September 28th Supplemental Direct Testimony Mr. Mette proposed to**
19 **provide features to NECs and to include the TELRIC priced features in port**
20 **terminations. Do you concur with his proposal?**

21 **A. Yes, I do.**
22

1 Q. In his Supplemental Testimony Mr. Mette also proposed that directory
2 listings and access to local operators be sold separately from unbundled ports.
3 Do you concur with his recommendation?

4 A. Yes, I do.
5

6 Q. Why are you offering testimony regarding statements made by Ms. Maggard
7 in her Supplemental Testimony when she has not raised nor addressed any
8 specific objections?

9 A. I am responding to several statements made in Ms. Maggard's testimony.
10 While there were no objections addressed in her testimony, she makes
11 several statements that seem to indicate that CBT's position may not yet
12 comport with the recommendations made in the Staff Report.
13

14 Q. Do you concur with the manner in which Ms. Maggard has indicated CBT
15 will sell ISDN Primary Rate Interface (PRI) Port features?

16 A. CBT states that the ISDN PRI Port is sold with associated optional features
17 that can be purchased individually. I concur with the individual purchase of
18 these features so long as CBT is purchasing them individually from the
19 vendor.
20

21 Q. Do you concur with Ms. Maggard's position that all non-retail offered features
22 should be provided pursuant to the submission of a Bona Fide Request
23 (BFR)?

1 A. I conditionally agree with Ms. Maggard's position. It is inappropriate for
2 CBT's own retail offerings to drive the retail offerings of other carriers.
3 Furthermore, pursuant to FCC rules, when a NEC purchases a UNE, it is
4 purchasing all the features and functions of that UNE. Therefore, CBT
5 should include all features offered in a generic package in its UNE port
6 offerings if CBT has already purchased the feature capability in a generic.

7
8 **TELCO ENGINEERING FACTOR**

9
10 Q. Do you wish to reiterate the Staff's recommendation in the Staff Report that
11 CBT be required to update its Telco Engineering Factor to the present time?

12 A. Yes.
13

14 **SWITCHING FILL FACTOR**

15
16 Q. Mr. Webber states that actual fill is not the appropriate switch fill for the
17 switching TELRIC studies. Do you concur with Mr. Webber?

18 A. I want to make clear that the opinion I offer is directed only to the switch fills.
19 First, it is generally recognized that switch provisioning does not have all the
20 complex dynamics associated with it that are associated with other types of
21 plant. Furthermore, switches tend to be modular based, thereby facilitating
22 the ability to grow the switch as demand grows, so that the switch can be sized
23 close to demand. This appears to be what has happened in practice with

1 CBT's switches. However, I do believe that the fill factor should not be based
2 on actual fill.

3
4 **Q. Mr. Webber recommends that CBT use Ameritech Ohio's switching fill rate**
5 **in its studies until CBT conducts its re-evaluation of its proposed switching**
6 **fills. Do you agree?**

7 **A.** CBT's proposed fills are relatively high, therefore, I do not believe it is
8 necessary to impose Ameritech's fills on CBT as a means to raise this already
9 high switch fill. I do believe that CBT should re-evaluate its fills, in
10 accordance with the Commission's Order in this case, before CBT files its next
11 set of TELRIC studies related to switching (e.g., in the year 2003).

12
13 **COMMON TRANSPORT**

14
15 **Q. Mr. Webber objects to the non-inclusion of the cost of transport between an**
16 **end office and CBT's access (toll) tandem in CBT's Common Transport Study.**
17 **Do you concur with his objection?**

18 **A.** I do not. Mr. Webber cites as support for his objection the FCC's Third Report
19 and Order (96-98, Released August 18, 1997). At Paragraph 25, the FCC stated
20 that Shared Transport includes the routing of traffic between an end office
21 and a tandem. The FCC went on to state, in paragraph 29, that traffic routed
22 between an ILEC's switch and a serving wire center does not have to be
23 provided on a shared basis because it is the serving wire center at which other

1 carriers interconnect with the ILEC's network. Given that CBT has only one
2 access tandem and it is at this tandem that carriers will interconnect, for CBT,
3 its access tandem is its serving wire center. The facilities in CBT's network
4 after the access tandem/serving wire center are the end offices and local
5 tandems that have been included in its common transport study.
6 Furthermore, CBT uses a local tandem to route calls within its local calling
7 area. Therefore, the NEC is getting all the benefit of CBT's method of routing
8 local calls through CBT's network, once the call has been dropped off into the
9 network. Also, almost all of CBT's serving territory is local, therefore, for
10 CBT, the access tandem is used only for interconnecting carriers to route calls
11 off of its network. Hence, the access tandem is CBT's demarcation point
12 referenced in the FCC's Order at paragraph 29.

