

Confidential Release

Case Number: 96-899-TP-ALT

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**Exhibits from transcript for hearing held March
4, 1999, Volume IV.**

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PUBLIC UTILITIES COMMISSION

STATE OF OHIO

In the Matter of the)
Application of Cincinnati Bell)
Telephone Company for Approval)
of a Retail Pricing Plan Which)
May Result in Future Rate)
Increases and for a New)
Alternative Regulation Plan.)

166 pgs.

Case No. 96-899-TP-ALT

Hearing Room 11-D
Borden Building
180 East Broad Street
Columbus, Ohio 43215
Thursday, March 4, 1999

Met, pursuant to assignment, at 9:00 o'clock a.m.

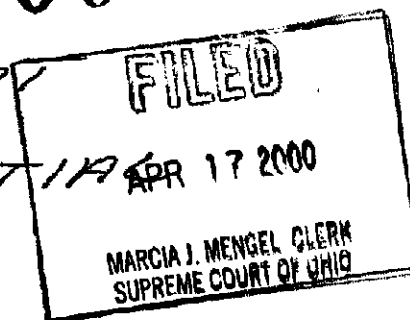
BEFORE:

Dwight Nodes, Attorney-Examiner.

VOLUME IV

00-0507

TRANSCRIPT
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1 (Confidential transcript under seal.)

2 BY MS. VAN DUZER:

3 Q. Mr. Mette, just to make it easier, I made copies of
4 diagrams that are located in your exhibit, your unbundled loop
5 exhibit. I believe they are located on the 35th page of Tab 3
6 and on the 35th page of Tab 7. I think the pages are not
7 numbered. So that's my manual count.

8 Can you describe for me what these diagrams depict?

9 A. These two pages are outputs of the LCAT model which in LCAT
10 are used to provide kind of a high-level block diagram of a
11 loop. Both of them -- I'll start from the central office side,
12 which is on the right-hand side of the page.

13 The first page that you handed out which has the Bates
14 No. 75 on it, that is for a copper loop, and that just shows --
15 I'm sorry, let me back up a second. These two pages are also
16 for business line, not residence lines.

17 But the first page again is a copper loop, and it shows
18 that the average loop length is 6,403 feet, and this also, to be
19 a little more specific is the Band 1 business loop.

20 Starting on the right-hand side where it says "end office",
21 the top line just shows a -- the feeder line going out and it
22 shows feeder at 5,765 feet, and that goes to a box that has a
23 label below it of serving area interface and that would be the
24 point where the distribution starts.

25 And then it shows the distribution of 638 feet, going out

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1 to really a drop terminal, it doesn't say drop terminal on here,
2 but that in effect is what it is. So this is a very high-level
3 block diagram of a copper loop on the first page.

4 The second page is a high-level block diagram of a digital
5 loop carrier loop, and in this case the average loop length is
6 15,677 feet. And again, starting on the right-hand side you
7 have the end office, and now it's the middle line there that has
8 the word "primary" above it indicating that there's 13,331 feet,
9 which in our case would be fiber cable, and that fiber cable
10 would be going to a remote terminal which is the box that is
11 kind of in the middle of the page.

12 There's a short length of copper cable out of that remote
13 terminal because the remote terminal converts the optical signal
14 to an electrical signal, and that short length of cable, which
15 here is 300 feet, goes from the remote terminal to the serving
16 area interface; and then again, that's where the feeder ends and
17 it becomes distribution plant going towards the customer end on
18 the left-hand side of the page.

19 Q. And these are the two types of loop architectures that CBT
20 assumed for purposes of estimating TELRIC costs within this
21 case?

22 A. That is correct.

23 Q. Now, on the first page the number, and I think you
24 mentioned it already, 6,403 feet, that's the loop length, right?

25 A. That is correct.

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1 Q. Can you tell me generally how that number was arrived at?

2 A. Yes, we took a sample of business loops, we broke the
3 sample down by the bands that are proposed. We identified the
4 length of all of those sampled loops.

5 Since the forward-looking technology for providing a loop
6 was going to be two different technologies, a copper and a
7 digital loop carrier, the question becomes when should the
8 digital loop carrier technology be used. And the digital loop
9 carrier technology is used at a threshold which in Band 1 was
10 set at 12,000 feet.

11 So from that sample we looked at all loops less than 12,000
12 feet, and we calculated the average of those loops and that's
13 the length of the loop. That's the length that developed there.

14 Conversely, we looked at all the loops over 12,000 feet
15 long, developed the average of those loops, and that is the
16 length there on the second page.

17 Q. So -- Sorry.

18 A. I'm sorry. I'm sorry. But we would probably consider
19 these loop lines confidential, and I know I've been speaking of
20 them.

21 MR. HART: Do I need to go back to when you first
22 mentioned numbers?

23 THE WITNESS: Yes.

24 THE EXAMINER: Starting with the answer to this
25 question will be kept under seal.

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1 MR. HART: I think we need to go back a few minutes
2 because he's been mentioning loop length and feeder and
3 distribution lengths.

4 THE EXAMINER: Back to when the original question
5 regarding this document -- and, actually, why don't we mark this
6 as an MCI exhibit even though it is part of CBT cost study. I
7 think this is MCI 5, if I'm not --

8 MS. SANDERS: Your Honor, we had one yesterday.

9 THE EXAMINER: This would be 6, then?

10 MR. HART: And this would have to be a confidential
11 exhibit.

12 THE EXAMINER: Yes, MCI Exhibit 6 will be kept under
13 seal as well

14 - - -

15 Thereupon MCI Exhibit No. 6 was marked
16 for purposes of identification.

17 - - -

18 THE EXAMINER: Let's go off the record again.
19 (Discussion off the record.)

20 THE EXAMINER: Back on the record. Starting with what
21 was previously indicated, we're going to now maintain a
22 confidential record until further notice that we can open it up
23 into the public record.

24 Go ahead, Ms. Van Duzer.

25 MS. VAN DUZER:

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1 Q. Mr. Mette, so CBT undertook a loop sample of all its
2 central offices in order to better understand its average loop
3 characteristics; is that correct?

4 A. That is correct.

5 MS. VAN DUZER: I'm going to ask the court reporter to
6 mark the loop sample that you provided to MCI in discovery as a
7 confidential exhibit, MCI No. 7.

8 - - -

9 Thereupon MCI Exhibit No. 7 was marked
10 for purposes of identification.

11 - - -

12 BY MS. VAN DUZER:

13 Q. Can you identify this document as the loop sample that CBT
14 undertook to arrive at the average loop lengths within Bands 1,
15 2 and 3?

16 (Pause.)

17 A. This looks like it contains the samples of -- some of the
18 pages are a little jumbled, but I think it contains everything
19 that was in those samples.

20 Q. Okay. Now, as I understand the samples, CBT sampled eight
21 different categories of loops; business lines in the West 7th
22 central office, and then in Bands 1, 2, and 3, and CBT did the
23 same for residential loops; is that correct?

24 A. That is correct. I'll just clarify something. When we
25 started this process, actually I think it was probably -- I

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1 don't know if I want to say 1995, but it was at least as far
2 back as 1996, CBT was in the process of preparing not only --
3 probably wasn't actually starting the process for doing
4 unbundled elements, but was preparing for its Commitment 2000
5 alt. reg. filing which occurred the past couple years, so we
6 developed the samples at that time.

7 And there is a West 7th Street, and you said Band 1,
8 actually the second category is not the same as the Band 1
9 that's here because the Band 1 that's -- I'm sorry, the second
10 category is really the Band 1 that's proposed here less West 7th
11 Street, so there's just a minor distinction, and then the Band 2
12 and Band 3.

13 Q. So initially when you did the loop study, you had the West
14 7th Street office, and then you had a Band 1 that didn't contain
15 the West 7th Street office?

16 A. It's really the rest of Band 1 as it's defined today
17 without West 7th Street, yes.

18 Q. Okay. When did you take the loop sample?

19 A. That's where -- I can't recall the exact time. It was
20 sometime in, I believe, early '96, possibly late '95.

21 Q. So that's what you were referencing when you said we began
22 this process, the process was the loop sampling?

23 A. Yes.

24 Q. Okay. In sampling the loops that eventually became the
25 basis for your Band 1 loop study, did you employ the same

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1 sampling method that was used in Bands 2 and 3, or was Band 1
2 sampled differently?

3 A. All of the samples were random samples in the same way,
4 just random samples of the universe of loops in each of those
5 categories.

6 Q. So the only difference in your sampling of Band 1 really
7 was that you sampled the West 7th by itself and then all the
8 other Band 1 exchanges?

9 A. That is correct.

10 Q. And then ultimately you weighted the West 7th loops with
11 the other Band 1 loops to arrive at a composite average; is that
12 correct?

13 A. That is how the composite Band 1 average is developed, that
14 is correct.

15 Q. Why did you initially segregate the West 7th central office
16 from the other exchanges in Band 1?

17 A. When the process started, we had to develop a -- we had to
18 develop characteristics of loops. Unfortunately, these
19 characteristics are not mechanically or electronically stored
20 anywhere, it's a manual effort to gather this information.

21 Ideally I would have liked to have developed samples by all
22 of the wire centers; but practically speaking, that's
23 impossible. When we started the process, as I indicated, we
24 were more focused on our alt. reg. filing. We decided to look
25 at West 7th Street because we did not know if -- we didn't know

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1 the final definition of the bands when the cost study started.

2 We calculated a sample for West 7th Street, and we did the
3 remaining of what is now Band 1 and we did the Band 2 and we did
4 the Band 3.

5 Ultimately the decision was made to file only a combined
6 West 7th Street and remaining Band 1 as the Band 1; so we took
7 the samples and combined them so that we could match the way the
8 ultimate rate structure was developed.

9 Q. So did you believe that the West 7th central office might
10 have some unique cost characteristics that the other exchanges
11 in Band 1 might not reflect?

12 A. We focused on West 7th Street because -- because of the
13 nature of that office being the downtown office, the nature of
14 the customers with the possibility of our marketing organization
15 wanting to possibly separate that out. And, therefore, we
16 separated West 7th Street out because we didn't know what the
17 final structure was when we started.

18 That's kind of back to where I wish I could have done it by
19 wire center so I really would have had a little more flexibility
20 in terms of -- or, at least being able to provide more
21 flexibility in terms of creating the bands, but practical
22 considerations came into play and we weren't able to do that.

23 Q. So you did the West 7th Street office separate really
24 because it was the downtown office and it might be different
25 from the other offices, initially?

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1 A. Yes; and again, we didn't know if our marketing
2 organization would want to have a rate structure separating West
3 7th Street out.

4 Q. After you took the loop sample, did you determine that the
5 West 7th Street central office did have some characteristics
6 that were unique when compared to the other exchanges?

7 A. The samples showed that the West 7th Street loops are, on
8 average, shorter than loops in other central offices.

9 Q. And the vast majority of the loops in the West 7th Street
10 central office serve business customers as opposed to
11 residential customers, correct?

12 A. It's not a hundred percent, but it's more than 50 percent.
13 I can't remember if the numbers are in the 75, 80, 85 percent
14 range, but the majority of business in that office.

15 Q. And because of the loop length differences, there are fewer
16 loops in the West 7th Street office that would require the
17 digital loop carrier architecture than in the other bands?

18 THE WITNESS: I'm sorry, can I hear that again?

19 (Question read back as requested.)

20 THE WITNESS: Because the loops are shorter in the
21 West 7th Street office, that is correct, that the percentage of
22 loops on digital loop carrier would be less than in other
23 offices.

24 BY MS. VAN DUZER:

25 Q. Likewise, all things being -- all other things being equal,

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1 the cost of such a loop would be less than the cost of a loop in
2 Band 1 as you included it in your study?

3 A. The cost of a West 7th Street -- I would expect the cost of
4 a West 7th Street loop to be less than the cost of the average
5 loop in the rest of Band 1, but I haven't done any calculation
6 to quantify that.

7 Q. And it would also be less than the composite average loop
8 in the final Band 1 cost study, wouldn't it? Not just the other
9 loops in the cost study, but the composite average.

10 A. All right. Are you asking would the composite West 7th
11 Street loop costs be --

12 Q. No, the West 7th Street loop would be less than -- The cost
13 of the West 7th Street loop would be less than the cost of the
14 Band 1 loop in your ultimate cost study?

15 A. The composite cost of the West 7th Street loop?

16 Q. Yeah.

17 A. Would be --

18 Q. Less than the composite cost --

19 A. -- of the rest of Band 1?

20 Q. The whole Band 1. West 7th Street versus the entire Band
21 1.

22 A. Where the entire Band 1 includes West 7th Street?

23 Q. Yes.

24 A. Okay. I would expect that to be the case.

25 Q. So if we were to do an unbundled loop study, just for the

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1 average loop in the West 7th Street central office, we would use
2 less digital loop carrier equipment than what is assumed in the
3 current Band 1 study, correct?

4 A. I'll say it a little differently, but maybe it's the same
5 thing. The percentage of loops in the West 7th Street office on
6 digital loop carrier is less than the percentage of loops in the
7 remaining Band 1 on digital loop carrier.

8 Q. So when you average them all and put them into the final
9 Band 1 study, there's more DLC equipment used for -- or,
10 weighted into the Band 1 study in its entirety than would be
11 weighted into just a West 7th Street loop study?

12 A. Yes.

13 Q. All other things being equal, less DLC lowers the cost of
14 the average loop, right?

15 A. That is probably true because DLC by its nature is the
16 technology of choice for longer loops; so since DLC is used on
17 longer loops, longer loops would have a higher cost. And the
18 same way if we were able to disaggregate the cost not by wire
19 center, but by length from CO, we would have a totally different
20 looking structure than an average of the two.

21 Q. Okay. Now, even though you developed a separate loop
22 sample specific to the West 7th central office, you didn't
23 construct an unbundled loop study specific to the West 7th
24 central office; is that correct?

25 A. That is correct, because the rate structure that we

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1 developed for our retail services on -- from these samples has
2 three bands, the West 7th Street plus the remaining Band 1 as it
3 was done when the samples were taken -- I'm sorry.

4 We decided to have three bands for our retail services so,
5 therefore, we believed it was appropriate to have the same
6 structure in the unbundled elements when we did those studies.

7 Q. You lumped the West 7th loops into the other Band 1
8 exchanges and arrived at a composite group average?

9 A. That is correct, so that we could be consistent with the
10 work that had been previously done.

11 Q. If I could direct your attention to Page -- or, the 36th
12 page of MCI Exhibit No. 7, which is the loop sample, and I'm
13 going to describe where this is because I think these page
14 numbers are not marked. It's more than halfway through the
15 study, it's the page directly following the page marked
16 "Development of Geographic Bands", and it's the page right
17 before the map, basically.

18 On this page you've listed all the CBT exchanges and the
19 square miles that they serve, the number of residential and
20 business loops served by each exchange, and the loops per square
21 mile; is that correct?

22 A. That is correct.

23 Q. Now, the West 7th Street central office serves a total of
24 72,267 loops; is that correct?

25 A. As of 1-1-95, that is correct.

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1 Q. And CBT serves 932,225 loops in total in Ohio; is that
2 correct?

3 A. Actually, this piece of paper here is not solely an Ohio
4 document. There are Kentucky loops on this piece of paper.
5 They weren't part of any of the studies or anything in terms of
6 the Ohio, but the way this piece of paper was put together,
7 there are Kentucky loops here.

8 Q. So CBT serves something less than 932,225 loops in Ohio?

9 A. That is true, as of 1-1-95 when this was put together.

10 Q. So the West 7th central office serves nearly 8 -- or
11 actually more than 8 percent of all CBT's Ohio groups?

12 A. That is correct

13 Q. Is loop density a factor that influences the cost of a
14 loop?

15 A. Yes, it is.

16 Q. Now, can I gather from this page that the West 7th central
17 office serves approximately 11,712 loops per square mile?

18 A. That is correct.

19 Q. And is that the top line "West 7th" under the bold section
20 at the top, the very last number on the right?

21 A. That is correct.

22 Q. And then going down one line, the next most densely
23 populated exchange is the Avondale exchange with 4,459 loops per
24 square mile?

25 A. That is correct.

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- 1 Q. Now, there are two bold lines across the page; do you see
2 those?
- 3 A. Yes.
- 4 Q. They separate the bands?
- 5 A. Yes.
- 6 Q. Okay. And the exchanges listed from Bethel to Falmouth are
7 all of the exchanges that CBT is classifying as Band 3
8 exchanges, and that were sampled to arrive at the average loop
9 characteristics for Band 3; is that correct?
- 10 A. Again, in that band there's Kentucky offices listed; so
11 when we sampled in Ohio, those offices weren't part of that
12 process, but the Ohio offices that are below that line are the
13 Ohio Band 3.
- 14 Q. Okay. So if I add up all the access lines underneath the
15 lower of the two bold lines and I add up all the access lines in
16 Band 3 and I come up with a total number of loops of 62,171,
17 that's actually more than is in Band 3 in Ohio? That would be
18 the entire number of Band 3 loops, correct?
- 19 A. I'm sorry, was your 62,000 number, totally just Band 3
20 loops?
- 21 Q. Yes.
- 22 A. I haven't done the calculation. I'd have to check, but I'm
23 assuming that's correct in that column.
- 24 Q. You can accept it subject to check. I think all of Band 3
25 loops add up to about just over 62,000. So it's safe to say

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1 that Band 3 is actually smaller in terms of the total loops than
2 the West 7th Street central office taken alone, which has more
3 than 72,000 loops; is that correct?

4 A. That's correct.

5 Q. Let me turn your attention back now to MCI Exhibit 6 which
6 is the diagram of the two loops.

7 And I understand now how loop length is calculated and why
8 it's relevant, and now I'd like to turn to the second page which
9 is the -- which depicts a loop using fiberoptic cable and
10 digital loop carrier electronic equipment.

11 There's been a lot of discussion in this case about the
12 Fujitsu FACTR system. Is the Fujitsu FACTR system a digital
13 loop carrier system?

14 A. Yes, it is.

15 Q. Can you describe for me briefly what a DLC system is and
16 what its purpose is in the loop?

17 A. A digital loop carrier system, another term is a pair gain
18 technology. What it does is it utilizes electronics that are
19 located in the central office and out in the field, and in the
20 central office the electronics will multiplex multiple
21 individual loops or channels together to a higher speed signal,
22 and then it will transport that signal from the central office
23 electronics over fiberoptic cable out to the remote terminal
24 site where the remote terminal also acts as a multiplexing
25 function to break down that high-speed channel into individual

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1 channels for termination to individual loops.

2 Q. Thanks.

3 Are you familiar with the term "general requirement 303",
4 or "GR303"?

5 A. I've heard the term, yes.

6 Q. Can you explain what your understanding of it is?

7 A. I cannot provide a detailed explanation. My understanding
8 is GR303 is a -- I don't know if I want to say a set of
9 standards, but for digital loop carrier GR303, my understanding
10 is only applicable to integrated DLC. And I probably need to
11 back up and distinguish integrated from universal, which I did
12 not do.

13 Integrated DLC -- Let me back up a little bit more.

14 When the digital loop carrier remote terminal in the field
15 combines individual loops together, transports that to the
16 central office on a fiberoptic cable, in the central office that
17 cable has to terminate on a piece of electronics.

18 In the integrated case, that electronics converts that
19 optical signal to electrical signal, but out of that electronics
20 is a T-1 level signal, it's still not taken all the way down to
21 the individual channels, and those T-1 signals can terminate
22 directly on a central office switch. That is an integrated DLC.

23 The universal DLC is different in that there is additional
24 equipment that is located in the central office that not only
25 takes the optical signal on the fiber to electrical, but also

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1 takes it down to the individual DS0-level signals, and that's a
2 universal DLC.

3 And those DS0-level signals could be terminated on the
4 switch also.

5 Q. Okay. To your knowledge, is the Fujitsu FACTR system
6 compliant with the GR303 standard?

7 A. That is my understanding, yes.

8 Q. Now, can you show me or describe for me in this diagram,
9 the second page of MCI Exhibit 6, where I would find the Fujitsu
10 FACTR equipment?

11 A. In this diagram, the Fujitsu FACTR equipment would be
12 located at the remote terminal site, which is just about right
13 in the middle of that diagram in the middle where it says
14 "Remote Terminal".

15 Q. Right.

16 A. That's Fujitsu FACTR equipment.

17 The fiber -- I'm sorry, the box to the right of that that's
18 labelled "Fiber Hub" would also be Fujitsu FACTR equipment in
19 the case of a universal DLC system.

20 Q. Okay. Would there be any -- Would there be FACTR equipment
21 located in the end office?

22 A. Well, actually this diagram's -- Can I correct my previous
23 answer? I misinterpreted this diagram.

24 Q. Sure.

25 A. This diagram is a generic diagram created out of LCAT. I

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1 believe there's a possibility where out in the field you could
2 have fiber hubs where you send fiber out, and there's hubbing
3 equipment and then it's sent other directions, I guess. That's
4 what that fiber hub box in that diagram is meant to depict.
5 That is not in any of the studies.

6 When I looked at this, I was thinking that was in the
7 central office, and that's incorrect.

8 The Fujitsu FACTR equipment is back in the end office, and
9 I should have explained it that way.

10 Q. That's fine. Thank you.

11 Mr. Mette, do you have what -- Do you have MCI Exhibit 5 in
12 front of you? Do you even have a copy of it?

13 A. I don't know what it was.

14 Q. It was used yesterday when they were discussing integrated
15 and universal DLC. I don't know if we have an extra copy. We
16 handed them out yesterday.

17 THE EXAMINER: Off the record.

18 (Discussion held off the record.)

19 BY MS. VAN DUZER:

20 Q. Now, this diagram gives a little more detail about IDLC and
21 UDLC than the other diagram we've been working from, correct?

22 A. That is correct.

23 Q. And on this diagram, is it safe to say, moving from the top
24 to the bottom, all of the equipment located above the area
25 entitled "OSP Fiber" and the line entitled "LDC" is equipment

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- 1 located in the central office?
- 2 A. Well, the LDC is located in the central office.
- 3 Q. Okay. So the --
- 4 A. But the L- -- The LDC and above is in a central office.
- 5 Q. And so from the LDC up on this diagram is what's located in
- 6 the central office; is that correct?
- 7 A. That is correct.
- 8 Q. Okay. And all of the equipment below the area entitled
- 9 "OSP Fiber" is housed in what you referred to as the remote
- 10 terminal; is that correct?
- 11 A. That is correct.
- 12 Q. And if I'm reading the document correctly, the integrated
- 13 DLC system on the left and the universal system on the right
- 14 really only differ with respect to the equipment that's located
- 15 in the central office, correct?
- 16 A. That is correct.
- 17 Q. And as I see it, the integrated system includes a FLM-150
- 18 in the central office, whereas the universal system includes an
- 19 NBS and CMS; is that correct?
- 20 A. That is correct.
- 21 Q. And the NBS stands for narrow band shelf and CMS stands for
- 22 common shelf?
- 23 A. I'm not sure that CMS stands for common shelf, but it --
- 24 common -- I'm not so sure that the "M" is part of common or not,
- 25 but it's generally some type of common shelf.

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1 Q. It also looks like the integrated system requires the use
2 of two DSX1 pieces of equipment where the universal system
3 requires dummy coils; is that correct?

4 A. That is correct, because the -- the integrated system out
5 of the FLM-150 towards the No. 5ESS is a DS1 signal, so it
6 terminates on a DSX cross-connect panel; whereas out of the
7 narrow band shelf towards the central office switch is actually
8 individual channels at that point, or loops.

