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**Case Number: 96-899-TP-ALT**

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SUPREME COURT OF OHIO

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

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 ) Case No. 96-899-TP-ALT  
May Result in Future Rate )  
Increases and for a New )  
Alternative Regulation Plan. )

- - -

Hearing Room 11-D  
Borden Building  
180 East Broad Street  
Columbus, Ohio 43215  
Wednesday March 17, 1999

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

BEFORE:

Dwight Nodes, Attorney-Examiner.

- - -

VOLUME VIII

- - -

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P R O C E E D I N G S

- - -

Wednesday March 17, 1999

Morning Session

- - -

THE EXAMINER: Let's go on the record.

Ms. Sanders, ready to call your first witness?

MS. SANDERS: Yes, thank you. MCI calls Michael  
Starkey to the stand.

THE EXAMINER: Raise your right hand.

(Witness placed under oath.)

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1 MICHAEL STARKEY

2 of lawful age, being first duly placed under oath, as prescribed  
3 by law, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MS. SANDERS:

6 Q. Could you please give your name and address for the record?

7 A. My name is Michael Starkey, and my address is 857 North  
8 LaSalle Drive, Suite 3, Chicago, Illinois, 60610.

9 Q. Mr. Starkey, by whom are you employed?

10 A. I'm employed by Quantitative Solutions, Incorporated.

11 MS. SANDERS: Your Honor, at this time I'd like to  
12 mark for identification purposes the direct testimony of Michael  
13 Starkey, which was filed on December 23rd, 1997, and I'd like to  
14 mark that as MCI Exhibit 20, that would be the confidential  
15 version. The public version I would mark as 20A.

16 And then I would also like to mark the supplemental  
17 testimony of Michael Starkey which was filed on December 23rd,  
18 1998, as MCI Exhibit 21, and the public version of that  
19 testimony would be marked as 21A.

20 - - -

21 Thereupon, MCI Exhibit Nos. 20, 20A, 21 and 21A  
22 were marked for purposes of identification.

23 - - -

24 BY MS. SANDERS:

25 Q. Mr. Starkey, do you have before you what we have just

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1 marked for identification purposes as MCI exhibits 20 and 21?

2 A. I believe I have the confidential versions of that  
3 testimony in front of me.

4 MS. SANDERS: We're doing this on the confidential  
5 record; is that correct?

6 THE EXAMINER: Yes.

7 BY MS. SANDERS:

8 Q. Can you identify that testimony, please, or those  
9 documents, please?

10 A. The first is a copy of my direct testimony, and the second  
11 is a copy of what's entitled supplemental testimony.

12 Q. And was this testimony prepared by you or under your direct  
13 supervision?

14 A. Yes, it was.

15 Q. Do you have any additions or corrections to make to those  
16 documents?

17 A. I have just a few corrections. Let's start with the direct  
18 testimony.

19 The first correction is on Page 1, under the question,  
20 "Please state your name and business address for the record"  
21 currently states that, "I am a Principal member of Competitive  
22 Strategies Group, Limited", that's at Line 5. That should be  
23 read that, "I'm a Principal member of Quantitative Solutions,  
24 Incorporated". The rest of the sentence is fine.

25 Then if we go to Line 7, that same paragraph, it says, "I

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1 currently serve as Vice-President of the firm's  
2 Telecommunications Services Division", should read, "I serve as  
3 the firm's President".

4 Then if we go to Page 22, Line 9 -- I may have to  
5 apologize, I don't know if I have exactly the same line numbers  
6 everybody else, I hope I do -- but there should be a question  
7 there that reads, "Do you have reason to believe that the  
8 Ameritech ACAR factors above are a more reasonable estimate...".  
9 The second line of the answer to that question, the answer reads  
10 right now, "Yes, there are a number of factors that suggest the  
11 Ameritech ACAR factors better represent the level of fill...".  
12 At that point in the sentence we should insert the words  
13 "sustainable in a forward-looking network" and remove the word  
14 "will" at the end of the sentence.

15 The next correction is at Page 28. Again, sort of a  
16 typographical error. Line 19, on my copy at least, the sentence  
17 begins with, "It seems clear that the fiberoptic cable  
18 supporting the OC3 system..." At the very end of that sentence  
19 where it says "is utilizing another 4 of its cables", the word  
20 "cables" should be replaced with the word "fibers".

21 Then at Page 36, again a typographical error. In the  
22 answer to the question that begins, "Why does CBT assume..."  
23 and about the third or fourth line down it says "Fundamentally,  
24 CBT's argument centers on the fact that because", remove the  
25 word "because".

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1 And then I just have one set of corrections to my  
2 supplemental testimony.

3 And I think we do have the same line numbers here. It  
4 starts at Page 33. At Page 33 between Lines 17 and 18 there's a  
5 table. And the very bottom row of that table is entitled  
6 "Update". The number that currently rests there is 0.0067,  
7 should be replaced with .00758. And then, correspondingly,  
8 under the column "Header Rate", in that row, that currently says  
9 .0075, it should be .0088.

10 And that's all my corrections.

11 Q. All right. With the -- with those corrections, if I were  
12 to ask you all the questions that are contained in your direct  
13 testimony, would your answers be the same?

14 A. Yes, they would be.

15 MS. SANDERS: At this point, your Honor, I would move  
16 for the admission of MCI Exhibits 20, 21, 20A and 21A, and I'll  
17 tender Mr. Starkey for cross-examination.

18 THE EXAMINER: All right. Mr. Hart.

19 MR. HART: Your Honor, I would make the same motion to  
20 strike as I did yesterday with respect to pages of the testimony  
21 that refer to the Ameritech ACAR fills. I could give you those  
22 pages, I believe it's --

23 THE EXAMINER: I'll deny the motion to strike. If you  
24 want to identify the pages for the record, go ahead.

25 MR. HART: I believe it's Page 19 of the direct

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1 testimony, over through Page 22, I believe.

2

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3

CROSS-EXAMINATION

4 BY MR. HART:

5 Q. Mr. Starkey, let's start with your direct testimony. If  
6 you can go to where it actually starts with the subject of your  
7 testimony, I believe, on Page 7.

8 A. Okay.

9 Q. I understand you're recommending that Cincinnati Bell's  
10 West 7th central office be designated as a separate rate band by  
11 itself?

12 A. The reason I hesitate is I think what I'm recommending is  
13 that the West 7th office that costs be identified specifically  
14 for that office, and that unbundled loops be priced in that  
15 office. I don't know if I've considered it a rate band in and  
16 of itself. I may have used that terminology.

17 Q. Well, you're suggesting that the rates for that office be  
18 individually determined apart from the rest of the network?

19 A. The rate for unbundled network elements, yes.

20 Q. And would that include all unbundled elements in that  
21 office?

22 A. My recommendation is at this point specific to loops,  
23 because that, after my review, is where the costs seem to be  
24 significantly disparity in comparison to the other rate bands.

25 Q. And if the rates for other unbundled elements were

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1 significantly disparate in the West 7th office from the rest of  
2 the network, should it also be treated separately for that  
3 purpose?

4 A. I think I'd make a distinction if we were -- to make sure  
5 that we're talking about forward-looking long-run incremental  
6 TELRIC costs, but if it were proven that there were costs on  
7 that basis that were significantly disparate and that were  
8 greater, then yes, I think that recommendation would hold true.

9 Q. Now, your testimony recommends that the remainder of what  
10 Cincinnati Bell has designated as Band 1 be combined with its  
11 Band 2; is that correct?

12 A. Yes, that's my recommendation.

13 Q. And there's no -- Strike that.

14 You don't really have a strong feeling one way or the other  
15 about whether those should be combined or remain as separate  
16 bands, do you?

17 A. I think I'd say I haven't -- I haven't looked at what --  
18 What I did in making that recommendation was review the loop  
19 sample that CBT provided and which it based its rates on, and I  
20 didn't see the same sort of disparities between those central  
21 offices that I saw in the West 7th, so it seemed to me that it  
22 wouldn't be detrimental to lump those together.

23 Q. But also I believe you've testified at deposition that you  
24 wouldn't be opposed to keeping them separate, either?

25 A. If you wanted to have four rate bands, I didn't see any

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1 cost differences that would suggest that that would be  
2 detrimental, either.

3 Q. Now, are you familiar with the Ohio Commission's rules on  
4 establishing different rate bands?

5 A. I'm trying to remember whether those are in the Local  
6 Service Guidelines of which I'm most familiar. I'd say that I'm  
7 not exactly sure, no.

8 Q. Okay. Let me read to you from the Local Service  
9 Guidelines, it's Page 38, I believe it's VB -- I'm sorry,  
10 VB2A5 -- or 6. Let me try that again. VB2A6, which says, "An  
11 ILEC may establish different rates for elements in at least  
12 three defined geographical -- geographic areas within the state  
13 to reflect geographic cost differences".

14 Does that refresh your memory at all?

15 A. If I could see the whole document, it might.

16 Q. Sure.

17 A. Yes, I see that it says that.

18 Q. Okay. And it says the ILEC may, right?

19 A. It says an ILEC may.

20 Q. Okay. And see later on it also says that, "To establish  
21 these rates, the ILEC may use other cost-related zone plans  
22 established pursuant to state law"?

23 A. It uses that -- Yes, that sentence is there.

24 Q. Okay. Are you familiar with the stipulation that was  
25 reached in the alt. reg. portion of this case?

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1 A. Only generally, and specifically only when it dealt with  
2 TELRIC-related matters.

3 Q. Okay. You understand that for retail purposes, that  
4 stipulation called for three retail rate bands?

5 A. I'm not familiar with that.

6 Q. And you don't -- you're not aware that those retail rate  
7 bands are exactly the same as the TELRIC loop rate bands that  
8 Cincinnati Bell has proposed in this case?

9 A. No, I'm not familiar with that.

10 Q. So you apparently didn't consider that when you wrote your  
11 testimony?

12 A. No, I didn't. As I suggested earlier, I considered the  
13 cost disparity the between the West 7th and the remaining  
14 central offices.

15 Q. Do you know if MCI was a signatory to that agreement?

16 A. I believe it was.

17 Q. On Page 10 you have a chart here, and I take it this is  
18 intended to depict the loop lengths that would result if you  
19 recombined the bands the way you've proposed?

20 A. Yes, it does.

21 Q. Okay.

22 A. Well, actually it provides a little more information than  
23 that. It's a comparison between the rate bands that CBT has  
24 defined them and the loop lengths that result from my  
25 recommendation.

