Confidential Release

Case Number: 96-899-TP-ALT

Date of Confidential Document:
January 11, 1999

Today's Date: JAN 18 2011

Supplemental Testimony of Peter J. Gose on behalf of CoreComm Newco, Inc.

SWIDLER
&
BERLIN
CHARTERED

3000 K STREET, N.W.
SUITE 300
WASHINGTON, D.C. 20007 - 5116

8pgs.

00-0502

First Class Mail

This is to certify that the images appearing are an accurate and complete reproduction of a case file document delivered in the regular course of business.
Technician [illegible] Date Processed 4/17/00

Original + 2 copies of
Proprietary Version
of Supplemental Testimony
of Peter Gose
Case No. 96-899-TP-ALT

SWIDLER BERLIN SHEREFF FRIEDMAN, LLP
3000 K STREET, NW, SUITE 300
WASHINGTON, DC 20007-5116
TELEPHONE (202) 424-7500
FACSIMILE (202) 424-7645
WWW.SWIDLAW.COM

ANTONY RICHARD PETRILLA
DIRECT DIAL (202) 424-7845
ARPETRILLA@SWIDLAW.COM

NEW YORK OFFICE
919 THIRD AVENUE
NEW YORK, NY 10022-9998
(212) 758-9500 FAX (212) 758-9526

January 9, 1999

VIA OVERNIGHT DELIVERY

Ms. Daisy Crockron, Chief
Docketing Department
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43266-0573

Re: 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, Case No. 96-899-TP-ALT

Dear Ms. Crockron:

Please find enclosed for filing on behalf of CoreComm Newco, Inc. ("CoreComm") an original and twenty (20) copies of the redacted version of the Supplemental Testimony of Peter J. Gose on behalf of CoreComm in the above-referenced proceeding. In addition, please find enclosed an original and two (2) copies of the unredacted versions of Mr. Gose's testimony in the above-referenced matter. Please docket the unredacted versions of Mr. Gose's testimony under seal, pursuant to the Stipulated Protective Order in the above-referenced proceeding.

Please date-stamp the enclosed extra redacted copy of this filing and return it in the self-addressed, stamped envelope provided. Should you have any questions concerning this filing, please call me.

Respectfully submitted,

Antony Richard Petrilla

Counsel for CoreComm Newco, Inc.

Enclosures

cc: Attached Service List
Christopher Holt, Esq.

264399.1

ORIGINAL

BEFORE THE
PUBLIC UTILITIES COMMISSION 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	)))))	Case No. 96-899-TP-ALT

SUPPLEMENTAL TESTIMONY OF

PETER J. GOSE

ON BEHALF OF

CORECOMM NEWCO, INC.

January 11, 1999

[PROPRIETARY AND CONFIDENTIAL SUBJECT TO PROTECTIVE ORDER]

BEFORE THE
PUBLIC UTILITIES COMMISSION 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	)))))	Case No. 96-899-TP-ALT

SUPPLEMENTAL TESTIMONY OF PETER GOSE ON BEHALF OF CORECOMM NEWCO, INC.

Q. Please state your name, business address and occupation for the record.

A. My name is Peter Gose and my business address is 15938 Ledge Rock Drive, Parker, Colorado, 80134.

Q. Have you filed testimony in this proceeding previously?

A. Yes, I filed direct testimony on December 23, 1998.

Q. What is the purpose *of your supplemental testimony?*

A. Below, I present revised annual charge factors ("ACFs") for Cincinnati Bell Telephone Company ("CBT"). I explain how I derived these revised ACFs and then state what CBT's loop rates would be when using these ACFs in my version of CBT's Loop Cost Analysis Tool ("LCAT"), which I introduced in direct testimony. Lastly, I correct an error in my direct testimony regarding the fill factor for distribution cable adopted in New Mexico.

Q. How did you revise CBT's ACFs?

A. At my direction, Dr. Ankum (a witness in this proceeding for MCI) went to CBT's offices and supervised the replacement of the cost of capital and depreciation inputs in

CBT's ECONCOST model (from which CBT derived its proposed ACFs) with the following: (1) the 8.43% weighted average cost of capital recommended by Mr. Hirshleifer in his supplemental testimony (dated December 23, 1998); and (2) CoreComm's proposed depreciation lives presented on pages 20-21 of my direct testimony. The following ACFs resulted from this substitution of inputs:

Land	0.1256
Building	0.1233
Building Entrance Cable	0.2199
Intrabuilding Cable	0.2199
Aerial Cable - Copper	0.1897
Buried Cable - Copper	0.1607
Underground Cable - Copper	0.1847
Equipment - P Gain Term	0.2223
CO Equipment - P Gain Chan	0.2223
CO Equipment - FO Mux Term	0.2223
CO Equipment - FO Mux Chan	0.2223
CO Equipment - Digital SW	0.1657
Aerial Cable - Fiber	0.1824
Buried Cable - Fiber	0.1538
Underground Cable - Fiber	0.1533
Connectors	0.2223
Misc. Equip. Comm. & Power	0.2223
Pole Line	0.1947
Conduit	0.1294

Q. What would CBT's loop rates be, given these revised ACFs as well as the other modifications to CBT's loop cost study that you discussed at page 43 of your direct testimony?