13
14 **Q. CBT makes an objection to your recommendation to price Common**
15 **Transport on a per minute, per mile basis stating that because the path a call**
16 **will take to be processed is not predetermined, it is not possible to determine**
17 **which facilities will be used in the processing of each call. Has your**
18 **recommendation changed with respect to this study?**

19 **A. Recognizing that CBT has no means to distinguish between non-switched**
20 **and switched traffic; I concur with CBT's proposed method of recovery.**

21
22 **Q. Do you have any recommendation with respect to the investment number**
23 **CBT used in its local switch and common transport cost study?**

1 A. Yes. CBT should update the switching investments, and any vendor
2 discounts it is receiving, and use them in its cost studies.
3

4 **TELRIC ANNUAL CHARGE FACTOR: (ACF) DIRECT ADMINISTRATIVE**
5 **COMPONENT**
6

7 Q. CBT is unclear what the Staff is recommending regarding the recovery of
8 OSS-related expenses in the ACF. Can you provide the requested
9 clarification?

10 A. CBT asks if it is Staff's recommendation that OSS-related expenses be
11 removed from the ACF and recovered through a separate rate element or if
12 Staff recommends a different assignment of these expenses while permitting
13 them to remain in the ACF. It is my understanding that Ms. Soliman's
14 recommendation regarding access to OSS cost recovery is related to the
15 establishment and maintenance of the OSS gateways. Ms. Soliman is not
16 considering activities that are related to carrying out such activities as repairs,
17 installation, or NEC inquiries of UNEs. She will address the cost recovery for
18 access to CBT's OSS in her testimony. In my testimony, I discuss the direct
19 administrative and maintenance expenses that I recommend be removed
20 from the development of the ACF.
21

1 Q. Mr. Behounek suggests the removal of several expenses from the calculation
2 of the Direct Administrative Component. Do you concur with his
3 recommendation?

4 A. For certain function codes, CBT developed a ratio of the dollars of expenses it
5 would include in the Direct Administrative ACF, i.e., those for which CBT
6 had previously conducted special studies in order to allocate their expenses
7 between retail and wholesale activities. I do not believe even these expenses
8 should be included in the TELRIC ACF. In Data Request 98, Response to
9 Question 2, CBT describes these expenses as billing inquiries that are, "...due
10 to NEC customers contacting CBT's service representatives with billing
11 inquiries." I do not believe it is appropriate for CBT customer service
12 representatives to be in direct contact with NEC end users. The NECs are the
13 only entities that should be in direct contact with their end users.
14 Furthermore, because NECs will have electronic access to customer accounts,
15 I do not believe CBT customer service representatives will be processing
16 billing inquiries for NECs. NECs will be able to review the data for
17 themselves and answer their own customers' inquiries. Furthermore, CBT
18 seems to have accounted for NEC generated billing inquiry costs in its "New
19 Costs" component of the ACF. This means that if a NEC does have a billing
20 inquiry with respect to service CBT is providing to it, it will make such an
21 inquiry with the LEC Center representative. Accordingly, it is inappropriate
22 to recover billing inquiry expenses in the direct administrative component of
23 the ACF.

1
2 Q. Are there specific accounts that are inappropriate for inclusion in the direct
3 administrative component of the ACF?

4 A. There are many function codes such as Q56A (Administrative Supply) or
5 P20A (Local Loop Planning) that contain only activities which will still be
6 carried out even if the NEC provides service to end user customers.
7

8 I agree with Mr. Behounek that the inclusion of several other function code
9 expenses are questionable. Some function codes should be removed in their
10 entirety. A clear example of this would be Public Phone Installation and
11 Maintenance, (Q18A). I do not view the maintenance of coin phones and
12 booths to be appropriate for recovery by the NECs since pay phones have been
13 deregulated by the FCC. Public Communications (9TCQ) also appears to have
14 a great deal of retail only activity associated with them. Another example
15 would be Account 1270 (Customer Billing). Clearly, activities such as settling
16 hotel commissions and providing coin box refunds should not be recovered
17 from NECs purchasing UNEs. In addition, it appears that most of the
18 activities associated with the function codes 2305 (CARE Program Services),
19 2306 (Customer Messaging Billing and Collection), and 2328 (Basic Office,
20 Billing Inquiry and Collections, ICSC) are unnecessary in a UNE
21 environment.
22