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1 Q. Okay. I take it your intention under rate Band 2, under  
2 the MCI columns, was to combine the remainder of Cincinnati  
3 Bell's Band 1 after removing West 7th Street, combine that with  
4 its Band No. 2?

5 A. Yes. It always worries me when you say that was my  
6 intention, because I hope that was the result as well.

7 Q. Well, do you realize that you combined the loop lengths for  
8 West 7th and Band 1 instead of Band 1 and Band 2?

9 A. I'm sorry, can you say that again?

10 Q. Do you realize that under the rate Band 2 business  
11 column -- business line, you actually combined the West 7th  
12 Street office with the remainder of Band 1, rather than Band 1  
13 and Band 2?

14 A. I'm not certain that I did that. If I did, it was a  
15 mistake, and it would simply have made the comparison less  
16 exhibitve than it was meant to be.

17 Q. Okay. Is this the first time that's been brought to your  
18 attention?

19 A. Well, I'm still not certain it's correct, but that's not  
20 been brought to my attention.

21 Q. You're welcome to check that; but that's the first time  
22 you've heard of the possibility of that error?

23 A. Yes.

24 Q. Let's move on to the next section, starts on Page 11, about  
25 structure investment.

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1 I understand that you recommend that for pole and conduit  
2 investments, that that be limited to Ohio only?

3 A. Yes, that -- more specifically, that the comparison between  
4 pole and conduit investment and the subsequent cable investments  
5 to which they are compared to make a ratio, that both of those  
6 investment factors be Ohio-specific information.

7 Q. And have you read Mr. Mette's most recent testimony,  
8 December of 1998 -- I'm sorry, September 1998?

9 A. Yes, I have.

10 Q. And you understand he has agreed to do that in the new cost  
11 studies?

12 A. Subject to check, I'd agree with that.

13 Q. Okay. And you recognize when you did your -- when you did  
14 your calculation in Exhibit 2 to your testimony, that you really  
15 need to get the investments rather than number of poles?

16 A. Yes, I suggested that the calculation I made in that  
17 exhibit had a couple of assumptions, that I would prefer to have  
18 the actual information to better do a calculation that is more  
19 accurate.

20 Q. Okay. Now, the next thing you talk about under pole and  
21 conduit is investment related to occupancy services; is that  
22 correct?

23 A. That's correct.

24 Q. And you understand from Mr. Mette's testimony that he also  
25 proposes to remove that investment from the new cost studies?

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1 A. Yes. Mr. Mette suggests a mechanism or, actually,  
2 calculation by which he would do that. I understand that he's  
3 made that recommendation.

4 Q. And I believe you said that you agree with the methodology  
5 he's proposed to do that?

6 A. I think what I said was I don't disagree with it until I  
7 actually see the calculation, but until I see the calculation, I  
8 won't know exactly how it's done.

9 Q. But his description of the methodology he would use, you  
10 would agree with; is that right?

11 A. I don't think I've said that. I think I've said I'd have  
12 to wait until I see the calculation before I understand the  
13 extent to which it accurately portrays the removal of those  
14 investments.

15 Q. Well, he's described how he's going to do it, hasn't he?

16 A. He's described the theory, yes.

17 Q. And have you raised any disagreement at all with how he's  
18 described he's going to do that?

19 MS. SANDERS: Your Honor, that's the third time he's  
20 asked him that, I object.

21 MR. HART: He hasn't answered it yet.

22 MS. SANDERS: He answered it twice.

23 THE EXAMINER: Do you agree with the theory that  
24 he's -- that Mr. Mette has expressed, although you've indicated  
25 a reservation until you see it?

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1 THE WITNESS: That's my only point, is that there is  
2 some reservation until I see the actual calculation to  
3 understand whether that theory accurately removes those costs.

4 BY MR. HART:

5 Q. Okay. And you would also agree, wouldn't you, that he  
6 should only remove occupancy services that relate to Ohio?

7 A. Yes. I think we talked about that in deposition, that  
8 consistently we should be talking about Ohio-specific  
9 investments and resultant costs; so if there are revenues  
10 generated and incremental costs generated with occupancy  
11 services in the other states, those shouldn't be considered.

12 Q. So what we ought to do is determine the pole and conduit  
13 investments in Ohio and from that investment remove only the  
14 Ohio occupancy investment?

15 A. Yes.

16 Q. Let's move on to the subject of fill factors which you  
17 begin on Page 19.

18 Before we get into the details, let's talk a little bit  
19 general theory. Am I correct that in a TELRIC methodology that  
20 we should design a network that will serve all of the customers  
21 in the given service territory?

22 A. Yes. Generally the way a TELRIC methodology should be done  
23 is, especially given the way the FCC and the Ohio Commission  
24 have defined it, is given your current central office locations  
25 and a knowledge of where your current customer base is, design a

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1 network, a forward-looking, most efficient network that would  
2 serve that customer base.

3 Q. Okay. And we do that for all customers regardless of how  
4 many carriers might be active in that area, right?

5 A. That's correct.

6 Q. So if Time Warner has a network and MCI has a network and  
7 somebody else has a network, Cincinnati Bell still needs to  
8 develop a TELRIC cost study that would serve every customer in  
9 its territory?

10 A. The only reason I hesitate is I'm trying to understand the  
11 extent to which that would actually make a difference in the  
12 case we're talking about here because of -- at least in my  
13 understanding, the number of customers that have been lost to  
14 competitors is very small, such that the outcome of the  
15 difference between those two methodologies really wouldn't be  
16 great, it seems, in my understanding. But what I would suggest  
17 is if we're trying to understand CBT's underlying TELRIC costs,  
18 those should be based on the costs associated with serving its  
19 customers.

20 Q. Well, if there's the prospect of another network being  
21 built in part of the territory, don't we ignore that for  
22 purposes of TELRIC, we still build a ubiquitous network?

23 A. Well, that seems different than your first question which  
24 was if those carriers are currently serving customers and CBT  
25 has lost those customers to competition, compared to what I

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1 think your question is now which is if there's the prospect of  
2 another network.

3 What I suggested was that CBT's costs should be determined  
4 based on serving its customers.

5 Q. Its customers now?

6 A. Yes, at the time the study is done.

7 Q. Even if there's a threat of another network being built?

8 A. That's correct.

9 Q. We shouldn't assume they would build a smaller network just  
10 because somebody else might have a competing network?

11 A. Yes, they should build a network -- design a network to  
12 serve their current customer base.

13 Q. Okay. And am I correct that in designing this network,  
14 what you should do is look at different deployment schedules and  
15 pick the one that has the least cost net present value?

16 A. You threw the term "net present value" in there at the end.  
17 I was agreeing all the way up until then, and I think this gets  
18 to the discussion we had in our deposition.

19 Let me just say again, I think the right way to do it is  
20 given your current central office locations and your current  
21 customer base, design a network, and if that takes an iterative  
22 process wherein you must get an understanding of what is that  
23 least cost network by designing a couple of different networks,  
24 so be it, but design a network that on the most efficient,  
25 forward-looking basis serves that customer base.

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1 Q. And you don't limit that to exactly the number of customers  
2 you have, you have to allow for some growth, don't you?

3 A. No, I don't think you do.

4 Q. Didn't you say you did in your deposition?

5 A. No, I don't think I did. I think what we discussed in my  
6 deposition was the two ways in which you could do a TELRIC  
7 study, and we talked about shortcuts and the idea that some of  
8 those were difficult to do.

9 But I'd stick by my answer that the right way to do a  
10 TELRIC study, set your current central offices in place, you  
11 know where your customers are, design a network to serve them.

12 Q. Didn't you testify that if you had a hundred customers, it  
13 wouldn't make any sense to just put a hundred-pair cable out  
14 there?

15 A. I don't know under what context we would have been talking  
16 about. I don't believe I would have said that in response to  
17 how to build a TELRIC study in the right way.

18 Q. Do you recall me asking you, "Would you agree with me that  
19 if I put a 100-pair cable out, that it's pretty likely I'm going  
20 to have to reinforce that pretty soon?" And your answer was,  
21 "Yes, and I wouldn't suggest you would do that"?

22 A. Yes, I don't think we were talking about the right way to  
23 build a TELRIC study at that point in time.

24 Q. And I asked you next, "Because if I do that, then I need to  
25 factor into fairly quick reinforcement costs?" And your answer

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1 was, "Instantaneous at your next customer, yes".

2 A. That's possible. Again, I don't believe we were discussing  
3 the right way to do a TELRIC study?

4 Q. Didn't you also agree that Dr. Ankum's theory for how to do  
5 a TELRIC study was the correct way to do it?

6 A. Can you point me to where I said that?

7 Q. I might later on, I can't right this instant; but you don't  
8 recall saying that?

9 A. Not necessarily in those terms. I'd like to better  
10 understand the context in which I said it.

11 Q. Do you recall me asking you this: "How do I decide whether  
12 to put in the 100-pair cable now or go to the next step and put  
13 in 125-pair cable?", and you answered, "You do a net present  
14 benefit analysis like I suggested, knowing your costs of  
15 carrying, your costs of replacing and the sustainable fill that  
16 you could have on any given cable"?

17 A. I assume you're reading that, so I do remember saying  
18 something generally like that; but again, we were talking about  
19 two ways in which you could do a TELRIC study, and perhaps maybe  
20 I should just explain those two ways so everybody understands  
21 what you and I are talking about.

22 Q. I'll let you do that on redirect.

23 A. Okay.

24 Q. Once we design this network, am I correct that we then  
25 determine how much it costs?

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1 A. Yes. I'd say more generally that the next step after you  
2 design the network is to determine the investment associated  
3 with that network.

4 Q. Okay. And we also, after we have a network design, would  
5 have to determine what the fill would be on that network?

6 A. Can you say that again?

7 Q. Once we have a network design, we would have to determine  
8 what the estimated fill would be in that network?

9 A. The only reason I hesitate with that is I don't know it's  
10 that specific of a timing issue, first you do the investment  
11 then you determine the fill. Whenever you design your network  
12 you have to understand that a certain fill is going to be  
13 associated with the facilities you put in place. So I don't  
14 know that you necessarily determine the fill after you've done  
15 the investment. That's part of the process of determining how  
16 much investment to place.

17 Q. But you also might find that an investment that results in  
18 a lower fill might have an overall lower cost than a different  
19 investment that would result in a higher fill, correct?

20 A. I guess that could be possible. I'd have to understand --  
21 That seems the exception to the rule. I'd have to understand in  
22 what context you meant that.

23 Q. Well, if you determine that the lowest cost network had a  
24 lower fill, you would pick that network regardless of what the  
25 fill is, wouldn't you?