A. CBT's rates for 2-wire loops in Bands 1, 2, and 3 would be $7.55, $9.63, and $10.84, respectively.

Q. In your direct testimony, you indicated that you supported Mr. Hirshleifer's original proposed cost of capital of 9.13%. Why do the above calculations instead use Mr. Hirshleifer's revised cost of capital of 8.43%?

A. I determined that it was more appropriate to use Mr. Hirshleifer's revised cost of capital of 8.43% because Mr. Hirshleifer's revisions appropriately take into account more recent data that reflect the continuing downward trend in interest rates. *Id.*, at 2-4.

Q. Do you believe that the revised ACFs presented above represent the ACFs of an appropriately forward-looking cost study?

A. No. The revised ACFs continue to overstate CBT's forward-looking costs because they continue to incorporate various embedded costs (*e.g.* maintenance costs), lack adjustments for forward-looking productivity, and improperly include operations support systems costs.[1] *See* Gose Direct, at 24-27 (describing the flaws in CBT's proposed ACFs). I could not correct these flaws in CBT's ACFs without performing substantial

---

[1] CBT has stated that it included operations support systems costs in its proposed ACFs. *See* Additional Supplemental Direct Testimony of Mette, at 7. In analyzing the ECONCOST model, I could not determine where or in what manner CBT had included such costs. That model gives no indication whatsoever that it contains operations support systems costs. The Commission should reject CBT's proposed ACFs because, among other reasons, CBT has failed to document the degree to which they contain operations support systems costs.

modifications to CBT's ECONCOST model. Since CBT refused to provide the parties with a copy of that model, neither Dr. Ankum nor I could dissect and reconstruct the model in the manner necessary to eliminate *all* of its incorrect inputs. We were, however, able to correct *some* of CBT's incorrect inputs — specifically the errors in CBT's basic cost of capital and depreciation inputs that underlie its proposed ACFs. This was the best we could do to correct CBT's errors, given the existence of flaws in CBT's model that we could not correct without reformulating the entire model. Thus, while the revised ACFs are markedly closer to CBT's true forward-looking costs than the ACFs proposed by CBT, the revisions stop short of reflecting CBT's true forward-looking costs. To obtain truly accurate ACFs, the Commission should require CBT to re-calculate its proposed ACFs using a fundamentally revised model, consistent with the recommendations made above and in my direct testimony. Therefore, as I proposed in direct testimony, the Commission should deem CBT's ACFs to be interim and subject to true-up (pursuant to Local Service Guideline V.B.1.c.1), pending the submission and approval of ACFs that do not contain embedded costs or improper charges for access to operations support systems.

Q. In your direct testimony (at 63, 64, 69), you criticized CBT's collocation cost studies for their reliance upon CBT's proposed ACFs. You stated that these cost studies could be corrected by using your revised ACFs. Would it be appropriate to use the ACFs presented above in CBT's collocation cost studies?

A. Yes, it would. Although my revised ACFs do not correct all of CBT's errors (as I discuss above), they are certainly a step in the right direction.

Q. Do wish to make any corrections to your direct testimony at this time?

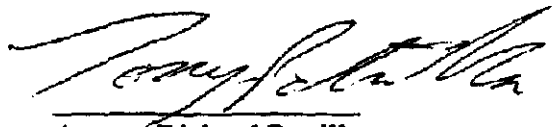
A. Yes, I do. On page 38, I stated that the New Mexico Commission has adopted fill factors for distribution cable of 75% to 85%. My statement was incorrect. That Commission adopted such fill factors only for feeder cable. I could not determine what fill factor it adopted for distribution cable.

Q. Does this conclude your supplemental testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE

I, Antony Richard Petrilla, hereby certify that I served the foregoing Supplemental Testimony of Peter J. Gose (Confidential Version) on the following parties by first class mail, postage prepaid, or facsimile (as marked) this 9th day of January, 1998.