9 Q. Okay. Do the cost studies that you've provided in this
10 case for retail bundled loops include investments for the LDC,
11 FLM-150 and the DSX1 pieces of equipment?

12 THE WITNESS: Can I hear that again? I'm sorry.

13 (Question read back as requested.)

14 THE WITNESS: I get hung up in this case because in
15 the proceeding today the only cost studies that we've put forth
16 are for unbundled elements, so there were no cost studies for
17 retail services. The cost studies -- they may still be in this
18 case and I'm not sure -- for the CBT's retail services were
19 based on integrated technology.

20 BY MS. VAN DUZER:

21 Q. And those cost studies included those pieces of equipment
22 that I asked about in the prior question, the --

23 A. Yes, they did because that -- when the services -- CBT's
24 retail service, it's possible to provide it on integrated,
25 whereas for the universal it's -- it's not possible to provide

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1 it in that fashion.

2 Q. And is that your understanding, that it's impossible to
3 provide an unbundled loop using IDLC?

4 A. I think the -- I don't know if it was yesterday or the day
5 before, it has -- there's hairpinning technology that will allow
6 a DS0 to be hairpinned through the switch, which brings other
7 costs with it; so that would be a way to get to an individual
8 channel.

9 Beyond that, my understanding, it is not possible to
10 unbundle a DS -- at a DS0 level out of a FLM-150, it is not
11 possible at that level to unbundle a loop.

12 Q. And like Mr. Meier yesterday, have you also not heard of
13 multi-hosting?

14 A. I have not heard -- besides hearing it there, I have not
15 heard of multi-hosting, no.

16 THE EXAMINER: Let's go off the record.

17 (Recess taken.)

18 THE EXAMINER: Back on the record.

19 Ms. Van Duzer.

20 MS. VAN DUZER: Thank you.

21 BY MS. VAN DUZER:

22 Q. Mr. Mette, generally, is the integrated or the universal
23 DLC system more expensive to deploy?

24 A. The universal system would be more expensive generally than
25 the integrated system.

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1 Q. And, in fact, the universal DLC systems used in the
2 unbundled studies are more expensive than the integrated systems
3 used in your retail studies; is that correct?

4 A. The cost of the equipment in the universal scenario is more
5 expensive than the integrated, but it's -- I don't know that you
6 can compare the two in the sense that since you can't unbundle a
7 DS0 out of a FLM-150, I don't know that the comparison is a
8 straight comparison. You can't -- The cost of that equipment in
9 total is more in one than the other, but the services being
10 provided are different; so there's not a one-for- -- a
11 one-for-one comparison in that sense.

12 Q. If it were possible to use IDLC to provision an unbundled
13 loop, and let's put hairpinning aside and the associated
14 problems that you see with that, so putting hairpinning aside,
15 if it were possible to provision an unbundled loop using IDLC,
16 wouldn't you want to do that?

17 MR. HART: Object to the question on foundation. It
18 hasn't been demonstrated how that would occur. I don't know how
19 he can answer.

20 THE EXAMINER: Do you want to ask hypothetically or
21 possibly?

22 MS. VAN DUZER: That -- Thank you, your Honor.

23 BY MS. VAN DUZER:

24 Q. Hypothetically --

25 MR. HART: That's exactly my objection, your Honor, is

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1 that he's said that to his knowledge it can't be done and she's
2 saying assume that it can be done. That, I think, calls for
3 some additional information that's not available to Mr. Mette.
4 I don't know how he can answer whether or not they would want to
5 do that without knowing exactly how she envisions it's going to
6 be done.

7 MS. VAN DUZER: He's an expert in this case, correct?

8 THE EXAMINER: I'll overrule the objection. If he
9 wants to qualify his answer under the hypothetical, he can.

10 THE WITNESS: I'm sorry, but can I just ask to hear
11 the question or --

12 BY MS. VAN DUZER:

13 Q. Putting aside hairpinning, if it were possible to provision
14 an unbundled loop using integrated DLC, wouldn't you want to do
15 that rather than using universal DLC?

16 A. I'm assuming you're talking about unbundling at a DS0-level
17 loop when you ask the question. And that would be something
18 that should be considered, but that would be dependent on what's
19 required to allow that unbundling to occur.

20 Q. I'm sorry, I couldn't hear the end of the answer.

21 A. I'm assuming that you're talking about unbundling a
22 DS0-level loop. And if that were possible somehow, that would
23 be a scenario to be examined or studied; but whether it should
24 be the one to be used would be dependent on how that unbundling
25 would occur in that integrated situation. And I use the word

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1 "how" in the sense of what additional equipment is needed to
2 make that work because the equipment as it exists today does not
3 allow DS0-level unbundling.

4 Q. So if there were no additional equipment needed, and
5 putting hairpinning aside, would you prefer to provision an
6 unbundled loop using an integrated DLC system rather than a
7 universal DLC system?

8 A. I don't know how I can answer that question because
9 there -- there is no way to unbundle a loop without additional
10 equipment.

11 Q. It is a hypothetical. I'm asking it as a hypothetical.

12 You use integrated DLC for your retail loops, correct?

13 A. That is correct, because our retail service doesn't need to
14 be unbundled outside of the switch.

15 Q. So is IDLC more efficient, is it better?

16 A. It is more efficient in that scenario where the service is
17 bundled with the switch. It eliminates the need to separate
18 those individual channels outside of the switch because that can
19 occur in the switch.

20 Q. So in light of that, given my hypothetical, wouldn't you
21 choose to provision an unbundled loop using IDLC?

22 A. Again, as -- as IDLC exists today, one cannot choose that
23 because you can't unbundle it -- a DS0-level loop out of an IDLC
24 piece of equipment.

25 Hypothetically if it could, I guess I need to know

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1 hypothetically how that occurs in order to decide whether that's
2 the appropriate way to provide an unbundled loop.

3 Q. Let's go to the DS1 level. If you want to provision an
4 unbundled DS1, would you do that using IDLC or UDLC?

5 A. I really don't know. I'm not sure -- I have not looked at
6 how you unbundle a DS1 out of a universal versus an integrated
7 and haven't made any comparisons of DS1 out of a universal
8 versus an integrated.

9 Q. Do you know whether you can unbundle a DS1 loop from an
10 integrated system?

11 A. I have a general understanding that there is an ability to
12 provide some form of DS1 hand-off out of an integrated system;
13 so whether that is an unbundled DS1 or not, I'm not exactly
14 sure, but there is an ability for some type of a DS1 hand-off.

15 Q. I'm going to ask this in a slightly different way.

16 Assume that there is no additional cost of equipment in
17 unbundling a DS0 loop from an integrated DLC system. Would you
18 want to use the more efficient IDLC system to provision the
19 unbundled loop -- the unbundled loop as you did in your retail
20 cost studies?

21 MR. HART: Your Honor, I'm going to object to the
22 question, again, on foundation.

23 But I have a second objection, and that is that the
24 purpose of this hearing originally was to determine the rates
25 for unbundled elements that would be provided to MCI pursuant to

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1 an interconnection agreement which was arbitrated before this
2 Commission.

3 Specifically in Schedule 9.5 of that agreement that
4 has been approved by the Commission, it provides that if a loop
5 that's requested is on integrated digital loop carrier, that the
6 loop will be moved to either a spare copper loop or, in the
7 alternative, demultiplexed from the integrated system. There is
8 nothing in the contract that says MCI is entitled to have an
9 unbundled loop provisioned on an integrated digital loop carrier
10 system.

11 So this entire line of questioning is irrelevant to
12 determining the prices that are to be paid under the MCI
13 agreement.

14 THE EXAMINER: Ms. Van Duzer.

15 MS. VAN DUZER: Your Honor, if I may respond, I
16 believe the pricing from this case will survive that agreement,
17 I believe that agreement expires in October of this year, and I
18 don't know if we want to come back again that soon to do this.

19 THE EXAMINER: I don't know that it would be possible
20 given how long this one took, but --

21 MS. VAN DUZER: And if I may continue, I think
22 Mr. Mette has said that other than hairpinning, he is unaware of
23 any other way to groom a DS0 loop on an I- -- using an IDLC
24 system, but I don't think Mr. Mette can testify that there isn't
25 another way to do that.

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1 THE EXAMINER: Well, I think he has, in his opinion,
2 testified to that fact, but I have allowed the hypothetical that
3 you have asked him to assume to go forward over the objection of
4 Mr. Hart.

5 MR. PETRILLA: Your Honor, I'd like to object
6 because -- or at least interject because Mr. Hart's objection
7 affects the other parties in this case. This case is not just
8 about MCI, it may have --

9 MR. HART: Well, I have CoreComm's agreement here, as
10 well, which has the identical provision in Schedule 9.5,
11 Section 2.1.2; so it applies to CoreComm, as well.

12 THE EXAMINER: What about AT&T?

13 MR. HART: AT&T has no interconnection agreement.

14 THE EXAMINER: Okay. Well, so you wouldn't object if
15 they asked the same question?

16 MR. HART: I would because there is no basis upon
17 which they're even entitled to have an unbundled element at this
18 point; we have no interconnection agreement, they haven't asked
19 to negotiate one.

20 So they don't have -- I'm kind of frankly puzzled as
21 to their presence in the case at all since they have no
22 agreement, but I don't think that it's -- it's an unbundled
23 element that we're required to provide under the existing
24 agreements that we have.

25 THE EXAMINER: Okay. Well, I'm going to -- Hold it,

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1 Mr. Petrilla -- I'm going to overrule the objection.

2 And I'm sure you're going to need to have the question
3 restated or reread, one or the other, and I will ask you to
4 assume as if it were a hypothetical question. If you need to
5 qualify your answer, you're free to do so, but try to answer the
6 question if you can.

7 THE WITNESS: I do need it either reread or restated.

8 MS. VAN DUZER: I think having it read is better at
9 this point.

10 (Question read back as requested.)

11 THE WITNESS: Since I'm not aware how we would do
12 this, I have to say assuming all other factors the same, if
13 there was no additional cost in unbundling out of an integrated,
14 that would definitely be a scenario to be looked at in terms of
15 unbundling a DS0-level loop.

16 BY MS. VAN DUZER:

17 Q. Okay. Thank you.

18 Now turning your attention back to MCI Exhibit 5. The
19 FLM-150 that's included in the integrated diagram, that's a
20 multiplexer, correct?

21 A. That is correct.

22 Q. And the investment associated with that was included in
23 your cost studies associated with the retail bundled loop; is
24 that correct?

25 A. The cost of that piece of equipment would have been

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1 included in our cost studies for our retail services, that is
2 correct.

3 Q. And because the NBS and CMS are included in the universal
4 architecture, you have included the investment associated with
5 that equipment instead of the investment associated with the
6 FLM-150 in your cost studies for the unbundled loops; is that
7 correct?

8 A. The NBS CMS is included in the unbundled because the -- an
9 unbundled loop cannot be provided at a FLM-150, so it wouldn't
10 be appropriate to include that cost in an unbundled loop cost
11 study.

12 Q. Now, all of this equipment that we've been talking about to
13 this point, the Fujitsu FACTR system, the FLM-150, the NBS and
14 the common shelves, all of this equipment is manufactured by the
15 Fujitsu Corporation; is that correct?

16 A. That is correct.

17 Q. In fact, the majority of the digital circuit equipment that
18 you assumed within the loop study and your interoffice transport
19 studies is manufactured by Fujitsu, correct?

20 A. The transmission equipment is generally manufactured by
21 Fujitsu because there's -- there's a lot of other equipment, but
22 they -- all the transmission equipment is Fujitsu equipment.

23 Q. I'm going to turn your attention to Page 35 of your
24 supplemental testimony filed on September 28th, 1998, beginning
25 at Line 18.

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1 You described here the extent to which you have used
2 discounts for the prices of the Fujitsu equipment in the
3 original cost studies and the extent to which you have now
4 modified your position in that respect; is that a fair
5 characterization of your testimony?

6 A. That is correct.

7 Q. When you refer to the discounts associated with the
8 purchase of the Fujitsu equipment, are you talking about the
9 prices and discounts included in the master agreement between
10 Cincinnati Bell Telephone Company and the Fujitsu Network
11 Transmission Systems, Inc. for products and services which CBT
12 provided in response to MCI Data Request 3.21?

13 A. I'm not familiar with the exact title of that agreement,
14 but it is the contract between Fujitsu and Cincinnati Bell
15 Telephone.

16 MS. VAN DUZER: May I approach the witness, your
17 Honor?

18 THE EXAMINER: Yes.

19 MS. VAN DUZER: I'm going to ask the court reporter to
20 mark this as MCI Exhibit 8.

21

22 Thereupon MCI Exhibit No. 8 was marked
23 for purposes of identification.

24 . . .

25 BY MS. VAN DUZER:

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- 1 Q. Do you recognize the first document in this exhibit?
2 A. The first page?
3 Q. Yes, the document.
4 A. Yes.
5 Q. The first document, which I think is the entire master
6 agreement between Cincinnati Bell Telephone Company and Fujitsu,
7 and I believe CBT provided it to MCI in response to MCI Data
8 Request 3.21.
9 A. Yes.
10 Q. And is this the agreement that sets forth the discounts
11 associated with the purchase of Fujitsu equipment that you're
12 talking about on Page 35 of your testimony?
13 A. Yes, it is.
14 Q. You also include Exhibit 7 to your supplemental testimony,
15 and it contains several tables comparing the discounts provided
16 over a number of years under various circumstances; is that
17 correct?
18 A. That's correct.
19 Q. Now, you constructed those tables, correct?
20 A. I personally didn't construct them, but they were
21 constructed for me.
22 Q. And they're not in the master agreement, the tables?
23 A. I don't believe they are, no.
24 Q. Now, looking at your testimony on Page 35, Lines 1 through
25 3, you state that your original studies included the base year

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1 19 96 discounts; is that correct?

2 A. That is correct.

3 Q. Do you remember what that discount was? Or let me ask that
4 differently.

5 If you were to include in your Exhibit 7 a column for the
6 discount given in 1996, would the figure that would go into that
7 column be zero percent?

8 A. I believe it would.

9 Q. Now you're advocating that CBT apply the discounts included
10 in the 1999 column within your table on Exhibit 7; is that
11 correct?

12 A. That is correct.

13 Q. Had you reviewed the contract between Fujitsu and CBT
14 before you constructed the original studies?

15 A. No, I had not.

16 Q. Turning your attention back to MCI Exhibit 8, the first
17 document of which is the master agreement, turning to Page 3 of
18 the master agreement, it's clear that that agreement was
19 effective January 1st, 1994; is that right?

20 A. That is correct.

21 Q. And the next document in MCI Exhibit No. 8 is Amendment
22 Number One to the Master Agreement for Products and Services
23 between CBT and Fujitsu. Can you identify that document?

24 A. I see an Amendment Number One in here, yes.

25 Q. Do you recognize that?

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- 1 A. Yes.
- 2 Q. And the amendment was effective December 1st, 1995?
- 3 A. I'm sorry, did you say December 1st, 1995?
- 4 Q. Right.
- 5 A. Yes.
- 6 Q. Finally, the last document in MCI Exhibit 8 is the
- 7 Amendment Number Two to CBT-864 Master Agreement for Products
- 8 and Services from Fujitsu Network Transmission Systems, Inc.
- 9 Do you recognize that document?
- 10 A. Yes, I do.
- 11 Q. And CBT signed the amendment -- signed that amendment on
- 12 August 20th, 1997 and Fujitsu signed it on September 8th, 1997;
- 13 is that correct?
- 14 A. That's correct.
- 15 Q. So the original master agreement has been amended at least
- 16 twice; is that right?
- 17 A. That is correct.
- 18 Q. Now, let's take an example of a piece of Fujitsu equipment
- 19 and follow it through the master agreement and the two
- 20 amendments to get a sense of how prices for this type of
- 21 equipment have changed over time.
- 22 For example, let's look at the pricing schedule which is in
- 23 Appendix II of the original master agreement and focus on the
- 24 FLM-150.
- 25 Now, is that the same multiplexing piece of equipment that

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- 1 we were talking about earlier?
- 2 A. The FLM-150? Yes.
- 3 Q. Let's focus on the shelf that houses that particular piece
4 of equipment. Do you see it there? It's part FC9612SF11-103?
- 5 A. Yes.
- 6 Q. It's the top -- Well, it's row A1, and the last column on
7 the page reflects an original price for that piece of -- for
8 that shelf for -- as \$1,830; is that correct?
- 9 A. That's correct.
- 10 Q. Let's go to the first amendment. And looking at the
11 pricing schedule set forth in Appendix II again, we find the
12 price for the same piece of equipment in the last column of the
13 row entitled "FLM-150", and we can see that as of January 1st,
14 '97 that piece of equipment cost CBT only \$1,386; is that right?
- 15 A. That's correct.
- 16 Q. So between 1994 and 1997, the price to CBT to purchase a
17 shelf to house the FLM-150 fell by \$444, or approximately 25
18 percent of the original purchase price?
- 19 A. That is correct.
- 20 Q. And tracing that same piece of equipment through to the
21 second amendment, Appendix II -- well, I guess Appendix II B in
22 this amendment, I apologize -- third column of the row entitled
23 "Shelf" reflects a base price of \$1,492 and the next two columns
24 to the right -- right reflect the price of \$1,386 for the years
25 1997 and 1998, correct?

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1 A. That is correct.

2 Q. If we move out to the year 2001, which is set forth in the
3 column on the far right, the price is \$1,328, correct?

4 A. That's correct.

5 Q. So it's fair to say, again, that CBT can expect to pay less
6 for this type of equipment in the year 2001 than it did in 1997;
7 is that right?

8 A. That is correct.

9 Q. Now, at the top of this page next to the box entitled "CBT
10 Base Price" and under the box entitled "Minimum" there is an
11 explicitly identified discount for each year; do you see that?
12 For example, the discount in '97 is 7 percent.

13 A. Yes.

14 Q. In the year 2001 the discount becomes 11 percent; is that
15 correct?

16 A. That is correct.

17 Q. And these are the minimum discounts, correct?

18 A. That is correct.

19 Q. And Pages 2 and 3 of Appendix II B show the discounts
20 associated with large purchase commitments; is that correct?

21 A. Two and 3 show discounts for \$20 million over two years and
22 \$30 million over two years respectively.

23 Q. Now, the FLM shelf under the \$30 million discount structure
24 has a total price of \$1,238 and the contract identifies that as
25 a 17 percent discount off the base price?

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1 A. I'm sorry, I didn't hear the first part of what you said.

2 Q. Under \$30 million in the year 2001 there's a 17 percent
3 discount for a price of \$1,238.

4 A. Yes. Sorry.

5 Q. So from our original agreement to the second agreement,
6 assuming the largest discount structure, which is \$30 million
7 over two years, would you agree that the contract shows a price
8 decrease from \$1,830 to \$1,238?

9 A. If CBT meets the requirements of the \$30 million purchases,
10 yes.

11 Q. And that's a reduction of \$592, or close to 33 percent; is
12 that correct?

13 A. Subject to check on the calculations, that's correct.
14 Again, assuming we meet the purchase requirements.

15 Q. So just to summarize this, in your original cost studies
16 you advocated that the appropriate price to assume for CBT's
17 purchase of Fujitsu equipment was the 1996 undiscounted base
18 year price, and your new revised position now is that you're
19 recommending a discount of 11 percent; is that correct?

20 A. The original cost studies did not have any discount in
21 them, that is correct, and I am currently recommending the 11
22 percent, yes.

23 Q. Thank you.

24 Mr. Mette, I've got a few questions about some
25 miscellaneous inputs that you used in your loop studies and

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1 described in your testimony.

2 In the same supplemental testimony on Page 6 you describe
3 how CBT contracts for a number of its cable trenching and
4 placing functions.

5 A. Yes.

6 Q. Specifically you describe the extent to which CBT uses at
7 least two different contracts, depending upon the extent to
8 which it is contracting for the replacement of feeder or
9 distribution cable versus the placement of service entrance
10 cable; is that correct?

11 A. That is correct.

12 Q. Then in Exhibit 6 to your supplemental testimony you set
13 forth the 1998 and 1999 minimum trenching cost per-foot values
14 from the J. Daniel contract; is that correct?

15 A. That is correct.

16 MS. VAN DUZER: May I approach the witness, your
17 Honor?

18 THE EXAMINER: Yes.

19 MS. VAN DUZER: I'm going to ask the court reporter to
20 mark this as MCI Exhibit 9.

21 - - -

22 Thereupon MCI Exhibit No. 9 was marked
23 for purposes of identification.

24 - - -

25 BY MS. VAN DUZER:

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1 Q. I believe this is a copy of the J. Daniel contract that CBT
2 provided to MCI on October 15th, 1998 in response to MCI Data
3 Request 4.15. Do you recognize this --

4 A. Yes.

5 Q. -- Mr. Mette?

6 A. Yes.

7 Q. Can you show me where, within this contract, I would find
8 the \$2.45 and \$2.72 figures that you included in Exhibit 6 to
9 your supplemental testimony?

10 A. The 2.45 was the composite of several components. You
11 won't find the 2.45 in the contract.

12 I'm having difficulty recalling the -- I believe there
13 was --

14 (Pause.)

15 THE EXAMINER: Do you want to look that up over the
16 lunch break, perhaps, and report back on how you derived the
17 figures?

18 THE WITNESS: That might be helpful.

19 THE EXAMINER: Okay.

20 BY MS. VAN DUZER:

21 Q. Now, I understand -- Sorry, I didn't mean to take you by
22 surprise.

23 A. No, that's okay.

24 Q. I understand in your cost study you used \$2.10 as the cost
25 per foot for trenching, placing cable and restoring cable; is

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1 that correct?

2 A. I believe that is correct, yes.

3 MS. VAN DUZER: May I approach the witness, your
4 Honor?

5 THE EXAMINER: Yes.

6 MS. VAN DUZER: I'm going to ask the court reporter to
7 mark this MCI Exhibit 10.

8 - - -

9 Thereupon MCI Exhibit No. 10 was marked
10 for purposes of identification.

11 - - -

12 BY MS. VAN DUZER:

13 Q. Do you recognize this, Mr. Mette?

14 A. Yes, I do.

15 Q. Is this a document provided to the staff by CBT in
16 discovery, I believe it was in response to Staff Data Request
17 No. 52?

18 A. I don't recall the exact data request, but it was provided
19 to the staff, yes.

20 Q. And is it the document CBT used to support -- Let me reask
21 that.

22 Is this the document that supports CBT cable costs that are
23 included in the loop study?

24 A. That is correct.

25 Q. Let's turn to what's Bates stamped as 000004. The page is

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1 entitled "Buried (45C) Feeder Cable Costs". Looking about a
2 third of the way down the page, am I right that in order to
3 calculate the \$2.10 figure for trenching, placing and restoring
4 cable as assumed within the CBT loop study, I would need to add
5 the \$1.70 figure with the 10 cent figure with the 30 cent figure
6 that are set forth in the second column on that page in the rows
7 entitled "Trenching Unit Rate", "Placing Unit Rate" and
8 "Restoration Unit Rate"?

9 A. That is correct.

10 Q. And those numbers are added to get \$2.10; is that right?

11 A. That is correct.

12 Q. Can you tell me what the unit is that we're talking about
13 here with respect to a unit rate?

14 A. It's per foot.

15 Q. So does the study assume that for every cable CBT will dig
16 a trench, place the cable and restore the open trench to its
17 previous condition at a rate of \$2.10 per foot?