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1 A. I don't think that's a rational -- I don't think that's a  
2 rational outcome because, as I said, it's not a process of  
3 designing your network and then determining the fill. Fill is  
4 an issue in how you design your network.

5 So a circumstance where you designed your network and then  
6 saw that a fill was higher, but the investment was lower, I  
7 don't understand the situation in which that's likely to occur.

8 Q. Well, the decision criteria for what network you build is  
9 lowest cost, right?

10 A. That's one of the decision criteria, yes.

11 Q. And most efficient?

12 A. Most efficient forward-looking, yes.

13 Q. So if the lowest cost, most efficient, forward-looking  
14 network resulted in a lower fill, than some alternative design  
15 that had a higher cost, you would pick the lower cost network  
16 regardless of what the fill is, wouldn't you?

17 A. I don't think I'm disagreeing with you. I'm simply  
18 suggesting that seems to be the exception to the rule. And I  
19 think the problem with your question is that it assumes that  
20 designing the least cost, forward-looking network and realizing  
21 a particular fill are two different steps.

22 What I'm suggesting is they are involved in the same step  
23 and, hence, it's unlikely that you would design a network in the  
24 least cost, forward-looking manner and get a higher fill and a  
25 lower cost.

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1 Q. Now, am I correct that the standard in the Commission's  
2 rules and in the FCC rules for establishing a fill is to  
3 estimate that proportion of the facility that will be filled?

4 A. I wouldn't agree with that.

5 Q. What is the Commission's standard, then?

6 A. I think I've included it in my testimony at Page --

7 Q. It's on Page 19, I'm looking right at it. In fact, I just  
8 read it.

9 A. Let me get back to there.

10 Well, you read the first paragraph and not the second. The  
11 second paragraph comes from the Commission's Entry on Rehearing  
12 where they --

13 Q. In the Ameritech case?

14 A. Yes, which is more recent and more specific than the actual  
15 rule, where they interpret the rule to suggest that in the part  
16 I have underlined is, "When the applicable language is  
17 considered in toto it is apparent that something more than  
18 actual current usage was contemplated. We also note that  
19 nowhere in our 845 guidelines that we set forth an actual usage  
20 standard".

21 Q. And that's talking about current actual fill, correct?

22 A. Well, I don't know that it's talking only about current  
23 usage fill, but certainly it mentions current usage.

24 Q. And the actual standard says an estimate of a facility that  
25 will be filled, right?

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1 A. Yes, and I think what the Commission is delineating in that  
2 paragraph from its order is that it's talking about that will be  
3 filled after you've designed a least cost, forward-looking  
4 network.

5 Q. And it's the estimate of what you actually expect to see,  
6 not the maximum that you could possibly see, isn't it?

7 A. I'm trying to understand where there would be differences  
8 between those two. Whenever you design a forward-looking  
9 network, least cost, to serve a given customer base, it would  
10 make sense to use the highest fill possible. And if that is --  
11 And I don't necessarily understand what you mean by the maximum  
12 possible, but you would want to use the highest possible in  
13 order to reduce your costs.

14 Q. So long as increasing that fill didn't increase your costs?

15 A. True.

16 Q. And there's a point at which it will increase your costs,  
17 isn't there?

18 A. For some pieces of equipment that might be true. For  
19 others, it's not.

20 Q. Now, am I correct that the purpose for fill factors is to  
21 allocate the total investment to that portion of the facility  
22 that's actually in use?

23 A. I think I'd say it a little differently. The way I  
24 generally think of fill factors and their usefulness is in  
25 unitizing a given investment over the number of saleable or

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1 demandable units.

2 Q. Like I said, dividing the investment among those actually  
3 in use?

4 A. Are you asking me to agree that those two things are the  
5 same?

6 Q. You apparently don't.

7 A. I'd simply be more comfortable with the way I said it.

8 Q. So we'll unitize the investment. It's important to  
9 understand the unit you're using, isn't it?

10 A. Yes, it is.

11 Q. And if you use an inappropriate unit in order to calculate  
12 your fill, you'll result in an inappropriate cost, won't you?

13 A. I'm trying to think of a circumstance wherein you would use  
14 the inappropriate unit. At its base your question seems to be  
15 if you did it incorrectly, you'd come out with the wrong answer,  
16 and I think I'd agree with that.

17 Q. Okay. And when you do a cost study, it would make a  
18 difference at what point in the cost study the fill is applied,  
19 wouldn't it?

20 A. I think I'll have to better understand your question. I  
21 don't know what you mean.

22 Q. Well, there's different models for cost studies, aren't  
23 there?

24 A. When you say "models", you don't mean like methodology like  
25 TELRIC and LRSIC you talk about?

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1 Q. I'm talking about models like LCAT and other models used  
2 for loop costing.

3 A. Yeah, different companies use different models, that's  
4 correct.

5 Q. And those models apply fills at different points and in  
6 different ways, don't they?

7 A. I assume that's possible.

8 Q. Let's talk about LCAT. You're pretty familiar with the  
9 overall design of that, aren't you?

10 A. Somewhat, though I think we have to remember that CBT  
11 really didn't use LCAT as anything other than a calculator. It  
12 didn't use the LCAT model characteristics, so I'm familiar with  
13 the extent to which CBT used it.

14 Q. So to the extent CBT used it, you've, in fact, been able to  
15 replicate that on an Excel spreadsheet?

16 A. Yes, I have.

17 Q. Okay. And I just want to confirm a few of the steps here,  
18 and let's just talk about loop distribution for a minute.

19 Am I correct that the first step is to determine the  
20 investment on a pair-foot basis in cables?

21 A. Yes, I think generally that's true.

22 Q. And you do that for different kinds of cable, underground,  
23 buried and aerial?

24 A. Yes, and average them across different sizes of cable.

25 Q. And once that per-pair-foot investment is determined, we

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1 then model an average loop, correct?

2 A. Yes, I think generally that's correct.

3 Q. And you apply, for example, the lengths of that average  
4 loop to the pair foot investment to determine a loop investment?

5 A. Yes.

6 Q. And then that investment in the loop is divided by the fill  
7 factor to unitize the investment?

8 A. I'm -- Let me find the exact sheet where that's done so I  
9 can make sure we are working through the process correctly.

10 Q. Okay.

11 A. We're talking about distribution, specifically?

12 Q. Yes. I think for this purpose it's probably the same?

13 A. I think you're probably right. Let me look. I just want  
14 to make sure we don't miss a step. Yes, after we -- yes,  
15 generally what we do is we determine a per-foot per-pair  
16 investment in copper cable. We then apply the pole and conduit  
17 factors to that to get an investment for the supported  
18 structure.

19 We then apply fill by dividing the fill factor or dividing  
20 the total investment by the fill factor.

21 Q. Which will yield a larger number in order to unitize that  
22 to the loops that are actually expected to be in use?

23 A. Assuming fill is less than one, yes.

24 Q. And then that grossed up investment is multiplied times an  
25 annual charge factor and divided by 12 to yield a monthly rate?

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1 A. That's the process, yes.

2 Q. The reason I go through that is Dr. Ankum wasn't familiar  
3 with those steps yesterday and I just wanted to confirm that --  
4 some foundation for his testimony was appropriate.

5 A. Okay.

6 Q. Now, in your testimony you recommend that the Commission  
7 apply the results of the Ameritech proceedings to Cincinnati  
8 Bell, correct?

9 A. Yeah. More specifically, I guess the way I'd say it is I  
10 suggested they use the factors found in the Ameritech Cost  
11 Analysis Resource, but yes, the Commission ultimately did decide  
12 upon those in the Ameritech case.

13 Q. And you can't show me that ACAR, can you?

14 A. I've shown you everything I can show you, which is  
15 basically the factors and testimony describing how those factors  
16 are derived and the Commission's conclusions regarding those  
17 factors.

18 Q. And the testimony you're referring to as attached to your  
19 testimony, it's one page or two pages, right?

20 A. Actually I think I provided it in a discovery request.  
21 You're talking about the deposition? I'm sorry, the hearing  
22 transcript? Yes, I did include that with my testimony, but I  
23 also provided excerpts of other testimony in discovery responses  
24 to CBT that probably describe it in more detail.

25 Q. What you haven't given us is any actual engineering

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1 background as to how those numbers were developed, have you?

2 A. Well, I haven't, but I don't believe the ACAR includes  
3 those, either.

4 Q. Well, you have other documentation besides ACAR, don't you?

5 A. From Ameritech?

6 Q. Yeah.

7 A. Yes.

8 Q. And you can't show that to me, can you?

9 A. Well, there's lots of documents from Ameritech that I can't  
10 show you, but I guess what I'm trying to say is that the  
11 engineering parameters associated with how the ACAR were  
12 determined were included in testimony in that case, and my  
13 understanding is that most of that is not proprietary, including  
14 the steps by which they determined those given and we talked a  
15 little bit about fresh look and we talked a little bit about the  
16 other things and the other ways in which they described that  
17 ACAR. Most of that is not confidential.

18 Q. Well, there's not anything in anything you've provided us  
19 that shows how a calculation of 85 percent fill was developed,  
20 is there?

21 A. No, but I don't believe that it is necessarily based on a  
22 calculation. I think what the ACAR is based on, I think the  
23 testimony describes this, is the engineering parameters that  
24 Ameritech is expecting to achieve in its network.

25 Q. And you really can't explain how Ameritech came up with 85

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1 percent, can you?

2 A. Yeah, I think I can. I think I just did. I think what I  
3 said was, and I think the testimony talks about this, is the  
4 idea that the Ameritech engineers, whenever they designed a  
5 piece of equipment, and let's take digital loop carrier  
6 equipment for example, whenever they put that in place in the  
7 Ameritech network, they say to be a least cost competitive  
8 provider, what do we need to run that equipment at to make sure  
9 that we recover as much costs as we can on that piece of  
10 equipment, and what they have come up with are the factors that  
11 are included in my testimony.

12 Q. And you can't share with me the actual development of how  
13 they yielded that factor, can you, because you don't even know  
14 how they did it?

15 MS. SANDERS: Your Honor, I object, he just explained  
16 exactly how this was done.

17 THE EXAMINER: All right. Overruled. If you can add  
18 anything to it.

19 MR. HART: Can you read it back, please?

20 (Question read back as requested.)