1 From my initial review of the function codes, I believe there are many
2 function codes that may contain a mix of activities, both wholesale and retail
3 related and retail only related. Because I do not know the amount of
4 wholesale related activities within each of these function codes or the
5 amount of expenses associated with wholesale UNE activities within each
6 function code, I will not recommend the blanket exclusion of an entire
7 function code from the expense calculation at this time. At this time, my
8 general recommendation is for CBT to re-examine each of its function codes
9 to assess the retail-only activity that is associated with each code and to
10 determine an allocation of expenses that are jointly incurred to provide UNEs
11 and retail services. CBT should submit this study with its compliance run.
12 The study should include a detailed rationale and quantification of the
13 proposed change to each code or a detailed rationale as to why no reduction in
14 expenses is proposed for a code. If CBT can not determine how much
15 wholesale activity is being accounted for within each code, all the expenses
16 associated with the function code should be eliminated. The only expenses
17 that should be eliminated are those generated by retail only activities. If an
18 activity will occur to provide both UNEs and retail services, those expenses
19 should remain in the Direct Administrative component of ACF.

20
21 **Q. Does this recommendation address the function codes that Mr. Behounek**
22 **recommended be removed from the Direct Administrative factor?**

1 A. Consistent with my recommendation in the preceding question, CBT should
2 re-examine the expenses associated with all of its expense codes.
3

4 Q. Can you provide any guidance to CBT for what criteria it should use in the re-
5 evaluation of its expense codes?

6 A. Yes. My understanding of various FCC Orders and NPRMs regarding OSS
7 indicate that the FCC believes that the NEC ordering activity should be an
8 electronic process. By that I mean CBT personnel should not engage in
9 activities such as imputing orders. NECs should be expected to deliver all
10 their requests to CBT electronically. If a NEC insists on manually giving its
11 orders to CBT, there should be a separate labor charge for that activity. Lastly,
12 because the NECs will be rendering bills to their end users, CBT should not
13 include activities (i.e., expenses) associated with developing or rendering bills
14 only to end-users. Also, because CBT will be processing bills for submission
15 to NECs rather than end user customers I do not believe the nature of CBT's
16 billing activity will be the same as it is for retail customers. CBT should
17 evaluate all billing activity through this paradigm.
18

19 However, once CBT receives an order from a NEC there will, of course, be
20 back office activity associated with implementing and maintaining the UNE.
21 I am not suggesting that those types of expenses be removed from the Direct
22 Administrative component of the ACF.
23

1 Q. Mr. Behounek recommends that all information expenses with End-User
2 Billing should be removed from the Direct Administrative ACF calculation.
3 Do you concur?

4 A. I do not concur with Mr. Behounek that the expenses should be removed
5 because they are described by the term "End User Billing." Mr. Mette has
6 indicated that these systems will be used to track and bill UNEs to the NECs.
7 Moreover, the FCC also anticipates that ILECs may use pre-existing databases
8 to process and store UNE orders. The FCC also anticipates that the NEC will
9 have access to end user records, repair records, and similar type databases.
10 Therefore, given that these databases are used to process UNEs and to store
11 information to which a NEC will have electronic access, these systems should
12 be included in the Direct Administrative component of the ACF.
13

14 Q. Do you have any general recommendations concerning the Information
15 Systems expenses included with the ACF?

16 A. Similar to the rationale above, CBT should remove expenses for databases
17 that maintain solely retail systems. The Anytime Line appears to be an
18 example of a database which is used solely to provide a retail service function
19 and the expenses associated with this database should not be recovered from
20 NECs.
21

22 However, I do believe it is appropriate to retain information systems which
23 are used to maintain customer data. My rationale for this recommendation is

1 that CBT indicates that some of these systems will be used to track and bill
2 UNEs. I also anticipate that these are the same systems that NECs will be able
3 to access when they are viewing or modifying customer data.
4

5 **Q. Mr. Mette states that it is inappropriate to require specific UNE billing**
6 **expenses to be separated from the respective UNE for cost recovery purposes.**
7 **In particular, Mr. Mette is directing his comments to suggestions made in the**
8 **Staff Report at pages 94 and 97. Do you concur with his objection?**

9 **A. Directly attributable billing costs should be recovered from the respective**
10 **UNE.**
11