18 THE WITNESS: I'm sorry. Could you repeat it?

19 (Question read back as requested.)

20 THE WITNESS: For the buried cable, that -- that is
21 correct, yes.

22 BY MS. VAN DUZER:

23 Q. So the study doesn't assume that two cables would ever be
24 placed in the same trench?

25 A. At the same time initially? I'm -- Two CBT cables?

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1 Q. First two CBT cables.

2 A. CBT would -- if they're placing cables, they will place the
3 appropriate-size cable in the trench, there won't be two cables
4 going in the trench.

5 Q. And it doesn't assume that it would be a CBT cable and
6 somebody else's cable, does it? Because then it would be cut in
7 half, presumably, right?

8 A. Well, that -- On this particular page, that won't occur.
9 We're talking about feeder cable and we won't be sharing
10 trenching in the feeder plant.

11 Q. So it doesn't assume that two cables would ever be put in
12 the same trench, these numbers?

13 A. Since this is feeder and we would only be putting one cable
14 in and not sharing that with anyone else, that is the assumption
15 on this page.

16 Q. Okay.

17 MS. VAN DUZER: May I approach the witness, your
18 Honor?

19 THE EXAMINER: Yes.

20 MS. VAN DUZER: I'm going to show you CBT's response
21 to MCI's Data Request No. 1.46. It is attached to Mr. Starkey's
22 testimony and does not need to be marked or admitted into the
23 record at this time necessarily.

24 THE EXAMINER: Okay.

25 BY MS. VAN DUZER:

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1 Q. This document is attached to Mr. Starkey's supplemented
2 direct testimony as Exhibit No. 2.

3 Mr. Mette, you responded to this data request on behalf of
4 CBT; is that correct?

5 A. That is correct.

6 Q. Do you recognize this document to be a copy of your -- Is
7 this -- Is this a correct copy of your response?

8 A. Yes.

9 Q. Can you read for me Question A there?

10 A. I'll start at the very beginning. "Regarding CBT's
11 trenching costs, please provide the following (include the
12 source of this information and all relevant documentation).

13 "A. Does CBT include any trenching costs in its unbundled
14 element cost studies? If so, please identify the amount of
15 trenching costs (both embedded and forward looking) that are
16 included in the cost studies".

17 Q. Can you now read Question D?

18 A. "In its cost studies" -- I'm sorry. "In its cost studies
19 has CBT taken into account trenching costs that are shared by
20 affiliates and other entities?" If so, please -- I'm sorry --
21 "If so, explain and provide all documentation regarding how the
22 cost studies incorporated this sharing of trenching costs. If
23 not, please explain why CBT has not incorporated this into its
24 cost studies".

25 Q. Can you now read me the response to Question A?

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1 A. "Objection. CBT considers the information contained in its
2 cost of service studies to be confidential and proprietary. The
3 disclosure of this information could be damaging to the
4 marketing position of the Company. MCI has been provided copies
5 of all cost studies and support materials through the various
6 data requests of other parties, pursuant to the Stipulated
7 Protective Agreement between CBT and MCI".

8 Q. In fact, CBT didn't provide the J. Daniel contract to MCI
9 until October 15th of 1998, after MCI requested it in MCI's
10 Fourth Set --

11 MR. HART: I don't think he's finished reading the
12 answer.

13 THE WITNESS: There's more on the second page.

14 BY MS. VAN DUZER:

15 Q. Oh, sorry. Continue.

16 A. The answer continues, "Yes, CBT does include the trenching
17 costs in its unbundled element loop studies. The trenching
18 costs are shown in the development of the buried cable
19 investments. These were provided in response to PUCO Data
20 Request 52.0, Question 6, Tab 4, item 6".

21 Q. Mr. Mette, I apologize for interrupting you.

22 In fact, CBT didn't provide the J. Daniel contract to MCI
23 until October 15th, 1998; is that correct?

24 A. I don't know when it was exactly provided, but I believe it
25 was not provided as part of the Data Request 52 referenced in

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1 the answer to A.

2 Q. Does October 15th, 1998 sound about right to you?

3 A. It was some part -- sometime during that time frame, yes.

4 Q. And it was after MCI requested it in MCI's Fourth Set of
5 Data Requests; is that correct?

6 A. I don't know when MCI's Fourth Set of Data Requests came.

7 Q. Would you like to see a copy of the entire response, would
8 that refresh your recollection?

9 THE EXAMINER: For what purpose do you need to have
10 these dates admitted into the record? It seems to me like
11 October to March is probably a sufficient time to have analyzed
12 it. I -- You may have had a discovery dispute, but I don't
13 think we need to burden the record at this point with it.

14 MS. VAN DUZER: That's fine. I'll move on.

15 BY MS. VAN DUZER:

16 Q. So even though the contract was the sole source of support
17 for CBT's proposed trenching costs, CBT didn't submit it to MCI
18 in response to MCI Data Request 1.46?

19 MR. HART: Objection. I think that's what you just
20 told her to skip over.

21 THE EXAMINER: If you've got the information and
22 you're able to prepare your case, I would prefer that we not at
23 this point delve into timing issues, especially related to
24 discovery. So I would ask that you move on for some substantive
25 area.

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1 MS. VAN DUZER: Thank you, your Honor.

2 BY MS. VAN DUZER:

3 Q. Could you read the response to Question D of MCI's Data
4 Request No. 1.46?

5 A. The response is: "Shared trenching costs were taken into
6 account by CBT when developing buried cable costs. CBT, in most
7 cases for which it participates in trenching, does not do or
8 contract the trenching. Thus, when CBT considers trenching
9 costs, CBT is billed for its share of the trenching costs. An
10 average trenching cost was provided in CBT's buried cable cost
11 which reflects any savings due to shared trenching. Also
12 included in the buried cable costs are non-shared costs such as
13 the cable, closures, terminals and the labor to install these
14 items".

15 Q. So not only doesn't CBT do the trenching itself, but CBT
16 doesn't even generally contract for the trenching; is that true?

17 A. The response to this data request doesn't do a good job of
18 distinguishing feeder versus distribution.

19 If we are trenching in a distribution situation where we
20 would be sharing with power or cable TV, that is true. We, I
21 believe, work through the electric company, generally is where
22 the contracting of the trenching occurs. If CBT is placing new
23 feeder cable where there would be no sharing, CBT would be doing
24 that contracting to have that work completed.

25 Q. Okay. Let's move back to MCI Exhibit 10, which is the

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1 support for CBT's cable costs included in its loop studies. And
2 let's turn to what's Bates stamped as Page 2. It's entitled
3 "Urban 1 Underground (5C) Feeder Cable Costs". Three lines
4 from the bottom of the page there is a cost category entitled
5 "Miscellaneous Costs (10 percent)". Do you see that?

6 A. Yes, I do.

7 Q. And on Page 24 of your supplemental testimony filed
8 December 23rd, 1997, Line 18 --

9 A. I'm sorry, I -- could you --

10 Q. Line 18.

11 A. I missed the page number.

12 Q. Oh, I'm sorry. Page 24.

13 A. Okay.

14 Q. Line 18.

15 A. Yes.

16 Q. Is that the same 10 percent miscellaneous factor that
17 you're talking about?

18 A. That is correct.

19 Q. And your testimony on Pages 24 and 25 indicates that CBT
20 used the 10 percent gross-up to account for a lot of different
21 costs that it couldn't identify or that were as to small to
22 count because it was practically impossible to identify every
23 single item of cost on an itemized basis?

24 A. That is correct. When we did the cable cost development,
25 we worked with engineers to identify times and materials that

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1 are needed to install cable, and they identified those, but they
2 also expressed concerns that they could not realistically
3 quantify every nut and bolt and small thing that could occur, so
4 they -- they recommended some type of addition to capture those
5 costs.

6 And at the time, we, working with them, concluded that 10
7 percent was a reasonable number; and that's why that is put in
8 the study.

9 Q. Why did you arrive at the 10 percent figure as opposed to,
10 say, 5 percent or 20 percent; is there any scientific
11 calculation assigned to that figure?

12 A. There were no special studies done at that time. We talked
13 with the engineers. Actually, the first number we were using
14 was 15 percent, based -- based on their general comments about
15 what they expected, but I don't believe they -- they did any
16 detailed analysis. We decided to move it to 10 just to attempt
17 to be a little more conservative in the process, and we left it
18 at 10 percent at that time. But I cannot provide any detailed
19 studies because if I -- if I could, I would have just included
20 those costs in the cable cost development to begin with.

21 Q. So you couldn't say with confidence that the number
22 shouldn't be 11 percent or 9 percent or some other number?

23 A. I don't have a study to quantify that it is exactly 10
24 percent. In this testimony we did go back and identify costs
25 associated with easements and warehousing, and quantified 5

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1 percent -- 5.2 percent in this testimony on Page 27, but I have
2 not done anything to come back exactly to 10 percent, no.

3 Q. Okay. Let's move on, then. Let's talk about ADSL.

4 They talked yesterday about CBT's deployment of an ADSL
5 product to its retail customers. To your knowledge, are there
6 particular loop characteristics that must be met in order to
7 provision ADSL?

8 A. Yes, there are.

9 Q. Could you explain those?

10 A. I can give a general understanding; I don't know the
11 detailed engineering parameters. I know that there are loop
12 length restrictions for ADSL. There's transmission
13 characteristics of the loop that will also come into play
14 regardless of length.

15 For instance, if there's a -- maybe the quality of the
16 loop, maybe there's a lot of splices in it because splices could
17 cause problems. There -- There cannot be load coils on the
18 loop. Those are things that come to mind, but I -- I won't
19 claim that that's an exhaustive list.

20 Q. That's fair.

21 Can you describe for me what a load coil is?

22 A. A load coil is a piece of equipment that is put on a copper
23 loop for long copper loops to ensure that there's an adequate
24 quality signal for -- primarily for voice communications. I
25 don't know physically what it is. I know it's there to

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1 counteract the inductance on the loop, but I don't know what it
2 physically is.

3 Q. And you can't provide ADSL over a loop that has a number of
4 load coils?

5 A. That is my understanding.

6 Q. To your knowledge, does CBT charge its retail customers for
7 load coil removal?

8 MR. HART: Objection. Irrelevant.

9 THE EXAMINER: What's the basis?

10 MR. HART: Retail rates have no bearing on TELRIC
11 costs.

12 THE EXAMINER: Ms. Van Duzer.

13 MS. VAN DUZER: CBT's proposing to charge the CLECs
14 for load coil removal, and I think it's very relevant to know
15 whether or not they're charging their retail customers;
16 otherwise, how could we ever compete or try to compete?

17 THE EXAMINER: Do you wish to respond, Mr. Hart?

18 MR. HART: Well, I've got several responses. First,
19 there's no foundation to establish whether or not CBT removes
20 load coils; and, secondly, how it recovers that cost is a retail
21 rate issue that is for a different case and time, not this case.

22 The purpose of this case, as I understand it, is
23 strictly to determine what the TELRIC costs are of certain
24 unbundled elements or other activities, and if she's developing
25 what that cost is, that's fine, but I don't see how CBT's retail

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1 rate has any bearing at all on what the TELRIC cost of that is.

2 THE EXAMINER: I assume you're going to move to strike
3 parts of their -- the intervenor testimony on removal of load
4 coil costs, then?

5 MR. HART: I may very well. I don't have an objection
6 to discussing what the cost of removing them is. The objection
7 I have is to what Cincinnati Bell's retail rates may or may not
8 be with respect to that. And we've went through a discovery
9 dispute over this very issue where they requested a copy of the
10 retail cost study and you denied that motion to compel; I assume
11 on the same ground that it wasn't relevant to the TELRIC cost.

12 THE EXAMINER: I have to hear the question read back
13 again.

14 (Question read back as requested.)

15 THE EXAMINER: Do you have any additional response? I
16 am --

17 MS. VAN DUZER: I do.

18 THE EXAMINER: I'm inclined to sustain the objection
19 unless I hear a good reason to the contrary.

20 MS. VAN DUZER: Your Honor, I think that imputation
21 and discrimination are issues in a TELRIC proceeding.

22 MR. CHORZEMPA: Your Honor, I would only add that the
23 Ohio Revised Code indicates that for similar services, you have
24 to provide similar prices, you can't -- and I think that the
25 relation of that fact, just because a retail customer might be

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1 purchasing the particular asset and in another case a carrier
2 might be, I think you have to charge them a similar price for
3 that -- for that particular service.

4 THE EXAMINER: Mr. Petrilla?

5 MR. PETRILLA: I would also add, your Honor, that the
6 question is asking if they charge their customers at all. If
7 they don't charge their customers at all, that has some bearing
8 on whether or not they experience a cost for it. Now, perhaps
9 there is a retail rate structure explanation for that and maybe
10 Mr. Hart has an objection to exploring how the retail rates are
11 structured; but I think we at least deserve to know whether they
12 charge their customers at all because if they don't, that has
13 some bearing on whether they experience any costs. And while
14 TELRIC costs and retail rates may be different, I think we can
15 all agree that if there is some cost, we should know if they're
16 experiencing it.

17 THE EXAMINER: All right. I'll overrule the objection
18 at this point and we'll see --

19 MR. HART: Your Honor, if I could respond to these
20 additional points made by people who haven't asked the question.
21 Whether or not the retail rate includes a particular cost or not
22 is irrelevant to whether the cost is incurred. And I envision
23 that if you're going to allow this question, then we're going to
24 be here for perhaps days debating about whether Cincinnati
25 Bell's retail residential rates are the same as what would be

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1 charged on a TELRIC basis.

2 And we've been through an alt. reg. case where all of
3 our retail rates were open for hearing and parties stipulated as
4 to what those rates would be. And to the extent we're now
5 attempting to reopen that and justify whether TELRIC rates are
6 correct or not, I think, is an entirely irrelevant process.

7 And if we looked at the FCC order, I don't think
8 you're going to find a word in there that says a retail rate of
9 an existing telephone company has any bearing on what the TELRIC
10 cost is. So I think we're starting down a very slippery slope
11 here.

12 THE EXAMINER: Well, I'll -- I'll allow this question
13 and let's see where we go from there.

14 THE WITNESS: Can I ask that the question is reread,
15 please?

16 (Question read back as requested.)

17 THE WITNESS: I'm not aware of any rate element to
18 charge for that because a retail customer can't call up and
19 request us to take load coils off, so....

20 BY MS. VAN DUZER:

21 Q. In order to provision ADSL, Cincinnati Bell would have to
22 remove any load coils. So let me rephrase the question just
23 slightly. Maybe I didn't phrase it this way before.

24 Does CBT charge its retail customers for load coil removal
25 if they order ADSL?

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1 MR. HART: Same objection. And it's also lack of
2 foundation for the premise of this question.

3 MR. CHORZEMPA: For what?

4 MR. HART: For -- There's lack of foundation for the
5 premises in the question.

6 MR. CHORZEMPA: On this --

7 THE EXAMINER: Which is that load coils have to be
8 removed in order to provide ADSL?

9 MR. HART: Yes.

10 MS. VAN DUZER: I believe --

11 THE EXAMINER: I can -- Unfortunately, I wasn't here
12 yesterday. Ms. Van Duzer is indicating that that was brought up
13 on the record yesterday.

14 MS. VAN DUZER: I believe Mr. Mette just testified to
15 that a couple of questions ago.

16 THE EXAMINER: I think he --

17 BY MS. VAN DUZER:

18 Q. Can you provide ADSL over a loop that has load coils?

19 A. My understanding is that ADSL will not function over a loop
20 with load coils.

21 THE EXAMINER: Okay.

22 MR. HART: But this question presumes that any order
23 for ADSL requires load coil removal, and that is not a correct
24 premise; so that's my objection.

25 THE EXAMINER: Okay.

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1 MS. VAN DUZER: I could re- --

2 THE EXAMINER: Assume there are load coils and a
3 customer orders ADSL where load coils exist. Can you answer the
4 question based on that foundation?

5 THE WITNESS: I believe I can, yes.

6 THE EXAMINER: All right. Go ahead.

7 THE WITNESS: My understanding today is if a customer
8 orders ADSL and a loop has load coils, we will not provide the
9 service.

10 BY MS. VAN DUZER:

11 Q. How does CBT know that a loop serving a particular customer
12 includes load coils or meets the specific conditioning
13 requirements necessary to provision ADSL?

14 A. That, I don't know. Are you asking me what process we go
15 through to determine that?

16 Q. Pardon?

17 A. Are you asking me what --

18 Q. Yes. Is there a process?

19 A. I'm sure there is, but I don't know what it is.

20 Q. But you're sure that Cincinnati Bell knows whether or not a
21 particular loop would qualify for ADSL?

22 MR. HART: Objection. No foundation for that either.

23 THE EXAMINER: Overruled.

24 THE WITNESS: I'm not sure what you're asking me.

25 BY MS. VAN DUZER:

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1 Q. Well, you said if the customer calls up to order ADSL and
2 they have load coils, that Cincinnati Bell wouldn't provision
3 ADSL to that customer. So presumably CBT knows that that
4 customer has load coils on their loop.

5 A. My understanding is today if a customer has load coils, we
6 won't provide ADSL. If when that customer -- How we find that
7 out, that's what I don't know, how that process works.

8 Q. So that process, whatever that process is, is that the same
9 or different from qualifying a loop -- and that's a quote,
10 "qualifying a loop" -- as you use that term in your nonrecurring
11 studies?

12 A. I don't know if that process is the same or different. I'm
13 just not familiar with what process they go through for ADSL.

14 Q. Does CBT ever remove load coils from its loops?

15 A. I believe we do.

16 Q. And when you do that, do you charge the customer, the
17 retail customer?

18 MR. HART: Objection. Irrelevant.

19 THE EXAMINER: Overruled.

20 THE WITNESS: I'm not aware of any rate element for
21 load coil removal. I am aware that costs associated with doing
22 that function have been included in cost studies for services
23 where that might be relevant.

24 BY MS. VAN DUZER:

25 Q. Now, you talk a little bit about load coil removal on Page

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1 25, Lines 16 and 17 of your supplemental testimony. And you're
2 asked -- Let me be more specific.

3 I believe that was your supplemental testimony filed
4 September 28th, if I'm not mistaken.

5 THE EXAMINER: What page is that?

6 MS. VAN DUZER: Page 25 on his supplemental testimony
7 dated September 28th, 1998.

8 BY MS. VAN DUZER:

9 Q. Starting on Line 9 you talk about load coil removal, and on
10 Lines 16 and 17 you're asked, "Do CBT's unbundled loop TELRIC
11 cost studies assume that load coils will be used to provision
12 these loops?" And on Line 18 you answer, "No", that the TELRIC
13 studies you're proposing in this case don't assume the use of
14 load coils.

15 Is it fair to say that this results from the fact that the
16 way you've designed the forward-looking loop in your studies
17 doesn't require the use of load coils?

18 A. That is correct.

19 Q. So if all of CBT's loops were built consistent with the
20 TELRIC models you've provided in this case, CBT would never have
21 to send a technician to the field to remove a load coil because
22 they wouldn't have been used in the first place; is that
23 correct?

24 A. If CBT could somehow magically replace its existing network
25 instantaneously with the assumptions that are in the cost

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1 studies, there would not be load coils in the network, that's
2 correct.

3 Q. And Page 26, Line 9 of your testimony, you suggest that
4 load coil removal costs are forward-looking costs because
5 "...CBT will continue to incur costs for any loop having load
6 coils and for which a NEC requires that these load coils be
7 removed".

8 Can you define for me what you mean by the term "cost" in
9 that sentence?

10 A. The cost of the technician going out to remove the load
11 coil, the costs a- -- the costs associated with that person's
12 time, materials, et cetera, to remove that load coil.

13 Q. Out-of-pocket costs?

14 A. They are out-of-pocket costs, yes.

15 Q. TELRIC costs?

16 A. I consider them TELRIC costs, but the cost of this element
17 is something that has been explicitly recognized by the FCC in
18 its order where it introduced TELRIC, and said that it is
19 appropriate that a NEC would pay for removal of -- load coil
20 removal.

21 Q. So the TELRIC costs include that cost, the TELRIC cost of a
22 loop?

23 A. No, the TELRIC costs of a loop does not include that.

24 MS. VAN DUZER: Your Honor, I'm going to move on to
25 another cost study, I don't know if that -- we can just keep

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1 going.

2 THE EXAMINER: Let's go off the record.

3 (Luncheon recess taken.)

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P R O C E E D I N G S

Thursday, March 4, 1999

Afternoon Session

THE EXAMINER: Ms. Van Duzer?

MS. VAN DUZER: Thank you, your Honor.

CROSS-EXAMINATION (continued)

BY MS. VAN DUZER:

Q. Mr. Mette, you were going to get some information regarding where within the J. Daniel contract I would find the \$2.45 figure and the \$2.72 figure that you would included in your Exhibit 6 to your supplemental testimony dated September 28th, 1998.

A. Yes, and I don't have an answer yet. I received that information from Mr. Meier. He's out of the office when I called back, and he and I have traded voicemail. He said it was trenching, placing and restoring, but until he got back into the office this afternoon he wouldn't be able to give me specific numbers, so I'm still waiting for those numbers.

Q. Okay. That's fine. All I'm trying to figure out is where they came from, those numbers came from.

A. I understand.

Q. Thank you.

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1 Now, Mr. Mette, let me direct your attention to the
2 collocation cost study that you prepared this in this
3 proceeding. On Page 9 of your supplemental testimony dated
4 September 28, 1998 you introduced your collocation cost study;
5 is that correct?

6 A. Page 9 discusses the collocation cost study and
7 methodology. All of the cost studies weren't completed at that
8 time when that testimony was filed, though.

9 Q. Now, could you explain how you made this study a TELRIC
10 study?

11 A. There were numerous collocation studies so are you talking
12 all of them or -- are you talking a particular one?

13 Q. I mean all of the collocation cost studies, and we can go
14 through them one by one or if you have an overview as to how you
15 made them TELRIC studies.

16 A. The collocation cost studies identify the forward-looking
17 incremental costs of providing collocation. I'm having
18 difficulty with the term "made them" as opposed to they existed.

19 Q. How did you perform the cost studies?

20 A. Well, there was numerous collocation cost studies. For
21 each cost study -- or each service, I should say, we
22 identified -- like power distribution, we identified what
23 equipment or labor was required to provide the power equipment,
24 identified those dollars for a power plant, the forward-looking
25 cost, and we calculated those costs on a per unit of demand

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1 basis for that particular element.

2 Maybe we need to go through them one by one, I don't know
3 if I --

4 Q. That's probably fine for now.

5 On Lines 12 and 13 of Page 9 you list some of the rate
6 elements of the collocation studies, and the elements you list
7 are floor space occupied, splicing, cable pulling and space
8 reservation charges; is that correct?

9 A. That is correct.

10 Q. And on Page 10 of your testimony you list several other
11 rate elements, and those are conduit/entrance facility,
12 rise/cable space, power consumption, power delivery, security,
13 access, entrance door and cage, cage construction and materials,
14 core drill floor in cages for diverse route, central office
15 build-out charges and cross-connects; is that correct?

16 A. That is correct.

17 Q. Are there any other collocation rate elements?

18 A. I don't believe so, no.

19 Q. Let's talk about the floor space. The floor space cost
20 study is set forth in Exhibit 8 of your supplemental testimony;
21 is that correct?

22 A. That is correct.

23 Q. And you have used the R.S. Means Building Construction Cost
24 Data Guide as the foundation for that study, correct?

25 A. That is correct.

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1 Q. In fact, from that guide you have taken a cost figure of
2 \$135 per square foot for a telephone exchange, correct?