21 THE WITNESS: I guess there are two questions there.  
22 I guess the first one, I would say it seems to me you're asking  
23 me can I give you the mathematical equation they used and I'm  
24 saying no, I can't, because they didn't use one. What they did  
25 was their engineers designed their network and in the normal

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1 course of their business they said whenever we buy this piece of  
2 equipment, given our incentive to be a least cost provider  
3 because of the impending competitive market, what can we  
4 realistically run that equipment at, and what I'm suggesting is  
5 that the result of that analysis wasn't necessarily mathematical  
6 and there's no equation, but that the result of that analysis is  
7 what is included in the ACAR factors I included in my testimony

8 BY MR. HART:

9 Q. Now, nobody from Ameritech is going to testify to tell us  
10 how they did this, are they?

11 A. Not in this case.

12 Q. Okay. So I kind of have to take on faith what you're  
13 telling me is that's how they did it?

14 A. No. The documents, and I'm ashamed to say I don't  
15 necessarily remember the case number -- Yes, 96-922-TP-UNC,  
16 there were at least three to four days worth of  
17 cross-examination of the engineering witnesses on both sides,  
18 both Ameritech and MCI and AT&T, describing in great detail,  
19 painstaking detail the extent to which those ratios were  
20 determined.

21 Q. And you didn't provide us with any of that, did you?

22 A. Provide you with the transcripts from the hearing?

23 Q. Yes.

24 A. No, I did not.

25 Q. Isn't it also true that Ameritech used those fill factors

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1 in its retail LRSIC studies?

2 A. The only reason I hesitate is because we weren't allowed to  
3 look at the retail LRSIC studies in that case, so I can't tell  
4 you with absolute certainty that that is true. My understanding  
5 is that was the contention in the case.

6 Q. Isn't that what the Commission's order said?

7 A. Perhaps it said that. Not in the paragraph I've quoted.

8 Q. Isn't that one of the reasons the Commission said they had  
9 to use them for TELRIC as well, because it would be inconsistent  
10 if they didn't?

11 A. I don't know if it said it in that way, but that's  
12 consistent with the idea that Ameritech was suggesting this is  
13 the least cost way to run our network, and the Commission, I  
14 think, if it did say that, rightly said that because if  
15 Ameritech can run its network in that least cost manner for  
16 itself, the nondiscriminatory standards of the Act would require  
17 that it also run it in that fashion for competitors and that the  
18 costs that result would be the same.

19 Q. Now, at that hearing Ameritech was not advocating the ACAR  
20 fills, was it?

21 A. No, it was not.

22 Q. It --

23 A. Let me --

24 Q. Not for TELRIC?

25 A. Not for TELRIC, but it was for LRSIC.

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1 Q. And LRSIC establishes retail floors, doesn't it?

2 A. Well, LRSIC is a cost methodology that determines the  
3 long-run service incremental cost. Commissions sometimes use it  
4 to establish floors for retail services.

5 Q. And that's how it's used in Ohio, isn't it?

6 A. I think generally, yes, that's my understanding.

7 Q. So for purposes of a LRSIC study, it was to Ameritech's  
8 advantage to use high fills so that it would have low price  
9 floors, correct?

10 A. I think the way I'd say that is it's to Ameritech's  
11 advantage to run its network in the most efficient manner  
12 possible. What I've suggested is that in doing that it came up  
13 with fill factors that are included in the ACAR and if, indeed,  
14 that is correct, then it wasn't trying to gain advantage by  
15 using them in its LRSIC studies, it was simply representing its  
16 actual costs.

17 Q. Well, for retail purposes, higher fills would give them  
18 lower price floors and therefore more price flexibility, right?

19 A. I think generally I would agree the higher the -- or the  
20 lower the fill, many times the higher the resultant cost.

21 Q. Now, the other way around, the higher the fill the lower  
22 the price floor, correct?

23 A. Conversely that is normally true as well.

24 Q. And when it came to its TELRIC proceeding, Ameritech didn't  
25 want to use those fills, did it?

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1 A. That's correct. It didn't, and I think --

2 Q. So for TELRIC purposes, Ameritech apparently didn't think  
3 those fills would allow it to recover its investment, did it?

4 A. No, you brought up the phrase earlier of gaming the system,  
5 and though you may not have used those exact words, our position  
6 was that was exact -- they were trying to use their least cost  
7 network to provide their retail services, and some more  
8 expensive network to provide unbundled network elements and I  
9 think the Commission agreed that the network is the network is  
10 the network, and if you can run it efficiently for your retail  
11 services, you can run it efficiently for your wholesale  
12 services.

13 Q. So the Commission didn't let Ameritech game the system?

14 A. Well, I think the Commission made the proper decision with  
15 respect to the discriminatory standards in the Act.

16 Q. Does Cincinnati Bell use any different fill factors in its  
17 LRSIC studies than it's proposing here?

18 A. I don't know. And the reason I don't know is, for example,  
19 we have asked to see the LRSIC studies for services like ADSL,  
20 and we haven't seen those.

21 Q. You saw all the loop studies, didn't you?

22 A. I saw all the loop studies, I haven't seen all of your  
23 LRSIC services.

24 Q. You saw all the unbundled loop LRSIC studies, didn't you?

25 A. My understanding is you didn't provide LRSIC studies for

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1 unbundled elements, you provided them for retail services, so I  
2 saw the LRSIC studies you provided. My only point is that there  
3 are LRSIC studies I have not seen. I don't know what fill  
4 factors are included.

5 Q. You didn't see the ADSL, but you saw all the retail  
6 services that included loops, didn't you, other than ADSL?

7 A. Well, I only bring up ADSL because that's one I know of.  
8 All I'm saying is there are a subset of LRSIC studies I have  
9 seen, there are a subset of LRSIC studies I have not seen. In  
10 the LRSIC studies I've seen that were filed in this case, the  
11 fill factors were the same.

12 Q. Okay. So those LRSIC studies you've seen that involved a  
13 loop, Cincinnati Bell used exactly the same fill factors it's  
14 proposing here?

15 A. That's my general recollection, yes.

16 Q. So Cincinnati Bell's not here attempting to use two  
17 different sets of fills for two different purposes, is it?

18 A. No, it's attempting to use a bad fill for both.

19 Q. Now, this isn't the first time that you have proposed that  
20 Ameritech rates be applied to Cincinnati Bell, is it?

21 A. I'm not suggesting in this case that Ameritech rates be  
22 applied to Cincinnati Bell, I'm suggesting that cost determining  
23 factors such as fill shouldn't vary between companies, they  
24 should vary only between pieces of equipment. The extent to  
25 which a company chooses or is able to use that equipment in the

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1 most efficient manner is another issue, but I'm not suggesting  
2 that any Ameritech rates be applied to south -- to Cincinnati  
3 Bell in this case.

4 Q. Now, you testified approximately two years ago in an  
5 arbitration between MCI and Cincinnati Bell, didn't you?

6 A. Was that only two years ago? It seems much longer, but  
7 yes, I'll accept that.

8 Q. And in that hearing your testimony was that Cincinnati Bell  
9 should use Ameritech's TELRIC rates as interim rates, wasn't it?

10 A. That was my recommendation given the fact that we had only  
11 seen the CBT cost studies for a very, very short period of time,  
12 without the ability to do discovery in deposition format to  
13 better understand them.

14 Q. And in that proceeding, the Commission rejected your  
15 proposal because there was no evidence in the record to support  
16 those rates, correct?

17 A. I don't remember their reasoning behind rejecting it, but  
18 yes, they did reject that recommendation. But again, that  
19 recommendation was a secondary -- I made that recommendation  
20 because we didn't have time to do the analysis we have done in  
21 this case.

22 Q. Nevertheless, the Commission rejected the proposal, didn't  
23 it?

24 A. Well, what it did was it rejected part of it, because our  
25 proposal was that we have another proceeding to determine CBT's

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1 actual costs, given the time to do it right, and they rejected  
2 the proxy of the Ameritech rates, but they obviously instigated  
3 this proceeding within which to determine the long-term rates.

4 Q. Now, let's stay with distribution for a minute. You're  
5 recommending 85 percent. Is it your recommendation that  
6 Cincinnati Bell simply substitute 85 percent in its cost studies  
7 where it uses 35 percent?

8 A. My recommendation is that 85 percent is the appropriate  
9 fill factor. If it could be shown that the CBT cost studies are  
10 built in such a fashion where simply substituting that 85  
11 percent wouldn't accurately portray the costs, I certainly would  
12 need to look and understand that, and if that is the case then I  
13 think it would need to be changed in those areas as well.

14 Q. So if we had a given network design, if we simply changed  
15 the fill factor, doesn't that imply that I have much larger  
16 demand for that same network?

17 A. No.

18 Q. Well, if I have a network that has, say, a thousand loop  
19 capacity, and I apply a fill factor of 35 percent, doesn't that  
20 imply I have 350 customers?

21 A. Well, I think at that point you will have done your study  
22 exactly the opposite way you should have done it. The way you  
23 should have done it is determined again how many customers you  
24 have out there and determine the best least-cost facility with  
25 which to provide them service, understanding that 85 percent is

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1 a sustainable fill on a given piece of equipment, you would  
2 design your network to accommodate that fill. So your demand  
3 doesn't change. Perhaps the size of your cable would change in  
4 that instance.

5 Q. Well, your 85 percent assumes that the fill on the network  
6 that I've designed would be 85 percent, doesn't it?

7 A. No, it doesn't.

8 Q. Well, then it's not the right fill, is it?

9 A. Well, let me explain that. The -- and I think not to try  
10 to jump ahead to where you're going, but I think we're talking  
11 about the issue of the size of cable that's assumed within the  
12 CBT cost studies. What I've suggested is that on any given  
13 piece of cable, 85 percent is a sustainable level of fill. If  
14 that means that CBT needs to go back into its study and use  
15 smaller cables, understanding that it can utilize them more  
16 effectively, instead of using only 35 percent of them can use 85  
17 percent of them, then I think that's a change that could likely  
18 need to be made. I need to understand that in more detail.

19 But I'm not suggesting that CBT should use the same cable  
20 and assume that it has some greater level of demand, that would  
21 not be the accurate way to do the study.

22 Q. That's what I was trying to ask you.

23 So we can't just plug in a new fill factor, we need to look  
24 at the whole network design?

25 A. Well, you have to look at the way the model determines

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1 costs associated with a given cable and the way it utilizes  
2 fill. It's more specific to the model than it is the way the  
3 proper TELRIC study is done. We have already discussed how a  
4 proper TELRIC study is done. I think the contention I'm  
5 beginning to understand from CBT's side is that it would need to  
6 go back in and change the size of cable and I need to understand  
7 that better, but if indeed that were true, and proven, then  
8 that's a legitimate change.

9 Q. Okay. And you make a good point, that we can't just assume  
10 that a fill factor translates from model to model, can we, we  
11 need to understand how it's used?