12 **Q. Do you have any additional general recommendations to make regarding the**
13 **Direct Administrative component of the ACF?**

14 **A. Yes. I recommend Mr. Mette conduct a trend analysis on the Direct**
15 **Administrative component similar to the one he has proposed for trending**
16 **the maintenance component of the ACF. CBT should develop a trend**
17 **analysis of the Direct Administrative component (calculating the Direct**
18 **Administrative component in the same manner as CBT developed the 1995**
19 **Direct Administrative component). Once a trended Direct Administrative**
20 **component of the ACF has been developed, CBT should apply to this result**
21 **the effect that my recommended elimination (of certain expenses) had upon**
22 **the 1995 Direct Administrative component. For example, if the results of**
23 **CBT trend analysis show that the Direct Administrative component should**

1 be 3.02, and the effect of removing retail expenses from the 1995 Direct
2 Administrative component is 20%, then 3.02 should be decreased by 20%.

3
4 **TELRIC ACF: MAINTENACE FACTOR COMPONENT**

5
6 **Q. Mr. Behounek argues that Subscriber Line Testing maintenance should not be**
7 **applied to loops because MCI will be doing this testing of the loop in the**
8 **future. Do you concur with his recommendation?**

9 **A.** Mr. Mette has indicated that some loop testing is done at the switch. It is my
10 understanding that, pursuant to the Stipulation, CBT is not obligated to
11 provide combinations other than those contained in its interconnection
12 agreements. (An example of a combination that is not included in CBT's
13 interconnection agreements is the joining of a UNE loop to a UNE switch
14 port.) However, although CBT will permit NECs to combine UNEs that
15 replicate a retail service offering of CBT, I am uncertain at this time how a
16 NEC would combine the UNE loop to the switching UNE without CBT's
17 assistance. Therefore, I believe it will be difficult for a facilities based NEC to
18 enter the market without providing its own switch. Therefore, I understand
19 Mr. Behounek's argument that it is likely that a NEC will be the carrier to
20 switch test the loops and therefore, this loop testing expense should not be
21 applied to loop UNEs. However, Mr. Mette has also indicated that there are
22 other types of loop testing which do not occur through the use of the switch.
23 Given this, Mr. Mette should be required to remove the expenses associated

1 with loop testing that are carried out using a switch. Other types of loop
2 testing expenses should continue to be recovered through the loop UNE.

3
4 For the switch conducted loop testing expenses that I have recommended be
5 excluded, I do not think it is appropriate for CBT to attempt to recover this
6 testing expense through a switching UNE. Although the switch does loop
7 testing, it is a function that is carried out on behalf of the loop. Given that it
8 will be difficult for a facilities based NEC to enter CBT's market without a
9 switch (due to the UNE combinations waiver) it is doubtful that CBT's switch
10 will conduct this testing on UNE loops. Therefore, on the wholesale side, this
11 activity will not occur.

12
13 **Q. Mr. Behounek is concerned that maintenance expenses relating to one UNE**
14 **are being inappropriately included in another UNE's TELRIC development.**
15 **In particular, he cites two examples where he believes that interoffice**
16 **expenses have been inappropriately applied to loops. Do you concur with his**
17 **recommendation?**

18 **A.** The first example Mr. Behounek cites is the application of the maintenance
19 factor associated with Interoffice Facility Assignment and Circuit Layout to
20 loops. The other is the assignment of Interoffice Trunk Testing maintenance
21 expense to loops. Upon reviewing the definition of these accounts, it does
22 appear that the activities associated with them are related largely to interoffice
23 facilities. The only exception to this general statement is that Interoffice

1 Trunk Testing includes test work associated with both an interoffice facility
2 and a loop when the testing is done as a single operation. If this expense is
3 comprised of switched conducted loop testing and, if the NEC is expected to
4 test the UNE loop (using its own switch) even in the case where the UNE
5 loop is connected to dedicated transport, then the recovery of this expense
6 from UNE loops is inappropriate. If CBT will still test the UNE loop in such a
7 combination, then this expense is appropriately recovered in the loop UNE.

8
9 With respect to Interoffice Facility Assignment and Circuit Layout, it does not
10 appear that this expense has any association with UNE loops. At this time,
11 due to the inability of NECs to combine a loop UNE to a switching UNE, it
12 does not appear that these expenses should be recovered from loops. Rather,
13 it appears that they are more appropriately recovered in UNEs that involve
14 interoffice transport.