3 A. That is correct.

4 Q. Let me turn your attention to the last page of Exhibit 8.
5 Is this a copy of the relevant page from the R.S. Means Building
6 Construction Guide?

7 A. That is the page out of that guide that I obtained the \$135
8 from.

9 Q. And is that \$135 circled on your copy?

10 A. Yes, it is.

11 Q. Okay. And you've used the \$135 figure to calculate the
12 recurring monthly rent for floor space; is that correct?

13 A. That is correct. The \$135 represents R.S. Means' estimate
14 of building costs -- the building on a per square foot basis.

15 Q. And is it your understanding that the R.S. Means figure
16 represents some compilation of cost data that is sent by
17 telephone companies to R.S. Means?

18 A. That is my understanding, yes.

19 Q. Turning your attention to Page 7 of Exhibit 8.

20 THE EXAMINER: Let's go off the record a minute.

21 (Discussion held off the record.)

22 THE EXAMINER: Back on the record.

23 BY MS. VAN DUZER:

24 Q. Turning your attention to Page 7 of Exhibit 8, this is a
25 copy of Page 443 of the R.S. Means guide; is that right?

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1 A. That is correct.

2 Q. That's the, I think, the second-to-last page of that
3 exhibit. And Lines 8 through 10 of the first column explains
4 that the \$135 square foot figure is a ten-year rolling average
5 of newly constructed central offices, correct?

6 A. The description of -- I'm sorry, let me start over.

7 The sentence that is there on Lines 8 through 10 is a
8 generic description of how R.S. Means calculates the cost. I
9 don't believe there is a lot of recent data in the R.S. Means
10 for telephone exchange buildings, but that's their general
11 description of how they calculate that cost.

12 Q. When you say you don't believe there is recent information,
13 why is that? What is your understanding of that?

14 A. Because of all the discussions on this, we contacted
15 R.S. Means probably after the depositions that occurred a couple
16 weeks ago, and we -- the person at R.S. Means told us that they
17 have not received any recent data from telephone companies on
18 central office buildings. The number she told us was, at best,
19 early '90s, and they are considering dropping this piece from
20 the R.S. Means thing in the future because they have a difficult
21 time getting data on telephone company exchanges.

22 Q. Did she know exactly when the earliest information was
23 obtained?

24 A. I don't believe she gave us an exact date. I did not
25 personally talk to her. What I was told was that she said early

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1 '90s, or late '80s.

2 Q. And is that all of the specific information about the cost
3 data and the compilation of this \$135 square foot figure that
4 you have obtained from R.S. Means?

5 A. When we had the conversation with them, we were just trying
6 to find out what type of data they had been receiving, and that
7 was just the general discussions that occurred.

8 Q. Now, even though you are proposing to charge each
9 collocator rent based on \$135 per square foot investment, will
10 CBT actually be adding additional floor space to its existing
11 central offices to accommodate collocators?

12 A. At this time I'm not aware of us adding additional space to
13 our buildings.

14 Q. So it won't be making its central offices larger?

15 A. I'm not aware of us -- I'm not aware of us expanding a
16 central office, no.

17 Q. And won't be adding extra floors?

18 A. No.

19 Q. And the \$135 R.S. Means figure is the square foot
20 investment for newly constructed central office space; is that
21 correct?

22 A. That is correct.

23 Q. But CBT will actually use its existing central office space
24 for collocation, correct?

25 A. That is correct, because the purpose of the study is to

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- 1 identify a forward-looking cost of that space, and we use the
2 R.S. Means data to identify that cost for the TELRIC studies.
3 Q. And the economic life CBT proposes for its central office
4 buildings is 40 years?
5 A. I believe that's the life that we propose.
6 Q. Do you know how many central offices CBT has in Ohio,
7 ballpark?
8 A. Thirty to 40.
9 Q. Thirty to 40?
10 A. Yes. I can't remember exactly.
11 Q. That's fine.
12 Do you know the vintage of the central offices, when they
13 were constructed?
14 A. I haven't done a study to find out what that is, no.
15 Q. So you couldn't tell me how many of the buildings are older
16 than 40 years?
17 A. No, I could not.
18 Q. Do you think some probably are?
19 A. I would not be surprised if some are older than 40 years.
20 Q. Now, if MCI were to collocate in a building that was older
21 than 40 years, would it get a discount on the rent?
22 A. No.
23 Q. Would anybody who chose to collocate in a building that was
24 older than 40 years get a discount on the rent?
25 A. I'm not aware of any discounts like that.

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1 Q. Now, moving on to the common space in the floor space
2 study. The amount of common space varies from central office to
3 central office; is that correct?

4 A. That is correct.

5 Q. Referring your attention to Page 2 of Exhibit 8 to your
6 supplemental testimony. On that page you've set forth the floor
7 space of the Avondale office, correct?

8 A. We calculate the per square foot floor space cost on that
9 page, yes.

10 Q. And you've used a common area factor of 2.7; is that
11 correct?

12 A. That is correct.

13 Q. That's the second -- That's at the top of the Page 2,
14 common area factor, right?

15 A. That is correct.

16 Q. Do you know what the inverse of 2.7 is?

17 A. I can calculate it, but --

18 Q. I could tell you, I think it's .37.

19 So your 2.7 common area factor indicates that for a
20 particular space, roughly 37 percent will be used and 63 percent
21 will be generally open space for engineers to come and go; is
22 that correct? Is that what that means?

23 A. The 2.7 -- I'm sorry, the common space represents areas,
24 common aisle ways to get in and out of the building, as well as
25 the area around the cages in that particular central office,

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1 that is correct.

2 Q. Okay. So that's generally a correct statement that about
3 37 percent will be used for the collocation space, and 63
4 percent will be used to come and go and things of that nature?

5 A. In that particular central office, that is -- that is
6 correct. In order to get the collocations -- the collocation
7 cages in that central office, that was the area that was
8 available and that was the common area that resulted to put
9 those cages in that central office.

10 Q. And you did not review the engineering building design to
11 know if 2.7 -- if a 2.7 common factor for the Avondale office is
12 the lowest possible common factor that could have been used for
13 the Avondale office?

14 A. When I talked to the building engineers, they said that
15 there was only certain limited areas to put the collocation
16 cages in the Avondale office and they put them in the best way
17 they could, and that's how the 2.7 factor came out.

18 MR. CHORZEMPA: I object and move to strike the answer
19 based on hearsay.

20 THE EXAMINER: Let me have the answer read back,
21 please.

22 (Answer read back as requested.)

23 THE EXAMINER: Motion is denied.

24 BY MS. VAN DUZER:

25 Q. I actually don't think the answer answers the question --

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1 A. It probably --
2 Q. -- so I'll ask the question again.
3 A. Okay.
4 Q. You didn't review the engineering building design to
5 determine if a 2.7 common factor for the Avondale office is the
6 lowest possible common factor that could have been used for the
7 Avondale office, did you?
8 A. Although I saw the final blueprints of the design, I did
9 not do a review to question their decisions on how to put it in
10 that office.
11 Q. Okay. Now, it's true that CBT is already recovering its
12 existing central office floor space through its retail rates; is
13 that correct?
14 MR. HART: Objection. Irrelevant.
15 THE EXAMINER: Overruled.
16 THE WITNESS: Can I hear the question?
17 (Question read back as requested.)
18 THE WITNESS: When CBT does a cost study for a retail
19 service, CBT will also allocate floor space cost to that service
20 and, therefore, the cost of the floor space used for that
21 service is included in the cost study.
22 So that when retail rates are set for that service,
23 those retail rates, in theory, should be recovering the cost of
24 the floor space used for that service.
25 BY MS. VAN DUZER:

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1 Q. What about the floor space that isn't used for that
2 particular service, what about the common areas, because -- and
3 maybe I'm making an assumption here. If you're building out a
4 collocation space today, presumably that space was either used
5 for another service, or it was a common area, and either way it
6 would be recovered through your retail rates?

7 A. My understanding of the space that was used, first it
8 wasn't there being used by another service and now we have
9 vacated some stuff and made collocation available, that's not
10 what happened.

11 Q. So CBT does not recover its common area -- the costs for
12 its common areas from its retail rates?

13 A. The reason I'm hesitating is that when we do a cost study
14 for our -- most retail services and even a lot of the services
15 that are in these studies, we have a situation where we're
16 utilizing a piece of equipment, say a central office switch or a
17 FLM-150, and we have to assign floor space cost to that piece of
18 equipment. We do that, which I'm sure you've seen in many
19 studies, through a building factor that basically allocates
20 floor space cost to that equipment. So the process there
21 doesn't go at it in terms of identifying a square foot and
22 considering common areas.

23 Q. How does CBT -- Go ahead.

24 THE EXAMINER: Wait, I think the question is: Are you
25 recovering through base rates the central -- anything that's in

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1 rate base, the floor space of the central offices? And I think
2 that's the basic premise underlying the question; is that right?

3 MS. VAN DUZER: Yes.

4 THE EXAMINER: Theoretically, you are recovering
5 through base rates anything that is in the company's rate base,
6 which would include the central offices, including all the floor
7 space?

8 THE WITNESS: That is true, but theoretically
9 everything -- I'll just say that everything is in our rate base
10 in a sense.

11 THE EXAMINER: That's why I asked it, trying to
12 shortcut some of this, because I think maybe you're missing --

13 MS. VAN DUZER: That's exactly the point, that's all
14 I'm asking.

15 BY MS. VAN DUZER:

16 Q. So upon the arrival of a collocater, you're not aware of
17 any adjustment downward that CBT has made or intends to make to
18 its retail rates to avoid a double recovery; is that correct?

19 MR. HART: Objection again, irrelevant, what our
20 retail rates are.

21 THE EXAMINER: Overruled.

22 THE WITNESS: I'm not aware of any adjustment downward
23 that will occur, but I don't see why there is a need to do a
24 downward adjustment. The TELRIC cost methodology is to identify
25 the forward-looking cost of -- you know, of the element

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1 provided, and that's what we're doing in the study.

2 BY MS. VAN DUZER:

3 Q. So the answer is no?

4 A. There is no downward adjustment, that is correct.

5 Q. Okay. Turning your attention to a separate and distinct
6 collocation rate element, the central office buildout charge,
7 which I'll refer to as the COBO charge.

8 Q. Let me turn your attention Tab A of the COBO study, which
9 is Exhibit -- I guess it's Exhibit --

10 MS. VAN DUZER: Doug, Exhibit 3 of --

11 MR. HART: It's Exhibit 9-3.

12 MS. VAN DUZER: 9-3, that's what it is.

13 BY MS. VAN DUZER:

14 Q. Here it lists the COBO costs including common costs for
15 four CBT central offices. For example, on Line 4 of Page 1, the
16 study states that the COBO cost in the West 7th Street office is
17 \$290,560; is that correct?

18 A. That's correct.

19 Q. Now, the way in which CBT proposes to apply this COBO
20 charge is by charging the first collocater the entire COBO cost;
21 is that correct?

22 A. That is correct.

23 Q. So conceptionally the first collocator at the West 7th
24 Street office would be charged just in excess of \$290,000 for
25 the first 100 square feet of collocation space?

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1 A. That is correct. I'll just add that because we have
2 already have collocators, that process has already started for
3 several collocators, and when it started, these numbers weren't
4 available so it wasn't based on this 290,000. But if we never
5 had any collocation until it cost study was done, it would have
6 occurred as you just said.

7 Q. So the first collocator would pay basically \$2,900 per
8 square foot?

9 A. Well, the first collocator would still pay the hundred
10 square foot floor space cost. If they paid the 290,000 and you
11 divide by a hundred, you would get the number that you just
12 quoted, yes.

13 Q. Now, you testified earlier that the cost per square foot
14 for building a brand-new central office, according to R.S. Means
15 Building Construction Cost Data Guide, is \$135 per square foot,
16 and this is about 22 times as expensive; is that correct?

17 A. The R.S. Means number is the cost of building a central
18 office building. This cost is the cost to make the central
19 office ready for collocation, or to build out the office so that
20 collocation can occur in it.

21 Q. To really retrofit the office so collocation can occur?

22 A. They are two different things.

23 Q. Now, I think you told me all of the specific information
24 you knew about the \$135 cost figure from R.S. Means, so I guess
25 you're not certain the difference between what this collocation

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1 charge is and the \$135 charge is for; is that correct?

2 A. I think I am certain that especially based on their
3 information that there's no recent data in the \$135, that
4 there's no cost in there to have an office ready for
5 collocation.

6 Q. But what the difference between what's covered by the \$135
7 and what's covered by the \$2,900 per square foot you wouldn't be
8 able to speak to the exact differences?

9 A. The COBO costs are costs that are basically not in the
10 \$135.

11 Q. But the \$135 is to build a brand-new central office,
12 correct?

13 A. That is correct.

14 Q. Okay.

15 THE EXAMINER: Well, this seems to be a little
16 confusing. I think he's saying they have to -- the \$290,000 is
17 to prepare the central office for collocation, and as I
18 understand, the 135 is essentially just rent on the floor space.
19 Is that, in essence, what you're saying?

20 THE WITNESS: Let me clarify. The 135 builds the
21 building, but it doesn't include things like security access for
22 collocators, cages, you know, bringing electrical grounding into
23 the area, all the things that are in the COBO. So these are
24 items that needed to be done to make the area ready for
25 collocation, and those things are not in the \$135.

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1 THE EXAMINER: Okay. Can you give an exhaustive list
2 of everything that's included in the \$290,000 figure that is in
3 the study?

4 THE WITNESS: I can give a list on Tab B, will kind of
5 give a category of those costs. Architectural engineering
6 services; card readers; constructing the area, which would be
7 like racking, what's coming down from the ceiling so you can
8 mount equipment.

9 There is environmental construction because with
10 additional equipment going in you need to, you know, obviously
11 account for the heat, so you have to have air conditioning
12 considerations. There was just cost we incurred just to
13 contract out for people to bring equipment in so we could do
14 this; building the area -- building the walls to separate that
15 area from the rest of the central office. I've got the cable
16 ready --

17 THE EXAMINER: Okay. The question I thought
18 Ms. Van Duzer was asking was what's the difference between why
19 you're saying that the elements of the \$135 figure are not
20 included in that, that they are separate and distinct, as I
21 understood it.

22 And I thought that's what she was asking why it --
23 what is different between the two figures, because they are
24 so -- there is such a huge difference in magnitude between the
25 two figures.

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1 MS. VAN DUZER: Yes. \$135 is the cost to construct
2 the new central office building, and that's what concerns me.

3 THE EXAMINER: Right. I'm just trying to get an
4 explanation also why is there such a difference in magnitude
5 between the two figures if, in fact, the 135 is to build new
6 collocation.

7 THE WITNESS: You said to build new for collocation,
8 is that -- the \$135 is an R.S. Means cost to build a central
9 office, it's their estimate. That cost, I don't believe, will
10 include any of the costs that are necessary to make that central
11 office, in effect, a multi-tenant arrangement.

12 Central offices are typically built in the past as a
13 single-tenant arrangement, so the COBO is dealing with all those
14 multi-tenant issues. Like in the 7th Street situation, for
15 instance, we had to tear a hole in the wall to make access
16 available into the collocation area, and those wouldn't be in
17 the \$135.

18 So that it's the cost to make the building a
19 multi-tenant arrangement so collocation can exist in the
20 building.

21 THE EXAMINER: More of a preparatory nature as opposed
22 to actually collocation readiness for a specific tenant?

23 THE WITNESS: That is correct. It's not a specific
24 tenant, it's to make that area available, in effect, for
25 multi-tenants to go into that area.

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1 BY MS. VAN DUZER:

2 Q. And that costs 21 or 22 times as much as building a new
3 central office space?

4 A. If I take the \$290,000 and I believe you divided that by
5 100, you get the 2,900. If I divide that by \$135, that is
6 almost 22 times. Obviously the space that we built is not just
7 for one 100-square-foot area, but doing those calculations gets
8 a number of 22, 21-1/2.

9 Q. At the West 7th Street office you presently have four
10 collocators, right?

11 A. I believe so, yes.

12 Q. And they are each using 100 square foot of space?

13 A. There have been several data requests on this.

14 Q. And I think they are paying, then, just shy of \$400 a
15 square foot; and I think that's your point, that that \$2,900 is
16 divided between four?

17 A. If you take that into account, yes, it would be 400. I do
18 know they have asked for more space also, and my understanding
19 is we're probably going to come near -- or we may exhaust the
20 space that was built because of additional requests from those
21 four plus other carriers who have requested it.

22 Q. And I think that the space in the West 7th Street office
23 can accommodate six collocators, 600 square feet; is that
24 correct?

25 A. I was thinking it was greater than that.

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1 Q. Maybe I did my math wrong. If there's six collocators,
2 they would pay \$500 a square foot.

3 MR. HART: Could I ask for a clarification? Are you
4 talking about the cage square foot, or entire collocation square
5 feet?

6 MS. VAN DUZER: I'm talking about how many collocators
7 can be housed in the collocation space that costs \$290,000, and
8 I believe the maximum is six, and I believe it comes from
9 CBT's --

10 MR. HART: What I'm asking is, are you just counting
11 the hundred square feet of the cage when you're calculating
12 these rates per square feet?

13 MS. VAN DUZER: Yes.

14 MR. HART: Okay.

15 BY MS. VAN DUZER:

16 Q. We can go on, Mr. Mette.

17 A. I've just got the data request, I just kind of want to look
18 real quick.

19 Q. Sure.

20 (Pause.)

21 A. Data Request 125 -- PUCO Data Request 125 there was a
22 question asked about documentation on all physical collocation
23 requests submitted to CBT. This indicates that we have six
24 requests in the West 7th office for a total of 1,200 square
25 feet.

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1 What I don't recall is if that 1,200 is available or if
2 there was -- if that would indicate a need to build out more
3 space. So I guess I'm not answering your question, I don't
4 know.

5 Q. No, let me show you your response to MCI's Data Request
6 5.37. This might refresh your recollection.

7 MS. VAN DUZER: May I approach the witness?

8 THE EXAMINER: It looks like he's got a copy of it.

9 BY MS. VAN DUZER:

10 Q. You supplemented your response --

11 MR. HART: Your Honor, there's an update to this data
12 request that may take a few minutes to locate.

13 THE EXAMINER: All right. Ms. Van Duzer, you want to
14 show the witness? Apparently he doesn't have the updated one,
15 so just show it to him and see if it refreshes his recollection.

16 BY MS. VAN DUZER:

17 Q. I think in the response you indicated that there are four
18 collocators at the West 7th Street office presently, and that
19 they are each using 100 square foot of space, correct?

20 A. That is correct.

21 Q. So that's 400 square feet of occupied space, and I think
22 under D you indicated that there's an additional 200 square feet
23 available?

24 A. That is correct.

25 Q. So I assumed that meant that there was 600 square feet of

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1 space available -- total space available for collocation at the
2 West 7th Street office, and that there could be six collocators
3 in the space that you have built out for \$290,000.

4 A. That's what it indicates, yes.

5 Q. So on a square foot basis, each of them would pay
6 approximately \$500 per square foot per collocation space; is
7 that correct?

8 A. That's correct, calculated on a per square foot basis, yes.

9 Q. Now, the cost of building out the space is set forth in the
10 COBO cost study, and in your supplemental testimony I think you
11 refer to it twice on Page -- once on Page 10 and once on
12 Page 11, and other than that I'm not sure you mentioned it in
13 your narrative testimony; is that correct?

14 A. That's probably correct.

15 Q. I think that's correct.

16 Now, the study is about one-and-a-half inches thick, and
17 there's a one-page description of the study and then there are
18 tabulations of invoices and the rest of the study is the
19 invoices that were submitted to CBT by outside vendors; is that
20 correct?

21 A. That is correct.

22 Q. I'm going to try to explain which invoice I'm looking at
23 here. After you look past the tabulations, the invoices have, I
24 guess, big dark numbers in the bottom right-hand corner, and I'm
25 looking at the first number, 24, and it reflects that this was

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1 for labor and material to install a 400 amp 3PH208VV to PBSC
2 No. 2 in the basement of Avondale central office, correct?

3 A. That is correct.

4 Q. And it's for \$12,891?

5 A. That is correct.

6 Q. Is the collocation space in the basement?

7 A. No, the collocation space is not in a basement, but the
8 power plant is.

9 Q. Okay. So do you know what this invoice represents or what
10 the work reflected in this invoice represents, or was for?

11 A. I did not specifically investigate this invoice in detail.
12 From the description here I believe that what this is -- what
13 this is describing is that there's a power distribution area in
14 the collocation area that would actually be in kind of CBT's
15 space, so to speak, where power gets distributed out to cages.
16 And it's necessary to bring the power from the power plant,
17 which is in the basement, into that area so it then is able to
18 be dispersed or distributed throughout the collocation area.

19 And this would be work done by an outside contractor to
20 bring that power from the basement up into that area.

21 Q. How are you able to discern that from this invoice,
22 exactly?

23 A. Based on my general understanding of how or central offices
24 are laid out, where the power plant for the central office is
25 typically located, and how power is delivered to the collocation

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1 cages.

2 Q. If I didn't know your central office layout, would I be
3 able to understand what this work was for?

4 A. You probably would not.

5 Q. And moving forward, there's a -- this first set of invoices
6 ends, and then we are looking at numbers at the bottom again
7 that start over 1, 2, 3, and I'm just looking at No. 4.

8 It doesn't reflect any information that I can understand
9 about what work was done, it's for \$11,512 but it doesn't
10 contain any work description that I can see, and I'm wondering
11 if you know what this is for.

12 A. The \$11,512, I believe you're referring to Page 11.

13 Q. Page 4.

14 A. I'm sorry, 4.

15 Q. Okay.

16 A. On Page 4 it is for the Evendale central office. The
17 detail that I have is on Page 6.

18 We subcontracted out to the Beischel Building Company to do
19 the construction work in the office, and they subcontracted out
20 to various parties or purchased materials from various parties
21 to do that work. They provided the invoice on Page 6 that lists
22 the parties who did that work, it includes themselves at the
23 top, and then there's various supplies that are needed ranging
24 from hardware stores to drywall companies to painters.

25 Those companies were contracted to do work in the central

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1 office. I don't have invoices on those particular individual
2 companies who did the work for Beischel.

3 Q. So Page 6 actually lists invoices by company name, and over
4 to the side it lists the amount that that company billed
5 Beischel Building Company; is that correct?

6 A. That is correct.

7 Q. But there is no description of what those companies did on
8 this invoice; is that correct?

9 A. There is no detailed description besides, you know, the
10 company name, which some of it implies, I know we had to do
11 drywall work, so I suspect the Endless Drywall Company did the
12 drywall work, but there's no itemization from that company.

13 Q. Would you agree that it's fair to say that looking at these
14 invoices, one cannot tell what work specifically was performed
15 to build out the COBO space?

16 A. One cannot tell, like I'll just take drywall, exactly what
17 walls were built from this information, that is correct.

18 Q. Mr. Mette, where did you get the invoices?

19 A. Well, Cincinnati Bell built out the central offices,
20 Cincinnati Bell established -- we call them estimate numbers for
21 each central office. The estimate number is a means within our
22 internal accounting system that you can basically charge the
23 cost of a project -- cost of a project to so that you can cost
24 the -- you can track the cost of that project.

25 These invoices would come in to the company and would be

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1 reviewed by the various engineering people who worked with these
2 vendors to get the work done. They would review the invoices
3 and they would process them through the internal accounting
4 system, charge them to the estimate number that was established
5 for each central office.