12 A. I think a fill factor is what it is. What we have  
13 identified in the CBT studies, or what I think you're suggesting  
14 we have identified, is that the way CBT's sizes its cables in  
15 determining, getting back to that per pair, per foot investment,  
16 is dependent and interdependent with the fill factor, and hence,  
17 if you change one the other needs to change. What I would  
18 suggest is do fill the right way and if you need to go back in  
19 and change that size of the cable, then so be it, but fill  
20 should be applied as fill is required, which is to unitize the  
21 investment over demandable units.

22 Q. We need to be careful that if we change fill, that it's  
23 done appropriate to the model in which the fill is used, don't  
24 we?

25 A. I wouldn't say it that way. I'd say do fill the right way.

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1 If you need to make changes to your model to recognize that,  
2 then do that. Fill is an important -- one of the most  
3 important, if not most important assumptions in a TELRIC study,  
4 many times, so I wouldn't change the way you do fill to  
5 accommodate some other part of the model. I'd do fill the right  
6 way and then change the other part of the model.

7 Q. Now, if we were to take a fresh look at the network and put  
8 in smaller cables, that would result in different investments,  
9 wouldn't it?

10 A. Different, yes. I'm not certain whether they would be  
11 higher or lower.

12 Q. Well, on a per-pair basis, small cables are more expensive  
13 than larger cables, aren't they?

14 A. Yes, but as I pointed out in my supplemental testimony,  
15 small cables have fallen in price significantly -- to a more  
16 significant degree than have large cables.

17 Q. But even though they fall in price, they're still more  
18 expensive than larger cables?

19 A. I have not done that analysis.

20 Q. That's generally true, though, isn't it, that there's  
21 certain costs that don't vary by cable size?

22 A. There are costs that do not vary by cable size.

23 Q. And so there's not a linear relationship between the size  
24 of the cable and the investment that's required to place that  
25 cable?

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1 A. I've not done that analysis. I assume -- That's possible.

2 Q. In fact, there's not even a linear relationship between  
3 maintenance expense and the size of the cable, is there?

4 A. I struggle only with trying to understand the significance  
5 of the question, but maintenance probably is not a -- The size  
6 of the cable is probably not a determinative factor in the level  
7 of maintenance.

8 Q. And is the level of maintenance a consideration in the  
9 original design of a least cost, most efficient, forward-looking  
10 network?

11 A. Yes, it should be.

12 Q. Would you agree with me that because of the discrete sizes  
13 that cables come in, that there is a certain amount of potential  
14 fill lost because of that?

15 A. Yes, there is what we generally refer to as a breakage  
16 issue which, though it sounds like it's talking about defective  
17 pairs, it's not, it's talking about breakage in investment,  
18 whereas there are discrete sizes of cables.

19 Q. So if I need five pairs, I might have to put in 25 because  
20 that's the smallest standard cable size?

21 A. That's possible, though we have to understand that the  
22 fills and the way the ACAR does the fills is it determines them  
23 on an average across the network. So in some instances you're  
24 liable to have cables that are filled at a hundred percent, some  
25 may be filled at 60 percent, but the average across the network

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1 is 85 percent. You can't look at any given cable to determine  
2 the level of fill on a network basis.

3 Q. But you would agree that there's some loss in fill due to  
4 the breakage phenomena?

5 A. Yes. The ACAR factors specifically account for breakage.

6 Q. Okay. But you haven't shown us anything that  
7 mathematically demonstrates that, have you?

8 A. No, I haven't shown you anything, no.

9 Q. Would you agree with me that an actual fill, if it's the  
10 same as what you would expect to see in a forward-looking  
11 network, would be an appropriate fill to use for a TELRIC study?

12 A. It's an unlikely scenario, but the way I think I would say  
13 that is there is an appropriate fill to use in a forward-looking  
14 network. If you found a cable in your network that happened to  
15 have that fill, using the two would be the same -- would make no  
16 difference.

17 Q. Well, the fact that it's the current fill doesn't mean it  
18 wouldn't also be the forward-looking fill, correct?

19 A. I would suggest it has no bearing on whether it would be or  
20 wouldn't be.

21 Q. Were you present at Mr. Meier's deposition last year?

22 A. No.

23 Q. So you wouldn't be able to testify as to his demeanor when  
24 he answered a given question, would you?

25 A. His demeanor?

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1 Q. Right.

2 A. No. I did see Mr. Meier's cross, and he seemed jovial, but  
3 other than that I have no -- I have no recollection of his  
4 demeanor.

5 Q. Well, on Page 25 of your direct testimony you quote from  
6 his deposition, right?

7 A. Yes. I placed in there what he said.

8 Q. And you say right after that quote that he prefaces his  
9 original answer. I take that you mean the sentences up to the  
10 word "No"?

11 A. Let me familiarize myself with what I've said there.

12 I think generally, yes, that's what I meant by "preface".

13 Q. And so you wouldn't know, because you weren't there, that  
14 he was joking up until he said the word "No", right?

15 A. I wouldn't know that he was or that he wasn't. I'm  
16 simply -- My understanding is that he was under oath and that  
17 the things he said were supposed to be truthful.

18 Q. And the last sentence says that he would put enough out  
19 there so he'd never have to reinforce it, didn't he?

20 A. Well, he says two things there, and I can just give you my  
21 interpretation of what he says. What he says speaks for itself.  
22 But my interpretation of what he says was, and I'll paraphrase  
23 significantly, I would do it to the extent to which I could, I'd  
24 use it as efficiently as I could, 12 strands in a cable, I'd use  
25 12 strands if I could; but then he says, well, got to watch my

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1 answer, I have to make sure that there's enough out there so  
2 that I don't have to reinforce it.

3 Q. Well, he never did say I'd use 12 strands if I could, did  
4 he? That's not there.

5 A. Well, 11 out of 12, I apologize.

6 Q. And there's no system that uses 11 fiber strands, is there?

7 A. Yes, I think there is. There's combinations of systems  
8 that could use any number. I mean, some systems use a single  
9 fiber.

10 Q. But he said he would never want to have to reinforce it,  
11 didn't he?

12 A. Yes, he said both things in that -- in that paragraph.

13 Q. Have you read his testimony from this hearing?

14 A. Yes, though not this week.

15 Q. And you have a discussion that precedes this about 85  
16 percent fill on drops. Do you recall he testified in this  
17 hearing that he never projected 85 percent as a fill?

18 A. I'm not familiar with that testimony, no. My -- My  
19 testimony speaks to a particular data request, not to  
20 Mr. Meier's testimony.

21 Q. Wouldn't his live testimony here in this hearing be the  
22 best evidence of what he really thought or what he meant?

23 MS. SANDERS: Your Honor, I object. Are we calling  
24 for a legal conclusion here about the best evidence for the  
25 Commission? I don't think Mr. Starkey is here to -- he's

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1 addressing a certain amount of deposition testimony for  
2 Mr. Meier. It speaks for itself.

3 THE EXAMINER: Well, I think it's a fair question if  
4 Mr. Starkey has included specific parts of the deposition and  
5 then offers an opinion on what Mr. Meier meant in the deposition  
6 and there's something that is more recent on which he underwent  
7 cross-examination, I think that is a fair question, so I will  
8 overrule it.

9 THE WITNESS: Can I hear that one more time? I'm  
10 sorry.

11 (Question read back as requested.)

12 THE WITNESS: I guess I do have some experience with  
13 what's good evidence and what's bad evidence. What I would  
14 suggest is many times the first things people say are the best  
15 evidence and that sometimes, some time later they come back  
16 after speaking with other folks they say something different,  
17 then you have to take both in -- you have to take both in toto  
18 to really understand what they were saying.

19 BY MR. HART:

20 Q. You say in your testimony at Page 24 that the fills in  
21 Mr. Mette's study weren't chosen by engineers. What's your  
22 basis for saying that?

23 A. My basis was Mr. Mette's deposition. And though I can't  
24 point you to a specific -- can't point to a specific point in  
25 that deposition, I will paraphrase. My understanding was that

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1 the engineers provided a view of the actual fill on the network,  
2 and I'm thinking specifically now to sort of the DLC -- that was  
3 provided in discovery, there is a DLC output sheet that shows --  
4 and I forget the name of the system, but it shows the level of  
5 fill on the current network that provided a number, and my  
6 understanding that was that Mr. Mette added a couple of  
7 percentages on to that to get to the 70 percent.

8 So while I think the engineers did provide the actual fill,  
9 Mr. Mette made the final decision with respect to the  
10 adjustments.

11 Q. Not only that, Mr. Meier has testified that he agrees that  
12 the correct fills were used, correct?

13 A. That's very possible. I didn't suggest that he didn't. I  
14 simply said that I think Mr. Mette chose the fills, which I  
15 think is true.

16 Q. With respect to electronic fills, let's talk about digital  
17 loop carrier. There's really two components, aren't there;  
18 there's a common component and then there's a line component?

19 A. I think that's a fair characterization, yes.

20 Q. And the fills on those two components might be different,  
21 wouldn't they?

22 A. That's possible. I think what I would add to that is that  
23 fills, like we talked about earlier, you can't look at a  
24 common -- you can't look at a given cable to determine what the  
25 fill is going to be as a sustainable level across the network.

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1 The ACAR fills are an average of what the engineers believe they  
2 can achieve. So while any given piece of equipment may differ,  
3 either on the high side or the low side, those are the given  
4 average for the network.

5 MR. HART: Your Honor, I would move to strike that  
6 response as gratuitous and not responsive to my question.

7 THE EXAMINER: Motion is denied.

8 BY MR. HART:

9 Q. With respect to fiber, I take it you're changing your  
10 testimony so you really don't recommend a 33 or a 67 percent  
11 fill for fiber?

12 A. Well, there are two questions there; am I changing my  
13 testimony, and what am I recommending.

14 Can you tell me why you -- I mean, I guess I need to  
15 understand why you think I'm changing my testimony, because I'm  
16 not.

17 Q. Well, haven't you testified that you think that the fiber  
18 ought to be unitized to the customers who are being served on  
19 that fiber?

20 A. My recommendation with respect to fiber is that the fill  
21 factors associated with the electronics that light the fiber be  
22 used as the fiber fill factor.

23 Q. Okay.

24 A. That hasn't changed.

25 Q. Well, on Page 22 you have a chart that says Ameritech's

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1 ACAR is 33 percent or 66 percent on fiber.

2 A. Yes. I'm simply representing what the ACAR factors are.  
3 Later in my testimony I then provide my recommendation with  
4 respect to what the fiber fills should be. That's not a change.