15
16 Mr. Mette indicated that in order to create a maintenance factor related solely
17 to interoffice, or to appropriately recover interoffice maintenance expenses
18 from interoffice facilities, he would need to develop some means of
19 determining which cable and wire facilities were related only to interoffice
20 facilities. Otherwise, due to the mismatch between expenses (related only to
21 interoffice) and the investment (all cable and wire) the resulting maintenance
22 factor would be too low. Currently, Mr. Mette explained, he has no way of
23 isolating the investments because the investments are booked as a lump sum.

1 I understand Mr. Mette's concern with respect to this mismatch. However, I
2 do not believe that this problem makes it appropriate for an expense related
3 to one UNE to be recovered from another UNE particularly if the activity in
4 question may not be done by CBT on a going forward basis.

5
6 **Q. Mr. Behounek asserts that the maintenance factor associated with poles is too**
7 **high. Do you concur with his recommendation that the pole maintenance**
8 **factor needs to be adjusted?**

9 **A.** Yes, I do. Test year expenses included in this account are above normal due
10 to a periodic inspection and maintenance of poles. Therefore, it appears that
11 these expenses are higher than normal.

12
13 **Q. Mr. Mette advocates the use of linear trending for the maintenance factors.**
14 **The projection for the future maintenance factors would be based on yearly**
15 **maintenance factors from 1992 to 1997. Do you concur with his**
16 **recommendation?**

17 **A.** Yes. Furthermore, if 1998 data is available; it should also be incorporated into
18 the trend analysis.

19
20 **Q. Mr. Behounek recommended the use of one composite maintenance factor**
21 **for all maintenance expenses. Do you concur with this recommendation?**

22 **A.** No. Upon examining Mr. Behounek's Exhibit BB-02 it becomes clear that the
23 driver of the change is the decline in the maintenance of fiber optics. When

1 you examine the maintenance expense changes for the other types of plant,
2 the decrease is not nearly so pronounced and indeed some factors are actually
3 slightly increasing. This being the case, I do not concur with Mr. Behounek's
4 recommendation.

5
6 **OTHER ACF MATTERS**

7
8 **Q. Mr. Behounek recommends that CBT recalculate capital costs associated with**
9 **Motor Vehicles, Garage Work Equipment, Other Work Equipment, Furniture**
10 **and Artwork, Office Support Equipment, Company Communications Systems**
11 **and General Purpose Computers, using the economic lives and cost of money**
12 **the Commission adopts in this proceeding. Do you concur with his**
13 **recommendation?**

14 **A. Yes, I do.**

15
16 **Q. Mr. Behounek recommends that CBT reduce its investment base for Motor**
17 **Vehicles, Garage Work Equipment and other Work Equipment (Accounts**
18 **2112, 2115 and 2116 respectively) by the same reduction he proposes for**
19 **maintenance factors in general. Do you concur with this recommendation?**

20
21 **A. No. First of all, as stated in previously in my testimony, I do not concur with**
22 **Mr. Behounek's recommendation regarding an average maintenance factor**
23 **reduction.**

1
2 Secondly, by trending the direct administrative component of the ACF these
3 costs will necessarily be adjusted.
4

5 **Q. Mr. Behounek recommends that the expenses for furniture, etc. be reduced by**
6 **the productivity offset. Do you concur with his recommendation?**

7 **A. No. I have no understanding if these types of expenses will decline in the**
8 **future. While I understand the genesis of Mr. Behounek's recommendation,**
9 **I simply do not know if the productivity gains CBT experiences will be related**
10 **to its use of furniture. Furthermore, by trending the direct administrative**
11 **component of the ACF, these expenses will necessarily be adjusted.**
12

13 **Q. Mr. Behounek suggests that since artwork is not being permitted recovery**
14 **through CBT's regulated services, it would be inappropriate to recover them**
15 **in the ACF. Do you concur?**

16 **A. Yes.**
17

18 **DIRECTORY LISTINGS (INITIAL LOAD AND UPDATES)**
19

20 **Q. In his Supplemental Testimony Mr. Mette submitted a cost study for**
21 **Directory Listings. Please explain what this study addresses.**

22 **A. This study calculates the costs involved in providing electronic directory**
23 **listings to NECs and establishes recovery rates for the initial provision of**

1 electronic directory listings (initial load) to a NEC and subsequent updates to
2 the initial set of listings.
3

4 **Q. How does the study determine these costs and on what basis are they to be**
5 **recovered.**