6 When we did the study, I went to the accounting
7 organization, we knew the estimate numbers, and they said, "Yes,
8 we can tell you the invoices, or the charges to each estimate
9 which would identify each central office", so they gave us a
10 printout of all the invoices.

11 The documents in the study, I'm just looking at Tab E, for
12 instance, that looked kind of like this with all the lines, this
13 was created from all the information they gave to us. So this
14 told us the dollars, but in order to provide support behind what
15 these dollars were, we then went back to the accounting
16 organization, and this report enabled us to go back basically
17 into the files and pull out all these invoices.

18 THE EXAMINER: Are you saying then these are just the
19 invoices are estimates, not the actual expenditures?

20 THE WITNESS: No, these are the actual expenditures,
21 we just used the term "estimate" because that's for a project
22 tracking number, because typically that number is taken out when
23 somebody is developing the initial estimate of the project. By
24 then, as the work occurs, they are tracking the actual dollars
25 of the project. We just call it an estimate number.

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1 So we obtained after the fact this listing of the
2 invoices. Again, went back to the accounting organization to
3 pull the invoices out of their files.

4 When we did the study, because of the volume of
5 invoices, and some of the invoices are very small, we focused on
6 the majority -- or, the major dollars in that process. That's
7 what is included in the COBO study.

8 I believe at the time we accounted for, I'm going to
9 say approximately 80 percent of the total dollars that were
10 charged to the project through the invoices. There was a
11 subsequent PUCO data request basically asking us to go back and
12 get more invoices, which we did, and I think we then accounted
13 for 95 percent plus of the total costs that were charged to the
14 estimate through the invoices. So we got the invoices by going
15 back basically into the accounting files where they are kept.

16 BY MS. VAN DUZER:

17 Q. And what is reflected in the invoices is really your only
18 information about the work that was done, and in conjunction
19 with your understanding of your central offices sometimes you
20 can understand a little more; is that correct?

21 A. That is correct. And I have had discussions with the
22 collocation project manager as well as various engineers to
23 understand more about the -- about the actual work that was done
24 in that process.

25 Q. Okay. And these are the invoices supporting, for example,

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1 the \$290,000 COBO charge for the West 7th Street, and the other
2 offices, that translates into a square foot charge of something
3 between 500 and \$3,000 for a collocator.

4 Let me ask you, Mr. Mette, if you were to design a central
5 office today, would you do it in a way that it could accommodate
6 and house multi tenants?

7 A. If CBT had to build a central office today, I guess it
8 would depend on what central office it is, but that would
9 probably be a consideration in the building of the central
10 office.

11 Q. And based on your understanding of this information, would
12 you expect the cost to be less for building a collocation space
13 in a new central office than retrofitting an existing central
14 office?

15 A. I haven't done a study to determine that.

16 Q. That's fine. Okay. Moving on to the cross-connect study.
17 I'll be talking about the revised cross-connect study.

18 (Pause.)

19 Mr. Mette, could you describe for me what a cross-connect
20 is?

21 A. In general, a cross-connect is the connection from the
22 collocation cage back to CBT's portion of the central office,
23 either at the mainframe or at a piece of transport equipment.

24 Q. Can you get a cross-connect at a DS0 level a DS1 level and
25 a DS3 level?

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- 1 A. That is correct.
- 2 Q. Let me turn your attention to the revised cross-connect
3 study that you prepared in response to PUCO Data Request 115.0,
4 which is marked as CBT Exhibit 9-21.
- 5 A. Okay.
- 6 Q. In this study you presented two sets of results, one set is
7 for the West 7th office and the other set is for the three other
8 offices combined, correct?
- 9 A. That is correct.
- 10 Q. Approximately how many -- You've already answered that.
11 You've got 30 to 40 offices in your serving area; is that
12 correct?
- 13 A. That is correct.
- 14 Q. Is it possible you might have as many as 50?
- 15 A. Offices? Not in Ohio. The question before was Ohio, but
16 not in Ohio.
- 17 Q. In your serving area?
- 18 A. Yes.
- 19 Q. Okay. So for your cross-connect study, you studied four of
20 those offices --
- 21 A. Those are the --
- 22 Q. -- four Ohio offices?
- 23 A. Those are the offices where collocation has been requested.
- 24 Q. So you didn't choose them because you thought they were
25 representative of all of CBT's central offices?

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1 A. No. They were chosen because that's where collocation has
2 been requested.

3 Q. I don't think the pages are marked so this is going to take
4 me one minute.

5 Okay. Mr. Mette, I'm looking at a page in the middle of
6 this exhibit, I guess these pages are numbered, they begin 1
7 through 20 in Tab A, and then going to Tab B, I'm looking at
8 Page 2, okay?

9 A. Okay.

10 Q. And these are the cross-connect totals for the Rossmoyne,
11 Evendale and Avondale central offices, correct?

12 A. That is correct.

13 Q. One DS0 cross-connect in one of these offices would cost
14 about 48 cents; is that correct?

15 A. The DS0 cross-connect is being offered on a per hundred
16 pairs, and if you take the cost divided by 100, you get 48
17 cents.

18 Q. Okay. And a DS1 cross-connect costs \$2.24 in one of these
19 offices?

20 A. That is correct.

21 Q. And a DS3 cross-connect costs \$25.25?

22 A. That is correct.

23 Q. Now, turning to the West 7th Street office, which is set
24 forth in Tab A, and going to page -- Page 1 and 2 the same? --
25 Page 1 or 2, it doesn't matter.

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1 A DS0 cross-connect on a DS0 basis costs 64 cents; is that
2 right?

3 A. If you divide the total number there by 100, it's 64 cents,
4 yes.

5 Q. And that's roughly 30 percent more than in the other
6 offices; is that true?

7 A. Roughly, yes.

8 Q. And a DS1 cross-connect costs \$47.48, which is 20 times as
9 expensive as in the other three offices, correct?

10 A. That is correct.

11 Q. And a DS3 cross-connect costs \$53.77, which is 14 times as
12 expensive as in the other offices?

13 A. That is correct.

14 Q. So clearly there's something very different about the West
15 7th Street office, am I correct?

16 A. That is correct.

17 Q. And what is it that makes the cross-connects so much more
18 expensive in that office?

19 A. The difference about the West 7th Street building is that
20 because of the existing building, the collocation area, in order
21 to give access to that area, is -- could not be placed near the
22 CBT mainframe and CBT transport area, so the -- within that
23 building there -- in effect, almost different ends of the
24 building, and the difference between the collocation area and
25 the transport area exceeds the distance parameters on how far

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1 can you transport a DS1 and DS3 signal.

2 As a result, CBT had to put in transmission equipment in
3 order to transport the DS1s and DS3s from the collocation area
4 back to the transport area, and the cost of that equipment is
5 reflected in these numbers.

6 Q. And that's called a SONET configuration; is that true?

7 A. The equipment that is used is SONET equipment, yes.

8 Q. Do you know how long the distance is between a collocation
9 space and the main distribution frame in the West 7th Street
10 office?

11 A. I believe in a data request we indicated that 700-plus
12 feet, I don't remember exactly the feet, but it was over 700
13 feet.

14 Q. I think that's right.

15 Now, in the other offices, the cross-connect is provided on
16 copper facilities; is that correct?

17 A. The DS0 is provided on copper facilities. The DS1 and DS3,
18 I believe, are provided on coaxial facilities.

19 Q. And the SONET configuration in the West 7th uses fiber and
20 expensive electronics?

21 A. It uses fiber and electronics, yes.

22 Q. And that's -- And correct me if I'm wrong, but actually are
23 there two buildings in the West 7th Street office? I know
24 there's an older building and is there a newer building that
25 you're connecting to.

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1 A. In effect, it's one building. They built it -- two
2 buildings were built at two different times and they are kind
3 of, I guess, joined together.

4 Q. Joined together?

5 A. Yeah, so it's --

6 Q. And that's what causes the cost of the West 7th Street
7 cross-connects to be as much as 20 times more expensive than the
8 other offices, correct?

9 A. The need for that equipment is what causes the cost on West
10 7th Street to be higher, yes.

11 Q. Does a collocater have a choice on where it wants their
12 collocation cage to be located within your industrial office
13 building?

14 A. Are you asking within the collocation area if there are six
15 cages can they pick which of the six?

16 Q. No.

17 A. I didn't think so.

18 Q. Does CBT decide where it builds the collocation cages?

19 A. CBT does decide that because it has to build the cages
20 where there is space, and also to meet the needs of the
21 collocators to want to have access in and out of the buildings.
22 CBT chooses to build that space out, my understanding is we
23 don't have to build that space out if we chose not to, but CBT
24 chooses the area the best that we can find to build this space
25 out.

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1 Q. So CBT chooses it?

2 A. Yes, that is correct.

3 MS. VAN DUZER: I have -- Let's go off the record a
4 minute.

5 (Recess taken.)

6 THE EXAMINER: Back on the record.

7 Ms. Sanders.

8 MS. SANDERS: Thank you, your Honor.

9 - - -

10 CROSS-EXAMINATION

11 BY MS. SANDERS:

12 Q. Good afternoon, Mr. Mette. I'm Judi Sanders. I'm here on
13 behalf of MCI, as well as Ms. Van Duzer.

14 To begin this afternoon I'd like to just briefly discuss a
15 little bit of your testimony regarding fill factors. And you
16 have a paragraph in your supplemental testimony that was filed
17 in December of 1997 on Page 20, about the middle of the page, I
18 just have a couple questions there.

19 Your testimony there, you state that there may be a
20 competitive -- or, an impact on fill factors due to competition
21 in CBT's service territory; is that correct?

22 A. That is correct.

23 Q. And I believe you state there that as alternative -- or,
24 competitors come into the area, that CBT's facilities will
25 become less utilized; is that your testimony?

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1 A. That is correct.

2 Q. Now, just so that that bit of testimony is clear, that
3 assumes a facilities-based carrier, correct?

4 A. That is correct.

5 Q. And, indeed, it assumes that the carrier would be building
6 the loops, right?

7 A. That is correct.

8 Q. So until that time, it's likely that any kind of
9 competition in the CBT service territory would be either through
10 the resale of your services or through the leasing of loops,
11 correct, the purchase of unbundled loops or elements, correct?

12 A. Until a facilities-based competitor comes to Cincinnati, my
13 understanding is resale or purchasing of unbundled loops would
14 be the only alternative.

15 Q. And due -- You mention that -- the carrier of last resort
16 obligation here too, and I just want to be clear, are you
17 referring in a retail context, correct?

18 A. Well, retail, but also my understanding is that if a NEC
19 wanted unbundled loops, we'll have to provide them to them,
20 also.

21 Q. So it's your understanding that if a NEC required the
22 provision of a loop that wasn't currently available or
23 facilities that were not currently in place, that you would have
24 an obligation to provide those facilities under carrier of last
25 resort requirements?

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1 A. I guess I really don't know. When this was written, it was
2 written in terms of retail, so that if -- if a CBT customer went
3 to a competitor, we would still have to be ready to provide
4 service to that customer if they chose to come back to us. I am
5 not sure of the requirements on us in terms of providing
6 unbundled loops to a NEC.

7 Q. Just as a follow-up, do you think that the obligation to
8 provide facilities that aren't currently in existence might be
9 covered under interconnection agreements?

10 A. I would suspect that it is, yes.

11 Q. All right. Then in your supplemental testimony you filed
12 in September of this year, you also have a discussion of fills,
13 fill factors. And you provide in Exhibit 4 to your supplemental
14 testimony a little discussion called the impact of growth on
15 fill factors, correct? I guess we'll just go straight to
16 Exhibit 4.

17 A. Yes.

18 Q. Okay. And at Page 2 of Exhibit 4 you have two lists of --
19 or, two columns of numbers there, and those are labeled "Current
20 Fill Factor" and "Adjusted Fill Factor"; do you see those?

21 A. Yes.

22 Q. Now, the figures under the first column, they don't really
23 correspond to any fill factors that are proposed in your
24 studies, do they?

25 A. That was not the intent of that column, no.

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1 Q. Well, I guess this example has been provided to us because
2 the logic of the example could be applied to your proposed fill
3 factors; is that correct?

4 A. The reason that the exhibit was provided was that it was to
5 demonstrate that if all facilities remained static, no new
6 facilities were put in, this would identify kind of a maximum
7 increase in the fill under those assumptions. I hopefully made
8 those assumptions clear, there's a bulleted sentence on the
9 first page, but that was the purpose of the exhibit.

10 Q. And, indeed, I -- really the purpose that you provided us
11 with this little calculation was to -- was to show us that
12 growth really has a very limited impact on fill factors; is that
13 correct?

14 A. That would be one conclusion, yes.

15 Q. Okay. Well, let's step us through a little bit -- through
16 your calculation here.

17 Now, it's true that CBT has proposed a fill factor of 35
18 percent for underground copper cable, correct?

19 A. For distribution copper cable, that is correct.

20 Q. Right. Yes

21 Now, you don't have 35 percent in your column under current
22 fill, but we could just apply the math to the 35 percent,
23 couldn't we?

24 A. Yes, we could.

25 Q. Okay. And once again, if we just -- we use your 4 percent

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- 1 growth assumption here, and taking it over five years and taking
2 the mid point we would end up with a 10 percent growth rate.
3 Let's apply that -- applying that to your 35 percent fill for
4 copper distribution cable, would you agree with me that you
5 would have an adjusted fill of 38.5 percent?
- 6 A. Applying those calculations to 35 would give 38.5, yes.
- 7 Q. And those are the calculations that are on the first page
8 of the exhibit, right?
- 9 A. That is correct.
- 10 Q. Okay. Now, just so that I understand what that means, if
11 CBT had a million underground copper distribution loops and the
12 fill factor is 35 percent, then that means that 350,000 of them
13 are actually working facilities? As you describe them in your
14 exhibit.
- 15 A. That is correct.
- 16 Q. I'm sorry, I didn't hear you.
- 17 A. That is correct. I'm sorry.
- 18 Q. Okay. Now, you used 4 percent in your exhibit because
19 that's an annual growth factor; is that correct? I mean, I'm
20 sorry, it's -- it's an actual growth factor that you based on
21 historical growth in the CBT system; is that where you got that
22 number?
- 23 A. I think 4 percent was used to represent growth that's
24 comparable to what we have seen. I think the actual growth has
25 been somewhat less because I just recall the discussion

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1 yesterday in Mr. Meier's testimony where he talked about those
2 numbers over the -- I forget the time period exactly. It seemed
3 like I remember -- I don't know if Mr. Petrilla did the
4 calculations -- it came up to like 3.2 or something. But the 4
5 was just used as a -- something close to what has been
6 occurring.

7 Q. So you based the 4 percent on -- basically on the same
8 period that Mr. Meier was looking at when he was determining his
9 fill factors; is that -- is that correct?

10 A. When I did the 4 percent -- I don't want to convey today I
11 did a detailed study to come up with the 4 percent. I wanted to
12 have a number that was reasonable, and 4 percent was considered
13 reasonable, but it wasn't really based on too much detailed
14 analysis in terms of what growth has been.

15 Q. And you're using it to show us something here in your --

16 A. Yes.

17 Q. -- formula, correct?

18 Okay. Well, let's go on with that, then.

19 It's my understanding that CBT's proposed economic life for
20 underground copper distribution facilities is 15 years; is that
21 correct?

22 A. I believe that's correct, yes.

23 Q. Now, if we use the 15-year period in your equation here and
24 we assumed that there was a 4 percent annual growth as you used
25 in your equation, would you agree with me that over 15 years

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1 there would be a 60 percent growth in the working facilities,
2 using your equation?

3 A. Are you saying that if there is a growth of 4 percent a
4 year for 15 years?

5 Q. There would -- Yes. Yes. There would be a 60 percent
6 growth, multiplying 15 by 4 percent, right?

7 A. That's true; 15 by 4 percent is 60.

8 Q. Okay.

9 A. Sorry.

10 Q. That's what -- That's what your equation, right, shows us?

11 Okay. Now, let's assume that at the beginning of the
12 15-year period your fill factors for copper distribution cable
13 are 35 percent. Now, if we applied the equation on the first
14 page of your -- of your Exhibit 4 here, we would basically
15 increase the 35 percent fill factor by 60 percent, correct,
16 because that would be total growth over -- of working facilities
17 over 15 years, correct?

18 A. If one was to assume that all the -- all the growth -- Let
19 me back up a second.

20 If one was to assume that no additional facilities are put
21 in and all growth occurs where existing facilities exist and
22 customers exist, that would be the conclusion to come to. I
23 just don't believe that when you go to that length of time, it's
24 reasonable to make those assumptions. But if you make those
25 assumptions, that is the number you would get, yes.

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1 Q. Well, your -- your equation makes the assumption that
2 there's no additional growth in lines, right? I mean, it --
3 those are the assumptions that are -- that are in your equation,
4 correct?

5 A. That are the -- That is the assumption, that is correct.

6 Q. Okay. We're just working through your equation here.

7 All right. When you multiply 35 percent by 60 percent and
8 add it to the 35 percent fill factor that we started out with,
9 would you agree with me that we would come up with a 56 percent
10 fill factor at the end of 15 years?

11 A. If the growth continued at that level under all the
12 assumptions of this calculation, you would get 56 percent at the
13 end of that point in time, but it wouldn't be 56 percent over
14 the life of that plant by any means.

15 Q. Well -- Well, going back to the premise that we started
16 with, if after 15 years, if CBT still has a million lines
17 underground, distribution loops at a 56 percent fill factor,
18 there would only be 560,000 working facilities, correct, under
19 your equation?

20 A. That is correct. Under the assumptions here of no new
21 facilities, no new customers in new areas, that's what the
22 equation shows. I was just trying to clarify that the fill at
23 the end is not going to be the same number throughout the life
24 of that plant. I mean, it's not 56 at the beginning all the way
25 through; so the fill over that period of time is not 56 percent.

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1 Q. But it is --

2 A. That's just the end point of that process.

3 Q. Okay, I understand. But the high at the end of the 15
4 years of your economic life of these -- of this loop, you're --
5 the highest your fill would ever be unbundled, your equation
6 would be 56 percent, correct?

7 A. Under these assumptions, that is correct.

8 Q. So by the time the loop has been fully depreciated under
9 your proposal, all your million loops, you still would have
10 had -- you still would have had 440,000 of them never been
11 used -- having never been used under your equation?

12 A. Under all the assumptions we have been making, that -- that
13 would be the end point of that calculation, that is correct. I
14 don't want to portray that as being the real world, but those
15 are the assumptions in this example here.

16 Q. Okay. Let's shift gears here a minute, Mr. Mette. And I'd
17 like to turn to the -- to the entrance facility study.

18 And you discuss a little bit about that study on Page 21 of
19 your supplement testimony that you filed in September.

20 Now, first of all, let me just ask you this: Why don't you
21 describe briefly what entrance facilities are under the terms of
22 your study.

23 A. An entrance facility is the facility from a NEC to the
24 serving central office, that -- that facility.

25 Q. I'm sorry, I didn't hear you.

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1 A. An entrance facility is the -- the facilities from a NEC's
2 location to the NEC's serving central office, that connection,
3 providing a termination at both ends.

4 Q. And as I understand your study, the results of the study is
5 that NECs can purchase entrance facilities at various levels,
6 the DS1 level, DS3 level and higher; is that correct?

7 A. That is correct.

8 Q. Okay. And I think you told us in your testimony there that
9 an entrance facility is really more analogous to a loop
10 connection; is that correct?

11 A. I use that term to explain it's the connection from a -- a
12 NEC to a customer, so it could be called a loop in that sense
13 since it's from the NEC as a customer to their serving wire
14 center, as opposed to interoffice between central offices.

15 Q. Did you conduct -- Did you conduct the study the same way
16 that you conducted the loop study?

17 A. The un- -- The unbundled loop study which we were talking
18 about this morning for unbundled loops was for DS0 loops to end
19 user customers and we talked about the loop samples. Those
20 samples were not part of the entrance facilities since the
21 entrance facilities are typically provided on fiberoptic
22 facilities or fiber -- with electronics.

23 So the methodology is generally the same in terms of
24 identifying length of the cable, coming up with the investments
25 of the cable, applying the annual charge factors, but we didn't

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1 use the same samples that were in the unbundled loop study that
2 we talked about this morning. But the general methodology is
3 the same.

4 Q. What kind of sampling did you use to develop your study?

5 A. In the entrance facility situation, we're dealing with
6 services -- DS1, DS3 services that are typically provided to
7 customers using SONET-based equipment. So we identified the
8 SONET rings that the company has to provide those services. We
9 also looked at whether SONET rings -- and there's also
10 point-to-point type arrangements to provide those services -- so
11 we identified those rings and point-to-point circuits to come up
12 with the characteristics in terms of the amount of fiber in
13 those different scenarios when we costed them out.

14 Q. Now, you did assume SONET technology for all -- for all of
15 the scenarios that you -- that you developed in your cost study,
16 didn't you?

17 A. That is correct. It's SONET -- SONET-based electronics on
18 all of them.

19 Q. And you developed costs for the fiber portions of the
20 studies based on OC3-level SONET electronics, didn't you?

21 A. Well, there was different entrance facilities. Some were
22 OC3, some were OC12.

23 Q. I'm sorry?

24 A. There were different entrance facilities, and some were OC3
25 and some were OC12, so it wasn't all just OC3.

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1 Q. Okay. Now, the TELRIC rates that you developed for
2 entrance facilities are a flat rate, correct? Is there a
3 mileage charge for a portion of an entrance facility?

4 A. There's no distance-sensitive piece to the -- to the costs
5 that we developed.

6 Q. All right. If you would turn for a moment to your -- let's
7 look at your DS1 entrance facility study.

8 And the very first sheet is a summary page. Can you
9 describe what -- what's depicted on that page?

10 A. As your very first sheet it says "DS1 Entrance Facility
11 Summary, Ohio Weighted Cost", and there's three columns?

12 Q. Correct.

13 A. On this sheet there's three columns representing three
14 different serving methods. One column says -- The first column
15 says 1CO-2CP. "CP" is a -- stands for customer premises. The
16 second column says two central offices, two customer premises,
17 and then the third says -- stands for point to point.

18 This page lists percentages that are used to weight those
19 together, which is in the first line. The second line has
20 monthly costs for each of those scenarios. The third line is a
21 multiplication of the first and the second line. The fourth
22 line is the sum of the third line. And then the 13 percent
23 common overhead loading is added on.

24 Q. Okay. What are the -- What do the three columns represent,
25 the 1CO-2CP, et cetera? Could you describe those three

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1 scenarios for us, please?

2 A. Yes. When we provide entrance facilities and it's based on
3 a SONET structure -- I'll start on the right -- point to point
4 just covers a situation where it goes from the central office
5 direct to the customer and that's the only location where there
6 is equipment.

7 Often, however, in order to fully utilize the equipment, we
8 also will provide equipment not only in the central office, but
9 attempt to get different locations so that we can add -- add
10 services to that ring and better utilize the equipment.

11 The first two columns are dealing with those situations
12 where in one case it -- there's equipment only in one central
13 office, in the second column is where there is equipment in two
14 central offices.

15 Q. Okay. Now, what you mean -- I believe what you were just
16 telling us is that you designed your study for three scenarios,
17 one of them the point-to-point scenario, is where there is one
18 customer premises, which would be the NEC location, and the
19 central office location, correct?