5 Q. Well, on Page 29, Lines 6 and 7, you recommend that the  
6 Commission adopt all of the ACAR fills, don't you?

7 A. Appropriate -- Apparently I used the word "all" too  
8 loosely. My intention was to suggest that the ACAR factors,  
9 except for fiber, which I specifically describe in the pages  
10 that precede that.

11 Q. But you didn't say that in your testimony?

12 A. As I think you've pointed out, I apparently used the word  
13 "all" too loosely.

14 Q. Now, when we -- Under your recommendation, you would apply  
15 all of the fibers in the cable to that electronic investment,  
16 wouldn't you?

17 A. I'm sorry, could you say that one more time?

18 Q. If we had a cable that was a 12-strand cable and it only  
19 had four fibers in use, you would need to apportion all 12  
20 fibers to the electronics that were using that cable, wouldn't  
21 you?

22 A. You would apportion -- Yes. Let's take a specific piece of  
23 equipment. And I'm not suggesting -- Let's say there's a  
24 12-fiber strand in the network. And let's take a Fujitsu FACTR  
25 system on an OC3 basis uses four of those 12. I'm not

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1 suggesting that all 12 of those fibers be associated with that  
2 OC3 system because it's likely that that piece of fiber is being  
3 used for other things, as well. Many times fiber strands are  
4 used not only as outside plant investment in terms of the loop,  
5 they're also used -- the same fiber is used to support  
6 interoffice services and any number of other services.

7 What I'm suggesting is that to unitize the fiber associated  
8 with any given system, the electronics on each side of that  
9 system are the determinative factor in the number of customers  
10 that piece of fiber is actually supporting.

11 Q. We have to recover the cost of the vacant fiber somewhere,  
12 too, don't we?

13 A. The vacant fiber, I assume you mean those other eight that  
14 I am suggesting could be used by other systems.

15 Q. But if they're not in use, they're still an investment,  
16 aren't they?

17 A. They are an investment whether they're in use or not.

18 Q. And they have to be recovered somewhere?

19 A. That investment should be recovered, yes.

20 Q. And shouldn't we recover it from the system that's using  
21 the four out of the 12 fibers?

22 A. Are you suggesting that is the only system that -- that is  
23 the only system on that piece of 12-fiber cable?

24 Q. If they're vacant, I would assume so.

25 A. Well, while I might disagree with that assumption, it's not

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1 important.

2 The -- I guess what I am saying is that -- The answer to my  
3 question is no -- to that question is no.

4 Q. So those should go unrecovered?

5 A. No.

6 Q. So where do we recover them?

7 A. You recover them from the systems that are using them.

8 Q. They're vacant, they aren't being used so, Mr. Starkey,  
9 where do we recover that cost?

10 A. I'm not trying to play games with you, Mr. Hart. What I am  
11 suggesting is you've got a 12-fiber strand. You're suggesting  
12 that only four of those are being used by a system and what I am  
13 suggesting is that's a very unlikely scenario.

14 Well, first of all, using only 12 fibers is a very unlikely  
15 scenario. But fiber is generally deployed in a network so that  
16 it supports a number of different systems.

17 Unlike copper cable, it's not -- fiber is rarely  
18 specifically engineered to serve a particular location. It  
19 generally is in a ring architecture. It generally supports a  
20 number of different systems. What I am saying is unitize the  
21 four fibers that support that system based upon the unitization,  
22 the demandable units that that system supports. If it -- that  
23 fiber likely supports another system, as well. Unitize those  
24 fibers over that system. That's the way in which you would  
25 unitize a given fiber cable.

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1 Q. Well, let's say I have a 48-fiber system -- 48-fiber cable,  
2 and 36 of them are in use. Where do I recover the cost of the  
3 other 12?

4 A. What you're getting at is the fact that fill in fiber is  
5 more complex than it is in copper cables, and with that I would  
6 agree in that there's not a simple one-to-one mapping of -- like  
7 there is in copper, one copper cable or one copper pair, one  
8 circuit. The proper way to do fill in a fiber cable is to  
9 determine the demandable units that that fill supports.

10 If the demandable units -- If -- Let's take this very  
11 unlikely scenario that you have a 48-strand fiber cable and it  
12 supports only one OC3 system which hangs off of it. The units  
13 that should be used to recover that investment are however many  
14 demandable units there are supported by that system. If that is  
15 the only system, then that is the way you would recover it.

16 What I am suggesting is that is a highly unlikely and not a  
17 forward-looking, least cost scenario.

18 Q. My hypothetical was a 48-fiber cable that had 36 fibers in  
19 use, which is the two-thirds fill, which is what the Commission  
20 approved in Ameritech. Are you telling me that's an unlikely  
21 situation? Actually, it wouldn't be two-thirds, it would be --  
22 yeah, 32 would be two-thirds of 48.

23 A. I'm not telling you that's an unlikely scenario  
24 necessarily. I don't know the extent to which that is likely or  
25 unlikely.

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1 Q. Well, let's assume we have that.

2 A. Okay.

3 Q. That there are 48-fiber cables and 32 strands are in use.  
4 How do the remaining 16 get recovered?

5 A. They should be recovered over all of the demandable units  
6 over that particular piece of cable, the entire cable.

7 Now, that gets more difficult as you talk about things like  
8 sharing interoffice cable on an OC48 basis, for example, in that  
9 pair of fiber cable with an OC3 system that perhaps supports a  
10 given FACTR system.

11 What I'm suggesting is the proper way to accommodate for  
12 fill on a given fiber cable, determine the total demandable  
13 units that that fill supports -- that that cable supports, and  
14 you recover the investment over those demandable units.

15 Q. So I ought to recover all of my fiber, vacant and used,  
16 right?

17 A. That is the purpose of a fill factor.

18 Q. So you're not saying I should limit my recovery to the  
19 fibers that are actually in use?

20 A. That's not my intention, given that you're using the fiber  
21 in the least cost, forward-looking manner.

22 Q. What does that mean? How much fiber would be used?

23 A. As much as is required to run the systems that you need.

24 Q. And that might be two-thirds, it might be one-third, right?

25 A. No, I wouldn't agree with that.

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1 Q. But you can't give me a number?

2 A. Well, I think we're talking about a multitude of scenarios.  
3 We're talking about the placement of 148 -- 144-strand fiber,  
4 we're talking about the placement of 12-strand fiber, 48 strand  
5 fiber using OC3 and OC48 systems and OC12 systems.

6 To pull a number out of my hat wouldn't do you any good.  
7 What I am suggesting is there are a number of fibers that are  
8 needed to support given systems. That's a known quantity.  
9 Design your network to where you have as few of those fibers as  
10 possible to run your system. That's your least cost,  
11 forward-looking network.

12 Q. And you can't tell me what that number is, can you?

13 MS. SANDERS: Your Honor, I object. He's asked that  
14 several times. Mr. Starkey has explained it several times.

15 THE EXAMINER: All right.

16 MR. HART: He could say "yes" or "no", he could have  
17 said "yes" or "no" to almost every one of my questions and I  
18 keep getting speeches that are not responsive to the questions.  
19 I would just like a simple answer.

20 THE EXAMINER: Well, I think he's answered it  
21 sufficiently. I'll sustain the objection.

22 BY MR. HART:

23 Q. Let's go on to the next topic in your testimony, which is  
24 Fujitsu FACTR equipment.

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

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1 (Recess taken.)

2 THE EXAMINER: Back on the record.

3 Mr. Hart.

4 MR. HART: Thank you, your Honor.

5 BY MR. HART:

6 Q. Mr. Starkey, I want to move to the topic of the Fujitsu  
7 contract, specifically the discounts.

8 Would you agree with me that that contract provides  
9 different discount levels for different types of equipment?

10 A. Yes, I think that's a fair characterization.

11 Q. And that specifically the discount on the FLM equipment is  
12 different than the discount on the FACTR equipment?

13 A. Well, when we talk about discounts, I assume you're  
14 specifically referring to the discount that's applied off the  
15 base price.

16 Q. Right.

17 A. In my testimony I have suggested that the prices themselves  
18 have been discounted over time to reflect sort of the decreasing  
19 cost nature of the industry -- or, at least of that portion of  
20 the industry.

21 Q. No, my question to you is: Is the discount different on  
22 the FLM equipment than on the FACTR equipment? That's all I'm  
23 asking you.

24 A. If you're specifically referring to the discount that is at  
25 the top of that column on that page, yes, I would say that's

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1 different. I was simply trying to differentiate between the two  
2 different types of discounts that I have discussed in my  
3 testimony.

4 Q. Okay. And there's no discount at all on remote terminal  
5 cabinets, is there?

6 A. Would you point me to that specific unit?

7 Q. Well, let me ask you to point out where there is a  
8 discount, if you can.

9 A. I think I could, given appropriate time. I guess in my --  
10 Did somewhere in my testimony I suggest there was a particular  
11 discount that applied to the cabinet?

12 Q. I'm asking whether you know whether there's a discount on  
13 cabinets or not.

14 A. And again, I have to differentiate my answer. There may  
15 not be, and I can't point to a specific cabinet where the  
16 percentage discount at the top of the table is applied. If I  
17 had that, I could review the first two amendments to the  
18 agreement to see if it has been discounted over time.

19 Q. Okay.

20 A. I have not done that analysis specifically for the cabinet.

21 Q. So on Page 34 of your testimony where you recommended an 11  
22 percent discount be applied to DLC equipment, should we amend  
23 that to say that the discount appropriate to the type of  
24 equipment should apply?

25 A. Can you point me to that page number again?

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1 Q. Page 34.

2 A. Direct testimony?

3 Q. Yes.

4 A. Could you -- I apologize, because my testimony has  
5 different line numbers; could you read me the sentence that  
6 says --

7 Q. I believe it's in Line 6 where you recommend an 11 percent  
8 discount. And my question for you is: Shouldn't we apply the  
9 discount applicable to the type of equipment, which is not the  
10 same for each piece of equipment?

11 A. First we have to realize that I have revised this  
12 recommendation in my supplemental testimony.

13 Q. I understand that.

14 A. So this is no longer my recommendation.

15 But I don't think that that is necessarily true, no,  
16 because what I have shown in my supplemental testimony is that  
17 not only do the discounts that apply within the Fujitsu FACTR  
18 contract -- not only are those relevant, but that the decreasing  
19 cost nature in general has shown that base prices are reduced  
20 over time for at least all of the equipment that I looked at.

21 Now, I did not look specifically at the cabinet, perhaps;  
22 but that, in general, my review of the contract suggests that a  
23 forward-looking reasonable estimate of what CBT will pay for  
24 Fujitsu FACTR and FLM equipment can be represented by a 17  
25 percent discount off the base prices that are used in the

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1 current contract.