Antony Richard Petrilla

Steven T. Nourse
Office of the Attorney General of Ohio
Public Utilities Section
180 East Broad Street
Columbus, OH 43266-0573

Thomas J. O'Brien
David C. Bergmann
Office of Consumer's Counsel
77 South High Street, 15th Fl.
Columbus, OH 43266

Roger Sugarman
Kegler, Brown, Hill & Ritter
65 East State Street
Suite 1800
Columbus, OH 43215

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

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

Dave Chorzempa
AT&T Corporation
227 West Monroe Street
13th Floor
Chicago, IL 60606

Boyd B. Ferris
Ferris & Ferris
2733 W. Dublin-Granville Road
Columbus, OH 43235-2798

Douglas Hart (by fax and first-class mail)
Frost & Jacobs LLP
2500 PNC Center
201 East Fifth Street
Cincinnati, OH 45202

Judith B. Sanders
Bell, Royer & Sanders Co., LPA
33 South Grant Avenue
Columbus, OH 43215

Matthew H. Berns
MCI Telecommunications Corp.
205 North Michigan Avenue
Chicago, IL 60601

MC GINNIS & ASSOCIATES, INC.
COLUMBUS, OHIO (614) 431-1344

14 pgs.

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.	Case No. 96-899-TP-ALT

- - -

Hearing Room 11-D
Borden Building
180 East Broad Street
Columbus, Ohio 43215
Wednesday, March 3, 1999

Met, pursuant to assignment, at 1:00 o'clock p.m.

BEFORE:

Paul Duffy, Attorney Examiner.

- - -

VOLUME III

- - -

CONFIDENTIAL

EXHIBITS

Confidential

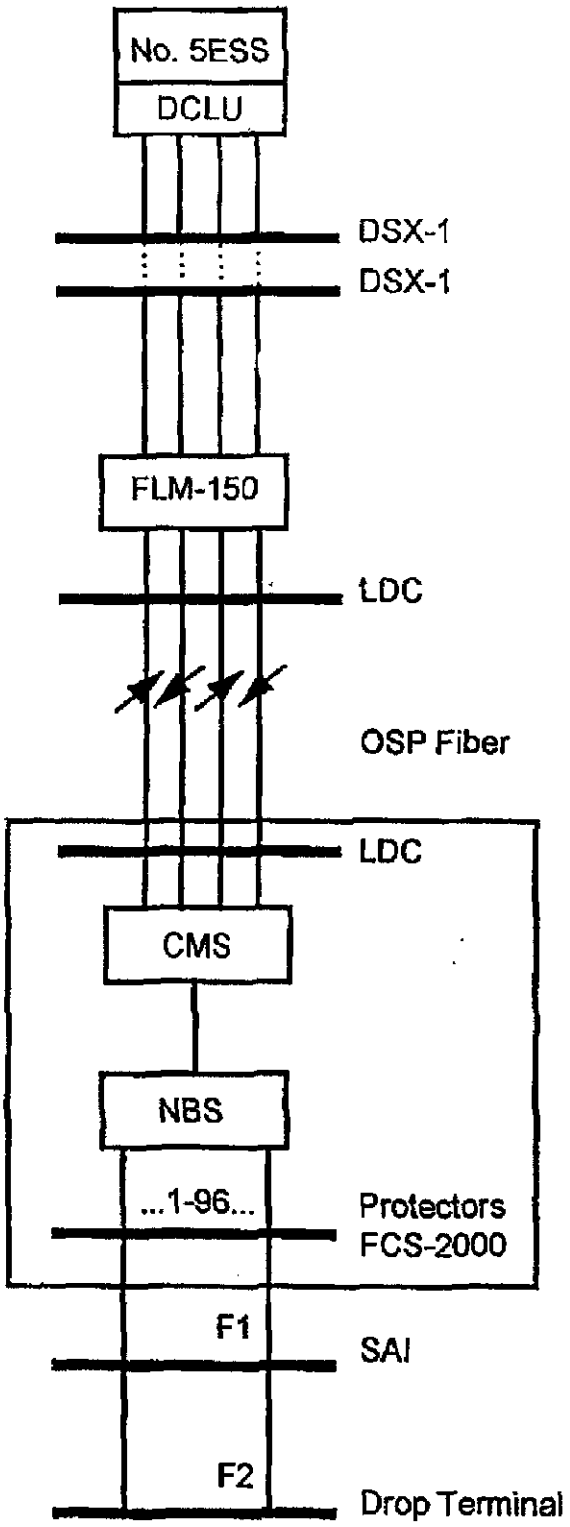
Ex 97

NCI #5

Confidential

PUCO

Integrated



Universal