20 A. Yes.

21 Q. Okay. And then moving to the left, the middle column is
22 a -- is a configuration where there would be two customer
23 premises, which would those both be NECs on that ring, or --
24 well, let me finish. -- two customer premises and two central
25 offices; correct?

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- 1 A. That is correct.
- 2 Q. Now I'll ask my next question. Would those both be NECs on
3 that ring?
- 4 A. When we did the study -- At least one of them has to be a
5 NEC location.
- 6 Q. Sure.
- 7 A. But it's possible, in order to more fully utilize the ring,
8 one of those -- the other location might be a NEC, it might not
9 be a NEC location. It could be an end user location.
- 10 Q. Okay. And then that one assumes two central offices,
11 correct?
- 12 A. That is correct.
- 13 Q. And then the -- the very last one, of course, is the same
14 thing, two customer premises, one of which has to be a NEC, and
15 one central office, correct?
- 16 A. That is correct.
- 17 Q. Okay. And you developed a cost for each scenario, and then
18 weighted them, correctly -- correct?
- 19 A. Yes.
- 20 Q. How did you develop the weighting?
- 21 A. Correctly.
- 22 (Laughter.)
- 23 (Pause.)
- 24 The study, in Tab -- it's towards the back of the study,
25 there's a Tab B and there's page numbers at the top right-hand

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- 1 column, Page 5, 6 and 7. If you look at Page 7 --
- 2 Q. I'm sorry, Tab B?
- 3 A. B as in boy.
- 4 Q. We're in the -- Oh.
- 5 A. It's -- In the DS1 it's toward the very end. Actually,
- 6 this page numbering is probably not ideal.
- 7 There's a page, it says "DS3 IXC nonSONET ring samples", it
- 8 has a "Tab B, Page 7" at the top right-hand column.
- 9 Q. Uh-huh.
- 10 A. At the bottom of that page there's DS3 SONET, DS3 non-
- 11 SONET, and then the nonSONET says .274.
- 12 Q. Okay.
- 13 A. That point -- The terminology here, SONET and nonSONET, is
- 14 a little confusing. The nonSONET is really meant to be point to
- 15 point. So that .274 is what's carried over to the point to
- 16 point on the first page. You see the 27.4 percent?
- 17 Q. Okay.
- 18 A. So that left the 72.6 percent as being a true SONET ring
- 19 scenario.
- 20 If you turn to the previous page back in the back --
- 21 Q. Page 6?
- 22 A. Yes. About in the middle of the page there's "Total 1CO,
- 23 Total 2CO or more", and you see a 68.54 and 31.46?
- 24 Q. Yes.
- 25 A. Since we accounted for 27.4 percent on Page 7 and left --

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1 had that 72.6 remaining, we applied the 68.54 to the 72.6. So
2 if you multiply 68.54 times 72.6, which is the 1CO situation,
3 you get 49.76, which shows up on the summary page at the
4 beginning of the study.

5 Q. Okay. So in a nutshell, you -- you took a look at your IXC
6 entrance facilities and basically used that information to
7 develop your model?

8 A. Yes.

9 Q. Okay. So in what way is that a forward-looking cost study?

10 A. Well, we did not have any forecast information from any --
11 NEC-specific forecast information. We knew that many of the
12 IXCs are NECs, and we use this as a surrogate to estimate what
13 we would expect the types of facilities to be used to provide
14 those services.

15 Q. Okay. And I think you told me, then, though, that in your
16 cost study you did use all fiberoptic technology, correct?

17 A. That is correct.

18 Q. And just at the OC3 and the OC12 level, we established that
19 earlier? I believe that's what you told me.

20 A. I did say that. I think when I said that, I don't know
21 that I looked back at OC entrance facilities. There's actually
22 OC48 in there which I forgot about when I gave that answer
23 before. But for DS1s and DS3s it's only OC3 and OC12.

24 Q. Okay. Let me back up a minute. I was just talking about
25 the OC -- I'm sorry, the DS1 entrance facility study is what

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1 we're looking at here.

2 Didn't you just assume OC3 --

3 A. Yes.

4 Q. -- technology for the DS1 study, right?

5 A. For the DS1 study it's solely OC3.

6 Q. Just for clarification purposes, so that everyone can
7 follow along as we finish this up, at the deposition do you
8 recall drawing me some diagrams for the three scenarios for the
9 entrance facility?

10 A. Yes, I do.

11 Q. Okay.

12 MS. SANDERS: Your Honor, I'd like to mark as MCI
13 Exhibits -- I guess we're on 12, 13 and 14, is that right?

14 EXAMINER NODES: Eleven, I believe.

15 MS. SANDERS: -- some diagrams that I'll have
16 Mr. Mette identify.

17 - - -

18 Thereupon MCI Exhibit Nos. 11, 12 and 13
19 were marked for purposes of identification.

20 - - -

21 BY MS. SANDERS:

22 Q. All right. Let's do these one at a time.

23 I'm going to hand you what I have marked for identification
24 purposes as MCI Exhibit 11. And it's a little diagram that has
25 "Pt-Pt" written down at the bottom. Could you identify that

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1 diagram for us and just give us a brief description of it?

2 A. This was a block diagram that I drew in deposition to
3 indicate what a point-to-point entrance facility would look
4 like.

5 Q. Can you identify the blocks on each side and tell us --
6 describe those pieces of electronics for me?

7 A. I'll start from the left, which is central office side.
8 The DSX1 is a digital cross-connect panel. "3/1 DCS" is 3/1
9 DCS, which is a software cross-connect piece of equipment,
10 allows test access. Then there's another DSX1. The FLM is
11 the -- if we were talking DS1 only, that would be a FLM-150
12 multiplexer.

13 Up until we got to the FLM multiplexer, everything was at
14 an electrical level. The FLM equipment converts the electrical
15 signal to an optical signal.

16 So going to the right of the FLM equipment is fiberoptic
17 cable, which terminates in the LGX panel, which is a fiber
18 cross-connect piece of equipment.

19 We -- At that point we're still in the central office. We
20 leave the central office on fiberoptic cable and there's four
21 lines drawn there because there would be four cables.

22 When we get to the customer premises, we again terminate in
23 an LGX panel and we kind of reverse the process. We also
24 terminate into an OC3 multiplexer if this was a DS1 entrance
25 facility, and out of there it terminates at an optical level

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1 into a DSX1 cross-connect panel.

2 Q. Okay. I think I'll shorten my walking back and forth. I'm
3 going to give you two more diagrams that I have marked for
4 identification purposes as MCI 12 and 13. MCI Exhibit 12 has
5 jotted down at the bottom "1CO-2CP", MCI Exhibit 13 has jotted
6 down at the bottom "2CO-2CP".

7 All right. You can go ahead, Mr. Mette. Why don't you
8 start with Exhibit 12 and give us a brief description, and why
9 don't you tell us -- describe what you're showing in this
10 diagram.

11 A. The intent of this diagram -- Actually, the intent of all
12 three of these was to depict the three different scenarios for
13 the entrance facilities.

14 Q. And just for clarification purposes, those are the three
15 scenarios that we just talked about in the -- on the sheet of
16 the DS1 entrance facility, just for demonstration purposes,
17 correct?

18 A. That is correct.

19 Q. Okay.

20 A. Do you want me to talk through the piece parts on here?

21 Q. You don't have to go through each piece part. Could I --
22 Could we summarize -- Well, why don't you describe both 12 and
23 13.

24 A. Okay.

25 Q. Just briefly.

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1 A. Twelve and 13 show -- Well, 12 shows one central office,
2 two customer premises; 13 is two central office, two customer
3 premises. And in both of those it depicts the equipment that is
4 in the central office where the entrance facility terminates.

5 And you have the same type of equipment that I explained
6 with the point to point with the DSX1, the 3/1 DCS, the DSX1,
7 the FLM multiplexer and the LGX. And you have the same
8 equipment which would be at the NEC location where you have the
9 LGX, the FLM and the DSX.

10 Since this -- these two rings also have equipment in other
11 locations, those are also depicted on these diagrams with the
12 FLM and the LGX.

13 I just want to point out that in the Exhibit 12, we must
14 have been having some discussion at the time about collocation,
15 so there's some diagram at the bottom of there where it says
16 "Cage" and "DSX1", that really doesn't relate to the entrance
17 facility but probably was drawn just because of our discussions
18 at the time.

19 Q. Thank you. All right. Now, so basically just to
20 summarize, what you did in your cost study was you calculated
21 the costs associated with each of the three scenarios, and then
22 you averaged those costs together to determine a flat rate for
23 the DSX entrance facility, correct?

24 A. That is correct.

25 Q. A flat cost. And then you grossed it up for common costs

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1 to come up with the --

2 A. That's correct.

3 Q. -- price?

4 Okay. Now, I think we can see from the three columns on
5 this summary page there that the -- and as is obvious from your
6 cost study, that the more locations on the ring, the higher the
7 monthly cost per DS1; is that correct?

8 A. The way the cost study was developed, the cost per DS1 is
9 higher on the one central office, two customer premises, than
10 the point to point, and the 2CO-two customer premises is higher
11 there also.

12 Q. It's the highest one of all, isn't it?

13 A. Yes.

14 Q. Tell me again why you included the ring technology with
15 more than -- or, the ring configuration with more than the two
16 locations on it, more than point to point; why did you include
17 the other two scenarios in your cost study?

18 A. The reason I include that is that is the serving
19 methodology that is used more frequently, and it's used for a
20 couple reasons. One is customers often want that type of
21 arrangement because it provides greater security for their
22 traffic.

23 The one thing I didn't point out about the point to point
24 is that there is no route diversity on the cable. So if somehow
25 somebody cuts through that cable, although it is SONET

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1 equipment, the service is dead; whereas on the other two
2 scenarios, since it is a ring configuration, there is diversity
3 in those configurations and that is what -- primarily IXC
4 customers want that because their customers are getting to them
5 over that and it would be -- it would be critical for them to
6 keep service up all the time. So the expectation is that is
7 what customers will want on a go-forward basis.

8 The study -- The way the study was done, we used an average
9 fill factor across all three scenarios. We didn't have
10 additional information that would indicate utilization of one
11 serving technology versus the other.

12 The reason I --

13 Q. Go ahead. I'm sorry.

14 A. The reason I want to point that out is that the multiple --
15 the multiple location scenarios are used because that increases
16 the utilization of that equipment.

17 The study as we performed it using an average doesn't
18 convey that, but I just wanted to convey that that was really
19 the reason you do that, because you want to better utilize the
20 equipment, and that's what those scenarios attempt to do.

21 Q. But by better utilizing your equipment, as you say, you're
22 increasing the costs to the -- the customer on the ring, are you
23 not, using your configuration of the two -- the two rings?

24 A. What I wished I would have been able to do would have been
25 to get information on utilization of point to point versus the

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1 other scenarios. My expectation is the utilization of the other
2 scenarios would have been higher than the point to point because
3 point to point is only going to one location.

4 And I think if I would have had that information, it would
5 have showed -- I can't -- I really can't predict how drastic it
6 would have changed the relationship between these numbers, but I
7 think it would have changed the relationship to depict that a
8 higher utilization of the equipment would lower the cost.

9 Q. Well, so are you talking about that there would -- you're
10 thinking that there might have been higher fill factors, is that
11 what you're talking about, higher utilization factors on the --
12 the ring scenarios rather than the point-to-point scenarios; is
13 that what you just told me?

14 A. That's what I would expect or --

15 Q. Okay. What fill factors did you use for the purposes of
16 the entrance facility study?

17 A. We used a 70 percent fill factor for the electronics.

18 Q. And where did that come from?

19 A. We had obtained information from our engineering department
20 about the utilization of our SONET rings. We had that
21 information at a -- both an OC3 and an OC12 level. The
22 utilization of those rings was approximately 50 percent.

23 From discussions with our engineers and with our marketing
24 people, the expectation was that that would not be what would be
25 expected over the life of that equipment. I recall the

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1 discussions more in an OC3 context because they're thinking of
2 three DS3s, and their expectation was that over the life that at
3 least two DS3s -- I'm sorry, DS1s, I should say -- DS3s, I was
4 correct the first time -- the expectation was that at least two
5 would be utilized, which would be two-thirds or 67 percent. For
6 purposes of these studies we just basically rounded to 67 to 70
7 percent in these calculations.

8 Q. Would it have been more cost effective for you to use, say,
9 a DC3-level fiber rather than the OC -- OC3 since these are DS1
10 circuits that are being ordered? Would it have been cheaper on
11 a per-DS1 basis?

12 A. I'm sorry, I don't -- I'm not sure I understand what you
13 mean by use a -- a DS3.

14 Q. Never mind. Back up. I'm sorry, I went the wrong way.
15 If you had used a higher ring technology, would it have
16 been cheaper for DS1?

17 A. I wouldn't expect it to because that's where, yes, if you
18 take the -- I'll take an OC48, I'll go to that extreme, an OC48
19 has more capacity than, say, an OC3. So if you take the total
20 cost of an OC48, which is going to be much higher than the cost
21 of an OC3, I would expect on a per-DS1 basis, just dividing by
22 the number of DS1s, you would get a closer number. But if you
23 don't have the demand there to utilize all that capacity, you're
24 going to be -- end up having a higher cost per DS1 for the DS1s
25 that are actually utilized.

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- 1 Q. Okay. So for a higher level, it would be a question of
2 utilization, is that what you just told me?
- 3 A. That is correct.
- 4 Q. Now let's go back to our three scenarios. Would it have
5 been possible for you to have costed out a -- just a
6 point-to-point entrance facility separately and a ring scenario
7 separately, and offer NECs a choice?
- 8 A. I mean, we did cost them out separately here.
- 9 Q. No, but I mean then you averaged them together.
- 10 A. Right.
- 11 Q. Instead of averaging them, could you have -- could you have
12 established two sets of prices?
- 13 A. Two separate costs could have been developed just -- I
14 mean, just from looking at the point to point or the ring. I
15 believe because of the expectation and what customers are asking
16 us for, that they want the diversity, we chose to come up with a
17 single rate.
- 18 Q. Well, on the diversity issue, you could add diversity to
19 the point-to-point scenario by just creating a ring between the
20 two nodes, couldn't you, or between the two locations?
- 21 A. There's different ways diversity could be added. It could
22 be added by providing cable diversity also.
- 23 Q. So that could have been added into the separate study and
24 charge for the point-to-point scenario, correct? If a customer
25 wanted diversity, that could be --

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- 1 A. If a customer wanted to require us to provide diversity, I
2 would expect that there would have to be some additional charges
3 to cover that case relative to a point-to-point scenario.
- 4 Q. But you still would not have all the additional electronics
5 for the other points on -- included in the costing of the
6 point-to-point scenario, right, if you only had the two points?
- 7 A. Well, if you were going to make it diverse, you've then
8 added electronics to make it diverse.
- 9 Q. At the two points?
- 10 A. Well, there's going to have to be more points if you're
11 adding something someplace else, then, to make it diverse.
- 12 Maybe I'm not understanding.
- 13 Q. Well, I thought we had established that you could make a
14 point-to-point scenario entrance facility diverse by just making
15 a ring between the two -- those two locations, correct?
- 16 A. I'm sorry, so --
- 17 Q. Assuming that for the purpose of your cost study, anyway,
18 that's one way that diversity could be provided to a customer,
19 correct?
- 20 A. If you're saying could we -- could a customer request us to
21 install fiber to make sure that the point-to-point scenario had
22 two diverse routes --
- 23 Q. Yes.
- 24 A. -- that would be additional cost that's not included here.
- 25 Q. Okay. I understand.

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1 And I -- In your last answer, would those additional costs
2 include additional electronics, is that what you're telling me?

3 A. The example I portrayed was a -- just a situation where we
4 make the cable facilities diverse but we don't include
5 electronics on that --

6 Q. Okay.

7 A. -- situation.

8 Q. Now, you didn't develop your entrance facility study by
9 rate band, did you?

10 A. No, we did not.

11 Q. Could it have been done by rate band?

12 A. The reason it was done this way is we did not see any --
13 for the foreseeable future, have not seen any -- or, expect any
14 demand for entrance facilities, say, in the Band 3 offices.
15 Everything that we're seeing would expect the NECs to be located
16 in our Band 1 locations.

17 Q. So that was just an assumption that you made in your study
18 that -- not to -- not to look at the costs separately by band
19 because there would be little demand in the Band 3 area; is that
20 what you're saying?

21 A. Today we have no entrance facility interexchange carriers
22 in Band 2 or Band 3 either, and there was no basis to come up
23 with some estimate of those costs because there's no demand for
24 that today either.

25 Q. All right. I think we'll move on to your next study, which

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1 is the interoffice transport study.

2 And as I understand it, you developed -- the purpose of the
3 interoffice transport study is to develop a charge for unbundled
4 interoffice transport paths between two CBT wire centers,
5 correct?

6 A. That is correct.

7 Q. And as I understand it, these transport paths can be
8 ordered at -- once again, at various levels of transmission
9 capacity, and such as the DS0 level, the DS1 level, DS3 level,
10 et cetera, up to the OC48 level, correct?

11 A. That is correct. The only thing I want to clarify is the
12 DS0 level interoffice transport was really only provided for the
13 loop transport combination. I don't believe there is an ability
14 to order DS0 transport independent of that combination.

15 Q. Okay. Now, for each of the studies that you performed,
16 there are two recurring rate elements, correct?

17 A. I'm assuming you're referring to there is a fixed --

18 Q. Yes.

19 A. -- recurring charge and then there's a per mile. It's -- I
20 just want to clarify that the fixed is calculated by band, so
21 there's -- there's three different fixed charges but only one
22 would apply for a given circuit.

23 Q. Right. You didn't develop the mileage charge by band, as I
24 understand it.

25 A. That is correct.

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- 1 Q. And the mileage-sensitive charge covers the costs of the
2 outside plant -- the interoffice outside plant facilities, and
3 that would be the fiberoptic cable and the support structures of
4 poles and conduits; is that --
- 5 A. That --
- 6 Q. -- right?
- 7 A. That is correct.
- 8 Q. Okay. And then the second fixed charge is the transmission
9 equipment charges?
- 10 A. That is correct.
- 11 Q. Your electronics.
- 12 A. All the electronics in the various offices, that is
13 correct.
- 14 Q. Now, to perform this study, you assumed that CBT's
15 interoffice network is constructed on a forward-looking, least
16 cost technology basis, correct?
- 17 A. That is correct.
- 18 Q. And for the purposes of this study, that meant that you
19 used fiberoptic transmission equipment and SONET rings, right?
- 20 A. That is correct.
- 21 Q. Now, in your studies you actually provided an inventory of
22 all of the actual circuits that are in CBT's actual interoffice
23 network; is that correct?
- 24 A. The DS1s and DS3s, that's correct.
- 25 Q. Okay. But those circuits are not all provided over SONET

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1 rings, correct?

2 A. Today's interoffice network is not all SONET based.

3 Q. So -- I'm sorry.

4 A. Today's interoffice network is not all SONET based.

5 Q. Okay. So the redesign of the interoffice network that you
6 did, it doesn't reflect CBT's actual network, right?

7 A. No, it does not.

8 Q. Okay. And in developing this interoffice transport study,
9 I assume that you were guided by some of the TELRIC principles
10 that you and Ms. Van Duzer went over this morning -- early this
11 morning; is that a safe assumption?

12 A. Safe assumption.

13 Q. Okay. For example, the two that I'm -- there's a couple
14 that I'm interested in here.

15 For example, can I assume that one of the TELRIC principles
16 that guided you during your development of this cost study was
17 that the increment that forms the basis for a TELRIC study shall
18 be the entire quantity of the network provided?

19 A. That is --

20 Q. Network -- I'm sorry, I left a word out. Network element
21 provided.

22 A. That is correct.

23 Q. Okay. And I think one of the other basic principles in
24 conducting a TELRIC study was that the TELRIC costs should be
25 measured based on the most efficient telecommunications

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1 technology currently available and the lowest cost network
2 configuration given the existing location of CBT's wire centers?

3 A. That is correct.

4 Q. Okay. So at a minimum, when the Commission reviews your
5 interoffice transport study to see if it's compliant with TELRIC
6 principles, it should determine that the redesigned network that
7 you have created accommodates the total usage on CBT's
8 interoffice network and that your redesign of the network
9 facilities reflects a least cost, most efficient network
10 configuration, correct?

11 THE WITNESS: Can I have it again? I'm sorry.

12 MS. SANDERS: Better read it back.

13 (Question read back as requested.)

14 THE WITNESS: I apologize to answer this way. I
15 believe that our study is that way. I don't know what I should
16 say at a minimum the Commission should do. But I believe that
17 our study does meet those two things.

18 BY MS. SANDERS:

19 Q. Those were the principles that guided you in creating your
20 study; is that -- is that what you're telling me?

21 A. Well, those are two of the things that our study is
22 consistent with. There's a lot of things to this study besides
23 just those two things, but yes.

24 Q. I understand. But you would agree that those two are ones
25 that you had in mind when you redesigned your interoffice

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1 transport network, correct?

2 A. Yes.

3 Q. Okay. Now, let me just ask you a few background questions
4 about your interoffice study.

5 Now, you personally conducted this study and remodelled
6 CBT's interoffice network, didn't you?

7 A. I didn't personally remodel our entire network. I mean,
8 there was --

9 Q. Go ahead.

10 A. -- a person in my organization who worked on this study, we
11 also worked with the engineers to deal with situations where
12 SONET equipment didn't exist. We got that input from them. So
13 I didn't personally remodel that.

14 Q. Okay. What I meant by "personally" was you and the folks
15 at CBT created and designed this cost study, did you not?

16 A. That is correct.

17 Q. Okay. And as you indicated, this involved redesigning
18 facilities for hundreds of circuits, didn't it?

19 A. The design of the network isn't really done at a circuit
20 level. I mean, the design of the network, as I have explained
21 here, is there is a sector/node concept where offices home in on
22 node offices and then there's a network to interconnect the node
23 offices. So there really wasn't a circuit-level redesign of the
24 network.

25 Q. What I meant by "redesign the network", you assumed all

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- 1 SONET technology, correct?
- 2 A. That is correct.
- 3 Q. Okay. You left the wire centers in place, correct?
- 4 A. That is correct.
- 5 Q. And then you made some decisions about the ring technology,
- 6 the SONET ring technology and where that would be in your new
- 7 interoffice network --
- 8 A. That is correct.
- 9 Q. -- correct?
- 10 Okay. So that's a lot of work?
- 11 A. That is correct.
- 12 Q. And, I mean, you have -- I think you established this
- 13 morning you have 50 central offices?
- 14 A. I think it's approximately 56 in the total company.
- 15 Q. And just for clarification purposes, so everybody can
- 16 follow along, I believe at the very back of your interoffice
- 17 studies, and maybe you could direct me there, you have a map of
- 18 your network locations --
- 19 A. (Indicating).
- 20 Q. -- showing where your central office -- Thank you. Yes.
- 21 A. Yes.
- 22 Q. Does that give us an idea of where -- how you designed the
- 23 network; I mean, what you were using to design your network?
- 24 A. Yes. This -- This map shows our sector/node relationships.
- 25 In this picture that the -- the boxes, for instance, in the top

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1 left-hand corner there's a box with a "HM" in it which stands
2 for the Hamilton central office. Those boxes are the node
3 offices. Around the node offices there's two -- two-digit
4 indications of the offices that are sector offices off of that
5 node.

6 So, for instance, there's a "SM" above the "HM" box which
7 means that the Seven Mile office homes in on the Hamilton
8 office, and the rest of this diagram is basically indicating the
9 same thing for all of the offices.