2 Q. Well, that's not my question, sir. I asked you whether we  
3 should apply the actual discounts that apply to the types of  
4 equipment we're investing in.

5 A. Well, that's actually, I don't think, what you did ask me.  
6 I think you asked me whether we should apply the 11 percent to  
7 that equipment and what I explained to you was that my  
8 recommendation had changed.

9 Q. And even if your recommendation is 17 percent, we shouldn't  
10 apply that to all types of Fujitsu equipment, should we?

11 A. Again, I answered that, yes, we should.

12 Q. Well, when Cincinnati Bell buys equipment, it's going to  
13 pay the price in the contract, isn't it?

14 A. Well, when you say "the price in the contract", that  
15 contract has been amended twice, so it will pay the price of the  
16 most current contract. It's been amended because -- well, let  
17 me not -- let me not project as to why it was, but it was  
18 amended, and each time it was amended, the prices went down.

19 I interpret from that that this is a decreasing equipment  
20 base, decreasing cost equipment base, and apparently  
21 occasionally CBT returns to the vendor to renegotiate discounts  
22 and base prices from which those discounts will be applied.  
23 That's what the amendments within the contract suggest to me.

24 Q. And the contract still applies different discounts to  
25 different types of equipment, doesn't it?

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1 A. Again, we'd have to differentiate between the two types of  
2 discounts. It applies a discount to the base price that's  
3 included in those columns we spoke about earlier and, yes, I  
4 believe those do differ by pieces of equipment. The contract  
5 also includes discounted base prices over time due to  
6 renegotiation, it appears.

7 So I would suggest I haven't done the analysis to determine  
8 exactly whether those discounted base prices are different for  
9 pieces of equipment; what I have suggested is my overall review  
10 suggests that 17 percent is a reasonable, if not conservative,  
11 estimate of what that discount percentage should be.

12 Q. Well, it's still speculation on your part, isn't it?

13 A. No, it's not.

14 Q. Well, Cincinnati Bell didn't make the \$30 million discount  
15 for 1997 and '98, did it?

16 A. I don't know, nor is that relevant.

17 Q. Well, my question is not whether it's relevant. The  
18 question is: Did it make it or not make it?

19 MS. SANDERS: Your Honor, he just answered that  
20 question. He said he didn't know.

21 THE EXAMINER: He said he didn't know.

22 BY MR. HART:

23 Q. Let's talk about integrated digital loop carrier.

24 Are you familiar with MCI's contract with Cincinnati Bell?

25 A. Generally.

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1 Q. Am I correct that in that contract, MCI agreed that if it  
2 ordered a loop that would serve an integrated digital loop  
3 carrier, that either it would be moved to a copper pair or MCI  
4 would pay to demultiplex that loop?

5 A. That's possible.

6 Q. So in the agreement between Cincinnati Bell and MCI, it  
7 does not provide that MCI would ever get a loop that's  
8 provisioned on integrated digital loop carrier, does it?

9 A. When you suggest forever, that brings me to the point of  
10 why I don't think the contract is relevant in this proceeding,  
11 because that contract has an expiration date. So I would  
12 disagree with your contention that it never will get access to  
13 an integrated digital loop carrier.

14 Q. It won't in that contract, will it?

15 A. I don't know.

16 Q. Now, you are recommending that Cincinnati Bell use  
17 integrated digital loop carrier as the cost base in this  
18 proceeding, aren't you?

19 A. The only reason -- Yes. The only reason I would qualify  
20 that answer is that what I am suggesting, my position is, that  
21 in designing the forward-looking network before you determine  
22 the investment associated with it, you should use integrated  
23 digital loop carrier as the -- as the DLC platform on which that  
24 network would be designed for both bundled and unbundled loops.

25 Q. And if we were to use integrated digital loop carrier, we

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1 would have to include in the investment FLM 150 equipment in the  
2 central office, wouldn't we?

3 A. Well, here you're getting to how would you design a network  
4 using integrated digital loop carrier; and, yes, integrated  
5 digital loop carrier requires the placement of an FLM150 in the  
6 network, in the central office. What I have suggested in my  
7 testimony is that you should use the investments associated with  
8 the retail loop and in that retail loop study you included the  
9 investment associated with that FLM 150. That's completely  
10 consistent.

11 Q. So the answer to my question was "yes"?

12 A. I'd stand by my original answer.

13 Q. And the FLM 150 presents a DS1 interface, doesn't it?

14 A. That's a little simplistic. FLM 150 is an OC3 to DS1  
15 multiplexer. It provides channels at the DS1 level after it has  
16 multiplexed given -- a given data stream.

17 Q. You mean actually after it has demultiplexed an OC3 data  
18 stream?

19 A. Did I say "multiplexed" as opposed to "demultiplexed"?

20 Q. Uh-huh.

21 A. I apologize. Demultiplexed.

22 Q. So if one were to receive a DS0 unbundled loop from an  
23 FLM 150, you would need to have a minimum of a DS1?

24 A. Not necessarily.

25 Q. Well, then you have to demultiplex it again, don't you?

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1 A. One of those two options must exist, yes.

2 Q. Okay. And if you demultiplex it, you might as well use  
3 universal digital loop carrier, shouldn't you?

4 A. No.

5 Q. Well, you need to pay for a demultiplexer, don't you?

6 A. Well, as we discussed at deposition, there are more than  
7 one way, to proverbially skin a cat, but in this instance to  
8 demultiplex and disaggregate a DS0 from an integrated digital  
9 loop carrier. You're speaking, I think, particularly about one  
10 of those instances wherein you would pull a DS1 from the  
11 FLM 150. There are other methods with which you could unbundle  
12 that DS0 circuit.

13 Q. And whichever method you use requires some form of  
14 demultiplexing?

15 A. Any time you use digital loop carrier, especially the FACTR  
16 system, that runs at an OC3 level, whether you use it in the  
17 integrated or the universal mode, you must demultiplex at some  
18 point.

19 Q. And in the integrated mode, the switch does that, doesn't  
20 it?

21 A. No. The FLM 150 takes the first cut at it. Gets it from  
22 OC3 to DS1, and then the switch goes from DS1 to DS0.

23 Q. So was I correct that the DS1 to DS0 demultiplexing takes  
24 place in the switch in integrated mode?

25 A. Perhaps -- Oh, in integrated mode, yes. Perhaps --

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1 Q. So the answer to my question, again, was "yes"?

2 A. Not exactly, because once you get to the FLM 150 and you  
3 get to the DS1 interface level, you don't necessarily have to  
4 take it to the switch. You can take it -- and this brings up a  
5 point that it goes to the DSX1 cross-connect system before it  
6 goes to the switch.

7 A DSX1 cross-connect system in the central office is  
8 really -- you can think of it like a main distribution frame for  
9 DS1s. You can go anywhere in the central office you want with  
10 that DS1 once you get it to the DSX. Many times it goes to the  
11 central office switch in an integrated mode but it doesn't have  
12 to. It can go to a D4 channel bank, it can go to anywhere you  
13 want to to do whatever you want with that channel. It's a very  
14 flexible system.

15 Q. But it's still the switch that does the demultiplexing in  
16 integrated mode?

17 A. Not necessarily.

18 Q. Now, a T1 or a DS1 signal has a higher cost than a DS0  
19 signal, doesn't it?

20 A. That's asked very vaguely, but I think in general you could  
21 think of it that way, yes. There are certain instances where  
22 that wouldn't be true.

23 Q. So if unbundled DS0 loops were to be provisioned on a DS1,  
24 before that's cost effective, you would have to have a  
25 sufficient number of DS0 loops coming from the same digital loop

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- 1 carrier system, wouldn't you?
- 2 A. Cost effective for who?
- 3 Q. Whoever is buying those loops.
- 4 A. Not necessarily. Depends on what other alternative they
- 5 have and the cost of that alternative.
- 6 Q. Well, the cost of a DS1 is higher than a DS0, right?
- 7 A. Again, I have said in some instances that is true.
- 8 Q. In fact, the cost of a DS1 is higher than a universal mode
- 9 DS0, isn't it?
- 10 A. I guess the reason I struggle is because you are making
- 11 contentions that I have not seen made before and I don't know
- 12 that to be the case, no.
- 13 Q. So you think a DS1 signal could be provisioned cheaper than
- 14 a universal digital loop carrier DS0?
- 15 A. That's not what I said. I simply said you're making
- 16 contentions of fact that I don't know are fact. I simply don't
- 17 know.
- 18 Q. Well, let's assume that a DS1 signal on an integrated mode
- 19 would have a higher cost than a DS0 in universal mode.
- 20 A. Let me write that down real quick. DS1 on an integrated
- 21 mode; is that correct?
- 22 Q. Yes.
- 23 A. And then a DS0 on a universal mode. Okay. I'm with you so
- 24 far.
- 25 And you say the DS1 has a higher cost?

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1 Q. Let's assume that.

2 Wouldn't it -- If we were going to try to determine the  
3 least cost method of provisioning DS0 signals, wouldn't you need  
4 to have enough DS0 signals provisioned over that DS1 until the  
5 cost per DS0 was less than the cost of the DS0 on the universal  
6 system?

7 A. It's a complicated question. Give me a second.

8 When you say "cost effective", and this is the reason I  
9 struggle, when you say "cost effective", you must be comparing  
10 two alternatives by suggesting that one is a lower cost  
11 alternative than the other.

12 And I think what you're suggest -- what you're asking me is  
13 in providing the least cost, forward-looking network and  
14 assuming that we're doing that to provision a DS0 channel,  
15 wouldn't it be cheaper to use universal to derive that DS0 than  
16 integrated to derive that DS0; is that the heart of your  
17 question?

18 Q. That's part of it, yes.

19 A. Let me answer that part first then.

20 I don't think that that is necessarily true because  
21 whenever we look at designing our network, we design our network  
22 based upon producing the demandable units of the total service.  
23 I would define the service in this instance as the provision of  
24 DS0 channels for both retail, unbundled, whatever effort --  
25 whatever way you needed to get that DS0.

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1 I don't think an analysis has been done by anyone to  
2 suggest that that is cheaper on a DS0 level using integrated --  
3 or, using universal. What I think has been demonstrated in the  
4 CBT study studies and the way they have designed them is that in  
5 many instances, and in the retail instance, it's cheaper to use  
6 integrated, and I think the studies show that.

7 What I am suggesting is if you took that total service as a  
8 whole and designed it, I believe integrated would be cheaper on  
9 a realistic basis.