6 A. CBT determined these costs by developing a projection of the costs for
7 Directory Production through the year 2000. CBT then allocated the Directory
8 Production Costs between Ongoing Costs and Closing Costs based on the
9 number of labor hours associated with each category. CBT's next step was to
10 evenly split the Ongoing Costs between DA Updating and Listing
11 Maintenance. At this point, CBT added two additional job tasks to the cost of
12 DA Updating. CBT also projected the annual number of listing updates that it
13 expects to experience and the number of customers it expects will purchase
14 this service. From this set of DA Updating costs, CBT developed a per-listing
15 rate for the initial load of directory listings to NECs and a rate for the
16 subsequent updates a NEC would order.
17

18 CBT developed the initial load rate by multiplying the costs associated with
19 DA Updating by the ratio of the total number of listings per year to the
20 number of daily updates per year. This figure was divided by the number of
21 customers CBT expects to purchase an initial load of DA listings.
22

1 CBT developed the update rate by dividing the costs of DA Updating by the
2 number of daily updates that occur annually.

3
4 **Q. Do you have any recommendations with respect to that cost study?**

5 **A.** Yes.

6 **Q. What is your first recommendation?**

7 **A.** CBT's assumption that only three carriers will be requesting directory listings
8 is inappropriate. I recommend that the number be increased to 4. I believe
9 this adjustment is a conservative one. A cost based directory listings price
10 will undoubtedly generate interest in its use. Furthermore, as evidenced in
11 the SBC/Ameritech merger case, there are carriers not yet in CBT's market
12 who may have a strong interest in obtaining CBT directory listings. Lastly,
13 obtaining information directly from CBT will more likely yield better
14 information, in terms of accuracy and timeliness, than receiving the
15 information from a third party. Given that the value of most information
16 type services is contingent upon their accuracy, I believe this will further
17 generate interest in CBT's directory listing service.

18 **Q. What is your second recommendation?**

19 **A.** Consistent with a global recommendation made in the Staff Report, the gross
20 receipts tax should be removed from this cost study.

21 **Q. Does this conclude your testimony?**

22 **A.** Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the **TESTIMONY OF DORIS E. MCCARTER** was served by regular U.S. mail, postage prepaid, or hand-delivered, upon the following parties of record, this 19th day of March, 1999.



Steven T. Nourse
Assistant Attorney General

PARTIES OF RECORD:

Douglas Hart
Frost & Jacobs LLP
2500 PNC Center
201 E. Fifth St.
Cincinnati, OH 45202

Judith B. Sanders
Bell Royer & Sanders
33 S. Grant Ave.
Columbus, OH 43215

Office of Consumers' Counsel
Thomas J. O'Brien
David C. Bergmann
77 S. High St., 15th Floor
Columbus, OH 43266

Boyd B. Ferris
Ferris & Ferris
2733 W. Dublin-Granville Rd.
Columbus, OH 43235

Roger Sugarman
Kegler Brown Hill & Ritter
65 E. State St., Suite 1800
Columbus, OH 43215

Sally W. Bloomfield
Bricker & Eckler
100 S. Third St.
Columbus, OH 43215

Time Warner Communications
Marsha Schermer
65 East State St., Suite 1800
Columbus, OH 43215

Pamela S. Miller
Assistant General Counsel
CoreComm Newco, Inc.
450 W. Wilson Bridge Rd.
Worthington, OH 43085

Dave Chorzempa
AT&T Corporation
227 W. Monroe St., 13th Floor
Chicago, IL 60606

Jane Van Duzer
205 N. Michigan Ave.
Chicago, IL 60601

Benita A. Kahn
Vorys Sater Seymour & Pease
52 E. Gay St., Box 1008
Columbus, OH 43216

Christopher Holt
Assistant General Counsel
CoreComm Newco, Inc.
110 E. 59th St.
New York, NY 10022

Lee Lauridsen
Sprint Communications Co., LP
8140 Ward Parkway S.E.
Kansas City, MO 64114

Stephen M. Howard
Vorys, Sater, Seymour & Pease
52 East Gay Street
P.O. Box 1008
Columbus, OH 43216-1008

Antony R. Petrilla
Swidler Berlin Shereff Friedman LLP
3000 K Street, N.W. Suite 300
Washington, D.C. 20007

Henry T. Kelly
O'Keefe, Ashenden, Lyons & Ward
30 North LaSalle
Suite 4100
Chicago, IL 60602