10 This is a total company map, it's more than just Ohio in
11 this picture.

12 Q. I think we indicated this morning that the 50 central
13 offices that you had were -- included Kentucky.

14 A. That is correct.

15 Q. Now, how long did it take you to complete the task --

16 MR. HART: Just a minute. I want to give the
17 Attorney-Examiner a copy.

18 MS. SANDERS: I wanted to do that. I may be finished,
19 but I have one here. Your Honor.

20 THE EXAMINER: Is this the only document you're going
21 to use out of the study?

22 MS. SANDERS: I may refer to -- Does he have the whole
23 study?

24 THE EXAMINER: Yes. Thank you.

25 BY MS. SANDERS:

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1 Q. I think I had asked you how long it took you to do the
2 study.

3 A. I believe the study was filed in the middle of October with
4 the Commission. I believe the study was started probably in
5 the -- sometime in the summer. I can't remember exactly when it
6 was started. A lot of the underlying support to the study, like
7 the investments on the SONET equipment, et cetera, had already
8 existed from previous work in other studies. So there's a lot
9 of things that support it that maybe didn't get done when the
10 final study was done; but I would say it was probably sometime
11 in the summer to the October time frame to get all of the study
12 done.

13 Q. And you constructed the Excel spreadsheets that calculate
14 the TELRIC cost in the study, didn't you?

15 A. I played a large part in the construction of those
16 spreadsheets, yes.

17 Q. Okay. And just as -- just to familiarize myself, I believe
18 you testified you're not an engineer, are you?

19 A. I don't have an engineering degree, no.

20 Q. And have you ever actually worked as an engineer, designing
21 SONET rings or any other interoffice facilities?

22 A. When you use the term "designing SONET rings", I think of
23 that as designing the equipment in terms of what goes in the
24 equipment, where -- where to place the equipment, et cetera. I
25 have not done that, no.

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- 1 Q. And you've never actually worked in a central office as an
2 engineer, have you?
- 3 A. No, I have not.
- 4 Q. And I -- And I think you also indicated earlier during
5 cross-exam that you're not an economist, correct?
- 6 A. Do not have an economics degree, that is correct.
- 7 Q. Okay. Now, Cincinnati Bell's interoffice network
8 accommodates a variety of different types of traffic and
9 services, doesn't it?
- 10 A. That is correct.
- 11 Q. For example, CBT uses its interoffice network to transport
12 access traffic and local traffic for its own end user customers
13 as well as the dedicated transport traffic that we're talking
14 about in this study, correct?
- 15 A. I believe today Cincinnati's existing network probably
16 doesn't have -- I really don't know if it's got any dedicated
17 traffic for NECs today. It may, but --
- 18 Q. Right.
- 19 A. -- but the other traffic that you mentioned is carried on
20 our network.
- 21 Q. The actual network has --
- 22 A. Yes.
- 23 Q. -- all different kinds of traffic; you would agree with
24 that?
- 25 A. Yes.

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1 Q. So when you redesign the interoffice network, shouldn't it
2 have economies of scale that reflect the combined usage of all
3 those different types of services that are -- that are used in
4 the network?

5 A. Yes.

6 Q. So what's the total call volume that you used when you
7 redesigned your interoffice network?

8 A. I need to back up to clarify the term "redesign".

9 We did not -- I did not take -- I did not design a network
10 independent of CBT's engineers. We worked with CBT's engineers
11 to identify how our network will be designed on a SONET -- on a
12 SONET basis, a hundred percent fiber, what rings would be needed
13 to carry that traffic. They provided that information to me in
14 terms of all the different SONET rings that would be needed to
15 carry that traffic. So the designing of that -- those rings,
16 et cetera, was performed by an engineer.

17 What we did in the study was we -- I'm sorry, let me back
18 up a second.

19 Once we had those rings designed, we then have, in effect,
20 I'll say routing rules that say given two offices on this
21 network, how do we get from Point A to Point Z in this network?

22 That -- Those routing rules are also designed by the
23 engineering. The spreadsheets that we created, in effect, take
24 those routing rules and incorporate them into -- I lost my train
25 of thought.

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1 The spreadsheets, in effect, incorporate those routing
2 rules so that if you're given a circuit, it gives a means to
3 cost out that circuit under those routing rules and that
4 network.

5 The spreadsheet then looks at all of the DS -- DS1s, for
6 instance, to cost those out and weight those together by band.

7 Q. Okay. But a couple of questions.

8 First of all, the engineers who provided input in helping
9 you redesign the network, was -- is Mr. Meier one of those
10 engineers who --

11 A. No, he was not.

12 Q. Were anyone -- I mean, do you know who they were or have
13 they been identified?

14 A. I know who they were, I don't know if they've been
15 identified in this proceeding.

16 Q. Okay. Now let's back up a minute. I think you described
17 for me the steps that the engineers went through to take the
18 existing routes and the existing circuits and redesign them into
19 a SONET ring technology. But my question was: What -- In
20 deciding the ring technology and the routing between the hubs,
21 what call volume did you use?

22 A. I did not --

23 Q. Or did they use?

24 A. I did not have a call volume, just to clarify.

25 Q. Okay.

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1 A. When the engineers design the network, they look at the
2 total demand for all services for the -- you know, the different
3 services that you mentioned. Some are dedicated, some have
4 switched. And they designed the rings to meet that demand.

5 Q. Well, how --

6 A. I don't -- I don't know that they look at a call volume,
7 per se, because there are switched -- switch and trunk
8 interoffice engineers who look at the traffic and identify
9 what -- the number of trunks that are required to transport the
10 traffic. They -- They do that analysis using traffic
11 engineering theory to come up with the amount of trunks and,
12 therefore, that, in effect, will determine whether you -- if you
13 had a small number of trunks, you're probably going to be in a
14 smaller speed system, if you have a higher number of trunks you
15 put in a higher speed system.

16 That is the work that they did in coming up with the -- the
17 SONET rings for the study.

18 Q. Let me make sure I understand your answer. Did you and the
19 engineers look at the circuits and the trunks, in other words
20 the number of lines that are there in the network now, or did
21 you look at the volume of calls? I'm a little confused by your
22 answer, what you told me.

23 A. Well, I think interoffice network design is not -- Although
24 number of calls -- number of calls determines trunks, an
25 interoffice engineer works in terms of trunks rather than I

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1 think in terms of calls.

2 Q. Okay. So I guess if I understand your answer, there is
3 nowhere that I could find in these cost studies a call volume
4 for the usage on the -- on the interoffice network, correct?

5 A. Not in these dedicated studies, no.

6 Q. Okay. Now, you applied certain fill factors for the
7 electronics and the fiber facilities in the interoffice studies,
8 didn't you?

9 A. That is correct.

10 Q. And I believe that for all of them you assumed a 70 percent
11 fill on a variety of the FLM equipment, correct?

12 A. That is correct.

13 Q. Okay. Now, once again, and you may have already told me
14 this, but where did you get the 70 percent fill factor for the
15 electronics?

16 Q. Again, we worked with our engineers. We had information on
17 SONET ring utilization. Based on that utilization, and I don't
18 recall -- I know in the entrance facilities I talked to about 50
19 percent. In this situation, I don't recall an interoffice
20 number, but from discussing with them over the life of the
21 equipment, their input to me was that a 70 percent electronics
22 utilization on the interoffice was appropriate on a
23 forward-going basis.

24 Q. Okay. So, in other words, the engineers basically gave you
25 the fill factors to -- the 70 percent fill factors in the study?

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1 A. It was in consultation with them, yes.

2 Q. Okay. And as I understand it, that engineer wasn't
3 Mr. Meier, correct?

4 A. That is correct.

5 Q. If you had assumed a higher fill factor on these pieces of
6 equipment, it would have corresponded to a larger number of DS0s
7 that the equipment could accommodate, correct?

8 THE WITNESS: Can I hear the end of that question?

9 (Question read back as requested.)

10 THE WITNESS: You used the term "accommodate". The
11 DS0s that the equipment can accommodate is not really related to
12 the fill factor.

13 BY MS. SANDERS:

14 Q. Why not?

15 A. Well, the DS0s that the equipment can accommodate is
16 determined by the equipment. I mean, I'm interpreting
17 "accommodate" in terms of how much capacity does the equipment
18 have, and that's not determined by fill factor.

19 Q. Well, I -- doesn't a 70 percent fill factor assume that
20 only 70 percent of the equipment is being used?

21 A. That is correct.

22 Q. So if it were an 80 percent fill factor, there would be
23 more usage of that equipment, right?

24 A. That's correct. But when you used the term "accommodate",
25 that sounded like a capacity to me of the equipment, and the

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- 1 capacity of the equipment is not determined by the fill factor.
2 Q. Okay. Right. The capacity of the equipment is set by the
3 manufacturer, right?
4 A. Yes.
5 Q. Okay. So there is a certain -- at a hundred percent fill
6 factor, the whole thing is filled up, all the DS0s that it can
7 accommodate are there, right; that's what you're saying?
8 A. At a hundred percent utilization, it's being --
9 Q. All the capacity --
10 A. All the capacity is being utilized.
11 Q. Right.
12 A. Typically in this equipment, they probably don't think at a
13 DS0 level, but at a hundred percent utilization, say at a DS3,
14 it has been full -- it is being fully utilized.
15 Q. Okay. So it's a simple concept that the higher the fill
16 factor, the more DS0s or DS3s are being -- slots are being
17 utilized in that electronic equipment, correct, until you get to
18 the total capacity in the equipment, right?
19 A. The higher fill factor implies a higher utilization of
20 equipment, yes.
21 Q. Okay. I think we agree on that.
22 A. Yeah.
23 Q. And a higher fill factor and a higher utilization of the
24 equipment would -- on a particular ring could potentially
25 correspond to a larger volume of traffic that could be

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1 transported over the particular ring, correct?

2 A. In order to get a higher fill factor, there would have to
3 be a higher volume of traffic or circuits over that ring, that's
4 correct.

5 Q. Okay. Well, I thing that gets me to my question. If you
6 assume a higher -- with -- Let me back up a minute.

7 How can -- I think we've established that nowhere in the
8 cost study can we find the total volume of calls that were used
9 to make the assumptions to design this interoffice network,
10 correct?

11 A. That's correct.

12 Q. Okay. So if we don't have the call volume, how can we
13 determine that the specific fill factors that you used
14 correspond to the total volume of traffic that's supposed to be
15 accommodated under your cost studies?

16 THE WITNESS: Can I hear that again? I'm sorry.

17 (Question read back as requested.)

18 THE WITNESS: I'm struggling with taking call volume
19 to fill factor because call volume --

20 BY MS. SANDERS:

21 Q. Let me put it this way.

22 A. Okay.

23 Q. Without the call volume, haven't you allowed your 70
24 percent fill factor to drive the utilization of the interoffice
25 network? Because you don't know how many calls you're trying to

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1 accommodate.

2 A. The network that is designed by the engineers is designed
3 to accommodate our interoffice traffic needs. And that
4 interoffice traffic needs is driven by numerous things;
5 interoffice trunks for calls, as well as interoffice transport
6 for private line circuits for end users or interoffice transport
7 for special access for carriers, all of that drives interoffice
8 demand.

9 Q. Right. And so does switched traffic and long-distance
10 traffic, right, access traffic as well?

11 A. Right.

12 Q. So --

13 A. Which I would include in the interoffice trunk, that's --
14 yes.

15 Q. Okay. And what you basically took into consideration in
16 your study are the number of lines, circuits, trunks in your --
17 in your -- that are in your network right now, correct, but not
18 the call volume?

19 A. The call volume drives the trunks. The engineers look at
20 the need for interoffice trunks.

21 Q. Right. But without knowing the call volume, how could you
22 derive your fill factor?

23 A. The fill factor represents a utilization in terms of
24 circuits. And I'll use the term "circuit" and "trunk" kind of
25 synonymously in a sense. An interoffice trunk is a circuit.

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1 Call volume -- Calling traffic, be it local, long distance,
2 access, through traffic engineering an engineer turns that into
3 trunks. Once they've turned that into trunks or circuits, that
4 determines the -- the network that's needed in terms of what
5 type of equipment meets that number of trunks or circuits.

6 Q. Right. And you took the number of trunks or circuits and
7 then you redesigned the network, correct, using those trunks,
8 circuits, the information that you had from your engineers,
9 correct?

10 A. I did -- Again, I did not redesign the network.

11 Q. All right. When I say "redesign the network", you used
12 SONET ring technology, fiberoptic transmission -- electronics
13 and you design rings, that's how you redesign the network,
14 right?

15 A. Yes.

16 Q. Just one more time. The engineers that created the deal
17 with trunks and circuits and creating the network as it exists,
18 they know the call volumes, correct, and that's -- which
19 translates into trunks and circuits?

20 A. The engineers would work with that data to decide the
21 amount of trunks that would be needed. That analysis is done at
22 a end-point-to-end-point -- that's an end-point-to-end-point
23 analysis.

24 Just knowing total call volume doesn't allow anyone to
25 calculate total trunks because you need to look at, for all

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1 these combinations, the traffic that is going from Point A to
2 Point Z. That's how the trunking is designed at that level.

3 Q. So you -- And you took that information, then, from the
4 engineers, used it in your cost study and assigned a fill factor
5 to it?

6 A. From the engineers, I obtained the SONET rings that would
7 be needed for this network, and from those SONET rings unit
8 costs were calculated at a per-DS1, per-DS3, per-DS0 level, and
9 in those calculations fill factors were ultimately applied to
10 come up with the final cost.

11 Q. Okay. One more time then, and maybe we'll leave this. I
12 think what you're telling me is the engineers took their
13 information that they had about their trunks and circuits and
14 they redesigned it into SONET rings and gave you that
15 information and you put it in your cost study, and in the
16 process of developing the costs of the network that they had
17 recon- -- redesigned, you added the fill factor as part of your
18 study, correct?

19 A. The fill factor calculation is on my end of the process,
20 that is correct.

21 Q. And the call volume started out at their end of the process
22 and it's not in this cost study, correct? That's all I'm asking
23 you.

24 A. That is correct.

25 THE EXAMINER: Let's go off the record a minute.

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1 (Recess taken.)

2 THE EXAMINER: Back on the record.

3 Ms. Sanders.

4 MS. SANDERS: Thank you, your Honor.

5 BY MS. SANDERS:

6 Q. All right. Now, let's go back to the TELRIC principles
7 that we discussed a little bit earlier in our discussion today.
8 And I believe that one of the -- one of them that we talked
9 about was designing the -- your interoffice network in a lowest
10 or at least a least cost network configuration. Is that one you
11 would agree you used in your study?

12 A. Yes.

13 Q. Let's see how that works out. Now, I already had you
14 identify the network map that was in the back of your study.
15 We'll stick with the DS1 map.

16 MS. SANDERS: Your Honor, have you a copy of that?

17 THE EXAMINER: Yes.

18 BY MS. SANDERS:

19 Q. Now, what I'd like to do is take a look at the central
20 office marked AV, I think that's Avalon -- Is that not right?

21 (Laughter.)

22 A. It's Avondale.

23 Mr. Ankum.

24 Q. Is that where I got that?

25 Evendale is "EV" at the top?

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1 MR. HART: No, it's Evelyn.

2 (Laughter.)

3 BY MS. SANDERS:

4 Q. Okay. And over to the right of your map there you have a
5 central office that's marked "RO", and that's Rossmoyne?

6 A. That's correct.

7 Q. What I would like to do is take a call that would -- or
8 traffic that would go from Avondale, AV, to Rossmoyne, which
9 would be RO. And those two central offices are not directly
10 connected, are they?

11 A. Those two central offices are node offices. One thing we
12 did not talk about when we talked about this map, is that there
13 are hub offices which are Evendale and West 7th Street, and all
14 inter-node traffic goes through Evendale or West 7th Street.

15 Q. Okay. And that was going done my next question. The call
16 that I'm talking about then, or the traffic I'm talking about
17 that would go from Avondale to Rossmoyne would -- can you show
18 me the two paths that it would take?

19 A. I just want to clarify that the discussion here is we're
20 talking about dedicated circuits?

21 Q. Right.

22 A. Because calls don't necessarily route this way because
23 you've got a switching hierarchy.

24 Q. Right. I'm talking about dedicated circuit. The traffic
25 could go in two different directions to the Rossmoyne office,

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1 could it not?

2 A. A circuit from -- We're going from Avondale to Rossmoyne?

3 Q. Correct.

4 A. One circuit will only go one way, and -- but there are
5 different options on how that circuit will be provisioned. To
6 go from Avondale to Rossmoyne, as I indicated, all of the
7 inter-node connections are made through a hub office. The hub
8 offices are Evendale and West 7th Street.

9 Q. West 7th Street is the "WS" box?

10 A. That's correct.

11 Q. And Evendale is the "EV" box?

12 A. That is correct. So the circuit will go from Avondale --
13 I'm sorry. The circuit could go two ways; one would be from
14 Avondale to West 7th Street and then to Rossmoyne, or the
15 circuit could be designed to go from Avondale to Evendale and
16 then to Rossmoyne.

17 Q. All right. And in your cost study, could you tell me what
18 the -- what the cost would be for the circuit going from
19 Avondale to Evendale to Rossmoyne?

20 Maybe we need to do this on the board. Maybe we could put
21 this up on the board, it would be easier.

22 (Discussion off the record.)

23 THE WITNESS: I'm going to just depict the geography a
24 little different, maybe it will make it a little easier, I'll
25 just do it like this (drawing).

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1 So the two routes are -- There's a hub office,
2 Evendale, and West 7th Street. So a circuit could go from
3 Avondale to Evendale and Evendale to Rossmoyne, or Avondale to
4 West 7th Street and West 7th Street to Rossmoyne.

5 THE EXAMINER: When you say those are hub offices, are
6 those like separate -- they are tandem switches, separate
7 tandems?

8 THE WITNESS: All of the circuits we're talking about
9 here are dedicated so none of these circuits are, for purposes
10 of this, are touching a switch. There are switches in these
11 offices.

12 What this design is based on is that there are kind of
13 sector areas where all of these offices out here home to this
14 node office, same here, same here, et cetera. So when the
15 engineers designed this network, they designed this sector node
16 relationship.

17 Once they have that relationship, then the issue is
18 how do you get from a node to another node. And you can think
19 of, well, you could have -- you could conceivably just create
20 all possible combinations between the nodes, but that's not a
21 very efficient thing to do.

22 What the design is it creates hub offices, two offices
23 here (indicating), so that primarily because you didn't want to
24 route all the traffic into one central office and back out
25 because if there was a catastrophe in that single office your

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1 entire network just went down the tubes, so the design was to
2 create two of these offices so that traffic gets split between
3 those two offices to route either this way or that way
4 (indicating). Any particular circuit, though, is only going
5 through one of them. I'm just showing two different ways that a
6 particular circuit could be provisioned.

7 THE EXAMINER: But all the central offices aren't
8 homed on one or the other of those two primary hubs?

9 THE WITNESS: No, they are not.

10 BY MS. SANDERS:

11 Q. What I had asked you to do was if you could price out the
12 two paths that you could take -- the circuit could take from the
13 Avondale office to the Rossmoyne office, first going through the
14 Evendale hub and then to the West 7th hub. You can find that
15 information in the ring inventory information in the cost study,
16 correct?

17 A. That is correct. What I was looking for is what we had in
18 the study was we looked at, I believe, 3,000 circuits, and I did
19 not print out all 3,000 here, obviously, and I only printed the
20 first 30-some circuits to give an indication of how all the
21 calculations flow.

22 And I was just making sure that there was an
23 Avondale-to-Rossmoyne circuit in that first page, because if
24 there wasn't, then I would have had to build this thing up from
25 scratch. And there is an Avondale to Rossmoyne circuit here,

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1 so....
2 I may have to look at the numbers.
3 Q. I have numbers, I can give them to you subject to check.
4 A. Yes, ma'am. The reason -- The calculations do a composite,
5 I kind of have to uncomposite them.
6 Q. Let me write them up here and see if I've got them
7 correctly and you can tell me if you think it looks right.
8 All right. From your ring inventory table I believe this
9 leg would be \$317.79 from ring 299?
10 A. It's going to be hard for me to --
11 Q. And this leg would be 211.98. I think that's ring 285.
12 And here this leg would be, once again, 317.79, and 247.66 from
13 ring 149. Could you accept those subject to check?
14 A. There's more to create the total circuit though than just
15 those numbers, but that's a piece of it.
16 Q. That's the electronic piece, correct?
17 A. Well, there's more electronics than those numbers.
18 Q. Okay. Well, did you find them? Go ahead and add them in.
19 A. I might need a minute here just to make sure.
20 Q. Let me start with a basic principle before we add all these
21 numbers. Would you agree with me there's going to be a
22 difference in cost between -- this is what I'm getting at --
23 between the route, this upper route between Avondale, Evendale
24 and Rossmoyne, and what have you as the lower route here,
25 correct?

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1 A. I won't be surprised.

2 Q. And would you be surprised to learn that it's -- the upper
3 route here is the lower priced? Would you agree, subject to
4 check, once you add all the other pieces together, that that
5 would be the lower priced?

6 A. I really have to check that just because there are several
7 other numbers.

8 Q. I think we can do this without all the numbers. And that's
9 because of the ring configuration between this ring and the
10 rings here, correct, drive the costs of each leg of this
11 circuit?

12 A. That is correct.

13 Q. Now, under your cost study, your cost study does not
14 reflect the lowest route though, does it, the lowest cost route?

15 A. What the cost study reflects is that there is a network
16 designed to transport traffic. That network also has other
17 factors in it in that in order to provide a viable network, it's
18 not appropriate to design a network that routes traffic through
19 one location.

20 So this multi-hub arrangement was created. A given circuit
21 could go one way or the other because of the multi-hub and the
22 desire to have a survivable network, and the cost study reflexes
23 the composite of those two giving that design.

24 Q. Isn't one of the principles that you agreed to for
25 developing your network is designing it in such a way as to be

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1 least cost? Isn't that what you agreed with me?

2 A. That is what I agreed with, yes.

3 Q. And your cost methodology doesn't reflect that as with
4 regards to this situation, does it?

5 A. What the cost methodology does is look at a total network
6 to come up with a total network cost, and then applying that
7 total network to individual circuits. In order to have a
8 network that is survivable and have these two offices it is true
9 because of this some circuits will route this way and some will
10 route this way (indicating).

11 If we want to change the network design so that we don't
12 have this survivability aspect, that would give a different
13 number, but we have lost something in the process.

14 Q. Okay. But to the person ordering the route from AV to RO,
15 the price -- the price that's going to be paid under the TELRIC
16 methodology is going to be the average of all those rather than
17 the lowest price?

18 A. The cost that we developed was the average of these two so
19 that we provide survivability in the process.

20 Q. Wouldn't -- Couldn't the survivability aspect of your
21 interoffice network design be taken into account along with
22 least cost routing of the circuits?

23 A. I guess that's what I thought was going on here; maybe I'm
24 not understanding your question, I don't know.

25 Q. Well, I guess I really don't understand what you mean by

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1 survivability of the -- or integrity of the network. Do you
2 mean redundancy between the circuit -- or, the hubs?

3 A. I'll back up a second. Before I mentioned that the network
4 is designed so that there are node offices, and I'll just put
5 four down just as an example, and the term we use is sector
6 offices that home in on the node offices.

7 The question then is how do we transport between node
8 offices. One possibility is you do all possible combinations,
9 which the engineers say that is not an efficient thing to do,
10 you don't want to do that.

11 Well, then you could say, well, in effect you really want
12 to create -- I don't know if tandem is the right word because
13 I'm not talking switching, but you want to create something to
14 minimize all these. And one possibility is -- Let me add a
15 fifth one in just to make my picture a little easier.

16 You say, well, maybe I'll do this, you funnel everything
17 into one location, and then I take it back out to where I'm
18 going.

19 Well, the problem with that is that now if there's a
20 catastrophe here, the whole thing has a potential of falling
21 apart. So, therefore, you don't want to design a network where
22 you put this -- critical path might not be the right word, but
23 this point here where if this goes, everything goes.

24 So I'm going to add more nodes just to make this easier
25 right now. In effect what we have is something to this effect

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1 where every node can go to both hub offices, and these can go,
2 too, so that traffic can go into these node -- into these hub
3 offices and then back out. That was the concept behind the
4 network that we have designed. So these two kind of act, in my
5 simplified picture here, as this office and this office
6 (indicating), which is 7th Street and Evendale.

7 Q. So the assumption that you made in your TELRIC study is
8 that all traffic from the node offices goes through one or the
9 other of the hub offices, correct? Is that what you're --

10 A. That is how the interoffice network will function, yes. It
11 will go through those hub offices.

12 Q. Once again, you're anticipating a complete -- that one of
13 your hub offices would be completely disabled when you talk
14 about survivability? I mean, so that one route is a backup to
15 the other route, is that what you're telling us? I guess I'm
16 still a little confused.

17 A. All I was saying was that if all of this traffic was
18 focused only on a single office, you're much more vulnerable
19 because all of your traffic is going through one place.

20 If you have equipment failures in that one place, you have
21 the potential of taking down, you know, large pieces of the
22 network. And so the -- having the multi-hub arrangement is an
23 attempt to mitigate that impact of failure.

24 Q. All right. Thank you. Let's shift gears here.

25 Now we have done the interoffice transport study -- Oh,

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1 over the break, if you wouldn't mind, I have a question I'd like
2 to go back to just for a second on the entrance facility study.
3 And it's just a question, we talked a little bit about how the
4 point-to-point configuration in your entrance facility study was
5 the configuration that most closely resembled a loop; is that
6 correct?

7 A. I think I said the entrance facility being a connection
8 from a central office to a customer NEC -- the NEC location is
9 analogous to the term loop. I think I said words like that.

10 Q. Yes, and that was in your testimony.

11 A. Yes.

12 Q. And the loop reminded me, now, you haven't yet provided a
13 cost study for unbundled DS1 loop, have you?

14 A. That is correct.

15 Q. Do you know when we might have that information?

16 A. My understanding is that that cost study would be the -- be
17 provided as part of the compliance portion of this once all the
18 parameters are set for the various things we're discussing here,
19 and then it would be provided as part of that process.

20 Q. Is it under way yet?

21 A. A lot of the information is -- is I'll say under way
22 because it's the same information that's in many of these
23 studies, so yes.

24 Q. So it could be done pretty promptly?

25 A. I don't think I quite said that. I don't know that I could

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1 put a time frame on it sitting here right now.

2 Q. But it's not like starting from scratch?

3 A. No, it is not.

4 Q. Okay. All right. Now, why don't you give me -- When I
5 talk about the general topic of a loop transport combination,
6 why don't you tell me what -- just give me your description of
7 the loop transport combinations, I guess there's two, and what
8 they are designed to do?

9 A. There are two loop transport combinations. I can't
10 remember which is number one or number two, but one of them is a
11 voice-grade-to-voice-grade combination, the other is a
12 voice-grade-to-DS1 combination.

13 And the purpose of those is if a NEC purchased unbundled
14 loops in a central office at which it was not collocated, the
15 NEC could then have that loop combined with interoffice
16 transport and be transported back to the office -- or, an office
17 where it was collocated.

18 And if the NEC did this one DS0 at a time, that would
19 probably be a voice grade to voice grade so that there would be
20 a voice-grade loop in the office where they are not collocated,
21 DS0 transport from that office to the office where the NEC is
22 collocated, and then a DS0 cross-connect to the NEC's
23 collocation cage.

24 The other transport combination is very similar, but the --
25 my understanding would be that the NEC is now probably

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1 purchasing multiple DS0 loops in this distant office. Those
2 would be multiplexed up to a DS1 and transported to the office
3 where the NEC is collocated, and then a DS1 handoff would be
4 given to the NEC containing the loops that were in the other
5 office.

6 Q. Okay. Mr. Mette, I have another diagram I'd like to show
7 you that you'll recognize.

8 MS. SANDERS: I'd like to have marked as MCI 14 a
9 diagram that's entitled "DS0 Loop/DS0 Transport".

10

- - -

11 Thereupon MCI Exhibit No. 14 was marked
12 for purposes of identification.

13

- - -

14 BY MS. SANDERS:

15 Q. Mr. Mette, if you could identify this diagram.

16 A. This diagram was drawn in -- I believe in a deposition.
17 This diagram is only depicting the portion of the combination
18 that is in the central office that is not -- that is where the
19 NEC is not collocated, so on the left-hand side it says DS0 loop
20 which would terminate on the MDF, which is the main distribution
21 frame.

22 From the main distribution frame it would go to a D4
23 multiplexer to be multiplexed up to a DS1 level. The DSX1 is
24 just a digital cross-connect again. That would go into a 1/0
25 DCS, into a DSX1, and then it would start going into the

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1 interoffice network to be transported to the office where the
2 NEC is collocated.

3 So this picture really doesn't depict the total combination
4 from the loop all the way back to the collocation cage, it's in
5 the office where the loop is located.

6 Q. Let me ask you a couple questions, and we'll just use this
7 diagram for a minute and then we'll add another one.

8 As I understand this diagram, the DS0 loop enters the
9 central office through the main distribution frame there, the
10 MDF.

11 A. Yes.

12 Q. And then it proceeds -- that's a -- it says D4 box, that's
13 a D4 channel bank, correct?

14 A. That's the term we use, yes.

15 Q. And when it leaves the D4 channel bank it's at a DS1 level,
16 that's what you just told us?

17 A. That is correct.

18 Q. So the function of the channel bank right there is to
19 multiplex 24 DS0 signals into a single DS1, correct?

20 A. It has that capability, yes.

21 Q. Okay. And then after it leaves the D4 bank, it's at the
22 DS1 level, and then it goes into the DS1 cross-connect for the
23 DSX1?

24 A. The 1/0 DCS, yes.

25 Q. Now, just for clarification purposes, there's some arrows

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1 there that split the MDF going both directions. Do you want to
2 describe what that was showing us? I believe that was showing
3 us where the -- how loop transport combination is costed or
4 priced.

5 A. I believe what that was depicting is that the unbundled
6 loop stops at the mainframe so you can think of it as two sides
7 to the mainframe. So a portion of it is on the loop side and
8 included in the loop cost study, and then the other portion is
9 in the interoffice piece for the loop transport combination.
10 And it was just kind of depicting it as the MDF that shows up in
11 two different places.

12 Q. Now, let's get to how the DS0 loop combination is priced.
13 The first piece of the combination is the DS0 loop, right?

14 A. That is correct.

15 Q. And so the cost of the loop is included in the main
16 distribution frame in the loop price, correct?

17 A. That is correct.

18 Q. And then the electronics that are shown in this -- on the
19 other side of the main distribution frame, are those included in
20 the DS0 transport charge?

21 A. That is correct.

22 Q. So what is the other charge, then, involved with the DS0 --
23 DS0 transport combination, the loop, transport combination?

24 A. I just want to look for a PUCO data request. I believe
25 there was a data request that asks specifically what all of the

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1 charges were, and I just -- just to make sure that I don't miss
2 any of them, I hope to find that.

3 Q. I may be able to help you out, Mr. Mette. Is it PUCO Data
4 Request 121?

5 A. 121, yes.

6 Q. Actually maybe -- I was going to introduce this as an
7 exhibit anyway, so we could go ahead and do that now. Do you
8 want to take a look at this document?

9 A. I just found my own copy, but --

10 Q. Well, I think I'd like to talk about this later so we can
11 put it in and you can show us where the charges are here.

12 MS. SANDERS: I'd like to have marked as MCI
13 Exhibit 15 a document entitled PUCO Data Request 121, and it
14 also says supplemental response.

15 - - -

16 Thereupon MCI Exhibit No. 15 was marked
17 for purposes of identification.

18 - - -

19 BY MS. SANDERS:

20 Q. You have a copy of that?

21 (Pause.)

22 A. Is there a question?

23 Q. I think I asked you -- Actually, my question was whether
24 the -- No, strike that.

25 My question was, in addition to the loop price and the

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1 transport, the DSO transport cost which would be both a fixed
2 cost and a mileage charge, are there any other charges included
3 in this combination?

4 A. Yes, there are.

5 Q. Okay. Do you want to describe those for me?

6 A. Yes.

7 Q. You can use this document if you -- MCI Exhibit 15 if you
8 want to.

9 A. I thought it might be helpful just to kind of highlight a
10 little picture just to....

11 There's the loop charge -- Do you want me to quote the
12 numbers or just point out where charges are?

13 Q. I'd like to see the charges.

14 A. Okay. The numbers as contained in the studies that we put
15 forth as an exhibit, I'll assume that this -- in this office,
16 this is a Band 1 office, just -- I mean I'll use Band 1 as a
17 example --

18 Q. Sure.

19 A. -- this number is out of -- in that data request, 17.91.
20 That takes us up to the mainframe.

21 In the office where the NEC is collocated, we have to
22 transport this from here, so central office A to central office
23 Z, there's going to be DSO transport. And I'm not going to draw
24 all the equipment that could be in there, but that gets us to
25 this office. And the rate for that is \$50.56. This is per

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1 month. This one also is per month. This is the fixed piece,
2 and then there's a 7 cents per month per air mile, where air
3 miles are between those two offices (indicating).

4 Once we're in this office, there's going to be some
5 electronics. And all this eventually terminates in here. I'm
6 not going to draw the detail.

7 Now, the NEC is going to be collocated, they will have a
8 cage, so there's a DS0 cross-connect from, you know, transporter
9 mainframe area to the NEC cage.

10 These are being offered on a per hundred pair, so this
11 is -- I hope I got these numbers right -- can I double-check
12 something? If my memory is right, there was a revision to the
13 cross-connect study; I'm not sure these numbers reflect that
14 revision. If you want me to do that, I will; but these are
15 basically numbers out of the voice-grade cross-connect study.

16 Q. The point of that particular question was there were just
17 the three sets of charges that were included in the loop -- this
18 combination No. 1?

19 A. That is correct. There are nonrecurring charges which I
20 have not displayed on here, but these are the three charges.

21 Q. We'll get to those later. That was my only question.

22 Then just to follow up where I think we started with that
23 was I was just asking if you look back at diagram -- what's been
24 marked as 14, that the pieces of electronics that are shown here
25 would be put in the transport charge, correct?

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1 A. Yes.

2 Q. Now, let's shift gears just a second. I don't think I have
3 a diagram for loop combination No. 2, but that's a DS0-DS1
4 combination?

5 A. That is correct.

6 Q. And if I recall from our deposition -- or, your deposition,
7 you indicated that there was an additional multiplexer that
8 would have to be included on this -- say on this same diagram
9 for that combination; is that correct?

10 A. That is correct, because since we're handing off for the
11 DS1 rate, we are, in effect -- most likely the NEC has purchased
12 multiple loops. I don't envision that a NEC purchasing the
13 DS0-to-DS1 combination if they only have one loop. So there's
14 multiple loops and there's a multiplexing function that has to
15 occur to get this up to a DS1 level.

16 Q. And could you -- So on our diagram, that would go right to
17 the right of the main distribution frame before the D4 channel
18 bank?

19 A. Once we move to DS0 -- or, I'm sorry, once we move to voice
20 grade to DS1, this picture probably isn't appropriate because
21 we're combining. Now in that situation we still have
22 voice-grade loops, but this is DS1 transport because we're
23 transporting a DS1.

24 So the diagram, I think this was Exhibit 14, this is drawn
25 in terms of DS0 transport, so we have to look at a DS1 transport

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1 diagram, and this multiplexer is inserted prior to that DS1
2 transport starting because we have got to get the voice-grade
3 circuits up to a DS1 level. So out of this multiplexer, we're
4 at a DS1 level --

5 Q. Mr. Mette, could you use a different pen because I can't
6 really read that.

7 A. I'm sorry.

8 At this point in here we're still at voice-grade level, but
9 we got to get this up to DS1 level before we go into the DS1
10 transport. So that's where this multiplexing comes into play.
11 And I really can't put this multiplexer in terms of this diagram
12 because this was a DS0-level transport diagram.

13 Q. Now, going back to diagram or Exhibit 14, was this picture
14 drawn assuming that the DS0 loop was provided on a copper
15 facility?

16 A. There was no assumption about how the loop was provided in
17 this diagram.

18 Q. Could it have been provided on a digital loop carrier?

19 A. Yes, it could have.

20 Q. If it were provided on integrated digital loop carrier, how
21 would that diagram change?

22 A. This gets back to our discussion this morning. In order to
23 pull that loop out, it really can't be provided on integrated
24 digital loop carrier because if it's on integrated, it's going
25 to be going into the switch and we'd have to start talking about

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1 hairpinning out of the switch to get to that circuit.

2 Q. But I thought -- isn't this the loop combination, correct?

3 We're not picking it up where it enters the central office.

4 A. This is the loop transport combination, but if a loop is on

5 an integrated digital loop carrier, that digital loop carrier

6 will terminate on the switch and there won't be any access to

7 the individual DS0s on that integrated digital loop carrier.

8 Q. What about then for the second combination, the DS0/DS1

9 loop combination? Let me -- Go ahead.

10 A. I was just going to say when you said how about -- What was

11 the question?

12 Q. Would your answer be the same if we were talking about the

13 DS0/DS1 loop combination?

14 A. Could I go back to what the question was?

15 (Question read back as requested.)

16 THE WITNESS: I'm sorry, but I wasn't sure what the

17 question was asked prior to the "what about".

18 BY MS. SANDERS:

19 Q. I believe my question was: Would your diagram be different

20 assuming an integrated digital loop carrier system, and let's

21 assume that -- Let's talk about the voice-grade to DS1 loop

22 combination.

23 A. I don't know. I've never talked to any engineer about

24 providing voice-grade to DS1 combination when that -- Well, when

25 a loop is on the integrated digital loop carrier. I haven't

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1 talked to any -- you know, some of the issues that come to my
2 mind are, again, I would suspect there's more than one loop out
3 here, so we'll have to answer questions like where are all these
4 loops at.

5 I guess it's conceivable all of them are on the same
6 digital loop carrier; but if they are not all on the same
7 digital loop carrier, somehow these would have to be brought
8 together, and that would seem to me complicating the situation.
9 But I have not talked to an engineer about how that type of
10 transport combination could be provided in that situation.

11 Q. Well, let me just ask you a couple questions. Do you have
12 a copy of MCI Exhibit 5 which we discussed with Mr. Meier
13 yesterday?

14 A. Yes, I do.

15 Q. Okay. Now, if you'll look at the -- if you'll look at the
16 integrated column there, the integrated diagram there on the
17 left-hand side, and if I'm reading it correctly, after the --
18 after the circuit leaves the FLM-150, isn't it at the DS1 level
19 going towards the switch?

20 A. That is the DS1 level between those two pieces of
21 equipment, yes.

22 Q. And then it goes directly into the DSX1, correct?

23 A. That is correct.

24 Q. All right. So if we go back and look at our diagram, and
25 MCI Exhibit 14, couldn't we skip a lot of the equipment that was

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1 required to multiplex the signal, the DS0 signal to the DS1
2 level under the integrated system?

3 A. I honestly don't know what equipment we could skip because,
4 again, it would depend, is there an assumption that all the
5 loops are out of the same DLC system, or not? And I have not
6 talked to an engineer whether the DS1 out of the FLM-150 could
7 then interface into a -- the interoffice network. I don't know.

8 Q. Well, the FLM provides a multiplexing function, doesn't it?

9 A. That it does.

10 Q. So I'm not -- I'm not sure I understand what you're talking
11 about with the loops on coming in, but once it hit the FLM, it
12 would go directly into the switch, then we wouldn't need the
13 multiplexing equipment that you included in the study, correct,
14 on an integrated system?

15 A. What I'm saying is there's multiple loops that we're
16 talking about, I don't know if all the loops are on the same DLC
17 system because it's conceivable they are not.

18 Q. Okay. Assuming that they were?

19 A. And assuming if they were, I still don't know if there
20 could be a direct interface from this equipment to the
21 interoffice. I'm not saying there couldn't, I just don't know.

22 Q. Okay. Assuming that there was a direct interface that you
23 just described, so that the configuration of the loop trans- --
24 the loop transport combination, the DS0/DS1 loop transport
25 combination avoided a certain amount of equipment that was taken

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1 into account in the cost study, would you expect that the
2 transport charge would be somewhat lower assuming an integrated
3 digital loop carrier system for this combination?

4 A. What I don't know, the DS1 transport assumes that you're
5 starting at a DS1 level, so if I just draw a cloud to represent
6 DS1 transport, you enter this at a DS1 level, you enter and exit
7 at DS1 level, the purpose of this multiplexer was to take the
8 voice grade to DS1.

9 I don't know if the FLM-150, in that integrated mode, could
10 interface directly to this transfer combination, I just don't
11 know if there's anything special about the integrated DLC
12 situation that prohibits that or not.

13 Q. Okay. Fair enough. Without that understanding then I
14 guess you couldn't answer my question, is that what you're
15 saying?

16 A. That is correct. I cannot tell you whether it can or
17 cannot.

18 Q. I'm sorry?

19 A. I cannot tell whether it can or cannot.

20 Q. Or what effect it would have on your cost study?

21 A. That is correct.

22 Q. Mr. Mette, I think at your deposition you explained to me
23 that the combination charge that you had listed in your pricing
24 schedule which is connected -- or, attached to your testimony
25 was no longer a charge, it's going to be included with these

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1 combinations; is that correct?

2 A. Yes. I think what the question there was is there some --
3 basically is there something different than these three charges,
4 and the answer was no, there is not something different.

5 Q. Well, for the DS1 -- DS0/DS1 combination, there's a
6 multiplexing charge?

7 A. That is correct.

8 Q. Under your cost study, not under my ideal scenario.

9 A. That is correct.

10 Q. I think you could refer to your -- to MCI Exhibit 15, the
11 response to the staff data request to answer this, but I'd like
12 you to add up the charges for the DS0/DS1 loop combination. I
13 believe you did it for the DS0 to DS0, or I'd like you to just
14 identify them.

15 A. There's still the 17.91 per month, I'll put per loop, just
16 to convey the fact that since we're talking about DS0 to DS1,
17 there's probably multiple loops out here and each of those would
18 be 17.91.

19 This multiplexing function, a voice grade to DS1
20 multiplexer is \$343 . The interoffice transport is 89.86 per
21 month, fixed.

22 I think I just found a mistake in the response to this data
23 request. On the per-mile piece the data request included the
24 DS0 transport instead of the DS1 transport.

25 Q. Could you tell us what page you're on so we can all --

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- 1 A. In the PUCO data request response.
- 2 Q. Yeah. We're on No. 2, right?
- 3 A. That is correct. There is an attachment up in the top
- 4 right-hand side it says "PUCO Data Request 121, Question 1,
- 5 Attachment 1B, Page 3, Supplemental Response".
- 6 Q. Okay. It's the very last page of the exhibit, is it?
- 7 A. I believe it is, yes.
- 8 Q. And that should be --
- 9 A. Actually that should be 1.43, and I got the 1.43 by going
- 10 back to the DS1 transport study. And now we're at DS1
- 11 cross-connect, and these would be the numbers we talked about
- 12 earlier.
- 13 Q. Pardon me? I'm sorry, I didn't hear you.
- 14 A. These are the numbers that we were talking about earlier
- 15 when we talked about cross-connecting DS1.
- 16 Q. Mr. Chorzempa made a good point, I wonder if you could
- 17 identify for me where in the PUCO -- the response to the staff
- 18 data request you could -- you've gotten these numbers so we
- 19 could follow what you're writing up on the board there.
- 20 A. There's some tables. The combination No. 2, there's a
- 21 table that starts "Combination No. 2 Cost Summary", on the
- 22 right-hand side it says "PUCO Data Request 121, Question 1,
- 23 Attachment 1B, Page 1, Supplemental Response".
- 24 Q. And you've just used the loop charge there on that page
- 25 without any of the nonrecurring charges?

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- 1 A. Right, I said that --
- 2 Q. You don't need to do those right now. Why don't you go on
3 to the multiplexing charges on the next page, we can just follow
4 that right down?
- 5 A. That is correct.
- 6 Q. By the way, the \$343 monthly charge for the multiplexing is
7 applicable for any number of DS0 loops that we would be
8 purchasing up to 24, correct?
- 9 A. Yeah. That's correct. This allows 24, so 1 to 24 is still
10 \$343.
- 11 Q. Then the point that we would perhaps have 25 DS0 loops, we
12 would have two multiplexing charges?
- 13 A. That is correct.
- 14 Q. Up to whatever -- Up to fifty? Okay. And then your
15 interoffice charge, we can just follow right down the page for
16 those charges, correct?
- 17 A. From here on everything is on a per-DS1 basis. This is on
18 a per-DS0 basis here.
- 19 Q. And is it your understanding that one of the purposes of
20 the -- these loop transport combinations is so that a NEC could
21 pick up a voice-grade loop at a remote end office, perhaps a
22 residential loop at a remote end office, and carry it back to
23 the central office where it's collocated without having to incur
24 the additional expense of collocation at the end office where
25 the loop is?

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1 A. That is my understanding, yes.

2 Q. And so one of the -- By not incurring these collocation
3 charges, I guess the point of it is to provide a more of a kind
4 of a cost-effective way for a NEC to provide residential service
5 in some of the remote offices, correct?

6 MR. HART: Objection. The contract calls for the
7 combination. Whether it was cost effective or not is up to MCI
8 because they asked for it.

9 MS. SANDERS: Well, I think Mr. Mette's experienced
10 enough to know that perhaps the reason a combination like this
11 would be attractive to a NEC.

12 THE EXAMINER: All right. Overruled.

13 THE WITNESS: Can I hear the question again, please.

14 (Question read back as requested.)

15 THE WITNESS: My understanding is that a NEC would
16 want this so as not to need to collocate. I don't know that
17 there's a tie-in to residence versus business, but the point of
18 this would be so that a NEC would not need to collocate in every
19 office.

20 BY MS. SANDERS:

21 Q. And it would be more likely that a NEC would want to pick
22 up a loop in a remote office for residential service, though,
23 wouldn't it?

24 A. It would be more likely for them to --

25 Q. To want to -- To want this configuration, a loop transport

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1 combination in more of a remote office which would be -- tend to
2 be a residential area, wouldn't it?

3 A. I guess I could understand where a NEC would not want to
4 collocate in every office. I mean, these offices wouldn't
5 necessarily have to be remote.

6 Q. Okay. That's fair enough.

7 MS. SANDERS: Your Honor, at this point this would be
8 a breaking point I would be moving on to another cost study if
9 you want to call it a day.

10 THE EXAMINER: That's fine. Okay. Let's go off the
11 record.

12

13 (Thereupon, the hearing was adjourned at
14 5:20 o'clock p.m. on Thursday, March 4, 1999,
15 to be reconvened at 9:00 o'clock a.m. on
16 Friday, March 5, 1999.)

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