10 Q. If you used the entire network demand.

11 A. That's what we've been talking about to this point in time.  
12 That's the right way to do a TELRIC study.

13 Q. And there's a demand point at which it's cheaper to use  
14 universal than it is a DS1 signal per loop, isn't it?

15 A. Well, again, there's a demand level where it's cheaper to  
16 use copper than it is to use a DLC. Yes, I assume that because  
17 you have chosen to use a DLC in your network -- I haven't  
18 assumed that, I've actually done some research to see that  
19 that's true -- but to make that a least cost, forward-looking  
20 network. So that's a given. I'm assuming that's a given.

21 Q. So if a new entrant wants a single unbundled loop, it's  
22 cheaper for that single unbundled loop to be provided on a  
23 universal system than it is to provide a total DS1 signal off an  
24 integrated system, isn't it?

25 A. Perhaps it is, but that's an irrelevant analysis when

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1 dealing with TELRIC when you must cost out the total element  
2 demand.

3 Q. Well, then we would need to know, wouldn't we, how many  
4 unbundled loops that company is expected to order from a given  
5 DLC site, wouldn't we?

6 A. No, I don't think that's true.

7 Q. Well, if they only wanted one at a given DLC site, you  
8 would agree, wouldn't you, that they have to buy a whole DS1?

9 A. The reason I hesitate is we're deep into a hypothetical  
10 here. What I am -- I think you and I are talking about two  
11 different things. You're asking me about a -- Well, you have  
12 asked me who different questions that talk about two different  
13 things.

14 You've asked me what's the best way to provision the  
15 network in general to do a total element long-run incremental  
16 cost study, and I have told you that my opinion is that that's  
17 integrated digital loop carrier.

18 Now you're taking a specific example and saying wouldn't it  
19 be cheaper in that one given example to do it a different way,  
20 and what I am saying is perhaps that's true, but that's not what  
21 we're here to study. We're here to study the provision of all  
22 demandable units, the total element, long-run incremental cost.  
23 So while that may be true, and to the extent I don't know  
24 whether that's true, it is irrelevant.

25 Q. Well, can you answer my question, and that is: On a

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1 per-loop basis, is it cheaper to buy a single loop over  
2 universal versus integrated when you have to buy a DS1?

3 A. I don't know.

4 Q. And you've never done that analysis?

5 A. No, nor is it relevant to the analysis I have done.

6 Q. So you don't know how many given loops would have to be  
7 purchased from a given DLC site until it was cheaper per DS0 to  
8 buy that total DS1, do you?

9 MS. SANDERS: Your Honor, I object. He has explained  
10 this several times. This is the same question and we've circled  
11 all the way back around and Mr. Starkey's already explained it.

12 THE EXAMINER: All right.

13 MR. HART: It's a different question.

14 THE EXAMINER: It's a slightly different question, but  
15 I think he's said he hasn't done the analysis and he doesn't  
16 know. If he doesn't know the first part, I don't think he's  
17 going to know your further extension of the same question.

18 BY MR. HART:

19 Q. Has MCI provided Cincinnati Bell with any forecasts of the  
20 number of DS0 loops it would expect to buy from any given DLC  
21 site?

22 A. I don't know.

23 Q. Have you ever seen such a thing?

24 A. Such a thing as a forecast?

25 Q. A forecast from MCI of how many loops it would expect to

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1 buy.

2 A. No. If I had, I might have known. I don't know.

3 Q. Do you know whether to use TR-303 system you need a minimum  
4 of two DSIs?

5 A. We would have to explore that question. Do you mean a  
6 minimum of two DSIs between the remote terminal and any central  
7 office electronics or --

8 Q. Yes.

9 A. Well, let me continue with my question to understand your  
10 question better.

11 Two DSIs between the central office and remote terminal  
12 electronics to manage the band width of the OC3 system at stake?

13 Q. Yes.

14 A. Yes, I think that is required. But those DSIs manage the  
15 entire system, those are not specific to any given channel.  
16 That's the beauty of the TR-303 system.

17 Q. If a separate carrier would want to manage a portion of  
18 that system using its own TR-303 system, it would need those two  
19 DSIs, wouldn't it?

20 A. No.

21 Q. Are you a technical expert on the FACTR system?

22 A. No, but I know what you've just said is not true.

23 Q. Have you ever provisioned a TR-303 system?

24 A. No.

25 Q. Are you an engineer?

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- 1 A. I'm not.
- 2 Q. Did you ever build any telephone plant?
- 3 A. No.
- 4 Q. Let's turn to the topic of trenching, briefly.
- 5 In your original testimony you recommended a 42 cent per
- 6 foot rate for trenching at the bottom of Page 42; is that right?
- 7 A. That's correct.
- 8 Q. And that was based on two agreements you had reviewed
- 9 dealing with service wire placement?
- 10 A. That was part of the basis for my recommendation. I also
- 11 suggest that my experience dealing with other cost studies has
- 12 shown me that that's a reasonable estimate.
- 13 Q. And you haven't provided us with those other cost studies,
- 14 have you?
- 15 A. No, I have not. Like I suggested to you, they are
- 16 proprietary and I'm forbidden from doing so.
- 17 Q. So I'm not allowed to see them?
- 18 A. Well, not from me, you're not.
- 19 Q. Now, those contracts that you referenced dealing with
- 20 service wire placement refer to drops, don't they?
- 21 A. Well, that's Mr. Mette's contention in his testimony. They
- 22 deal with service wire, which is generally considered to be
- 23 interchangeable with the word "drop", but it also deals with
- 24 other types of cable.
- 25 Q. And those contracts dealt with placing that wire through

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1 what's called the plowing method, didn't it?

2 A. I would have to research that. I don't have that contract  
3 with me. My understanding is there were also some hand  
4 trenching costs associated with that.

5 Q. Well, plowing is different than trenching, isn't it?

6 A. Plowing is different than trenching.

7 Q. And it costs less to do plowing than trenching, doesn't it?

8 A. I don't know that that's always true, but it is possible.

9 Q. Let's go on to nonrecurring charges, which is the next  
10 topic in your testimony.

11 On Page 46 of your direct testimony you noted that you did  
12 not have a combinations study to look at, correct?

13 A. What was that page number again? I apologize.

14 Q. Page 46.

15 A. Yes. I discuss, in fact, that there's no nonrecurring  
16 combinations study.

17 Q. Since then, you've seen that study, haven't you?

18 A. The nonrecurring component to that study?

19 Q. Uh-huh.

20 A. The reason I hesitate is because, no, I don't believe I  
21 have. I believe Mr. Mette, in his deposition, suggested -- and  
22 I apologize if I'm incorrect in this -- but I believe what  
23 Mr. Mette suggested was that there was no charge associated with  
24 the element in the contract called -- for combining those two  
25 particular elements of the combination, the loop and the

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1 transport. So I don't think I have the nonrecurring study for  
2 the loop transport combination.

3 Q. Well, you have seen the nonrecurring studies for loops and  
4 for transport, haven't you?

5 A. I have seen the nonrecurring studies for loop and for  
6 transport.

7 Q. And you understand that those are the same nonrecurring  
8 charges that would apply to the combination?

9 A. I did not understand that at the time that I wrote my  
10 testimony, but due to Mr. --

11 Q. Since your testimony, you've understood that?

12 A. Due to Mr. Mette's deposition, yes, I understand that now.  
13 The only reason I hesitated was I haven't seen a study for  
14 combinations nonrecurring charges.

15 Q. Okay. You've seen the components, though, that would go  
16 into that?

17 A. I understand that those are the components.

18 Q. Now, on the bottom of Page 46 you start the discussion of  
19 OSS systems and mechanized ordering and so forth.

20 Do you know how long Cincinnati Bell has had an electronic  
21 ordering interface?

22 A. Not exactly, though through reading Mr. Mette's  
23 cross-examination my understanding is that there is one in place  
24 now but it hasn't been in place for a very long time.

25 Q. When you say "a very long time", what do you mean by that?

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- 1 A. I didn't have a specific number in mind, but -- I didn't  
2 have a specific number in mind.
- 3 Q. Has MCI established an interface with CBT electronically?
- 4 A. I don't know.
- 5 Q. Has MCI submitted fax orders?
- 6 A. I don't know.
- 7 Q. Has MCI ever submitted an electronic order?
- 8 A. I don't know.
- 9 Q. Does CBT have the option of ignoring a fax order?
- 10 A. Yes.
- 11 Q. Oh, so we don't have to accept them anymore?
- 12 A. That wasn't your question. Your question was do you have  
13 the option to ignore it, and the way that question was worded,  
14 you do. I don't know what your -- I don't know what you're  
15 asking me. You have the option to ignore it. If you have that  
16 option legally, I don't know.
- 17 Q. Well, if CBT receives a fax order, won't they incur certain  
18 costs in order to deal with that order, assuming they decide to  
19 go ahead and provision it?
- 20 A. Generally, activities generate costs and there would be  
21 activities with receiving a fax order.
- 22 Q. Okay. So it would be appropriate, wouldn't it, for  
23 Cincinnati Bell to include in nonrecurring charges the cost of  
24 dealing with orders in the manner in which they're received?
- 25 A. Not on a TELRIC basis, it would not, no.

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1 Q. Well, let me ask you to assume that Cincinnati Bell does  
2 not have the option of ignoring a fax order.

3 A. Okay.

4 Q. Is it then only allowed to charge what would be the cost of  
5 an electronic order?

6 A. To answer that question, there are a number of factors.  
7 The first factor is understanding that Ameritech -- I'm sorry, I  
8 apologize -- CBT has instituted an electronic interface, we need  
9 to understand the extent to which that electronic interface is  
10 actually usable by competitors, the extent to which it actually  
11 provides the necessary -- actually interface, the necessary  
12 interface to provision what is actually needed to be  
13 provisioned.

14 Just by simply saying CBT provides an interface, if it's a  
15 really bad interface, people can't use it and, hence, they  
16 decide to fax orders, I would suggest that that is a cause that  
17 those fax orders are causative from the fact that you didn't --  
18 aren't using the forward-looking network design associated with  
19 an effective electronic interface.

20 So there are a number of variables that go into play there.  
21 I can't simply say just because you receive fax orders, you  
22 should be able to recover those costs in a nonrecurring charge.

23 Q. Well, do you know anything about Cincinnati Bell's  
24 electronic interface?

25 A. Only what I have read in this case.

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1 Q. Okay. So you don't know whether it's a good interface or a  
2 bad interface?

3 A. And that's why I'm telling you I can't answer your  
4 question.

5 Q. Let's assume it's a good interface but a carrier decides to  
6 fax an order anyway. Isn't Cincinnati Bell entitled to recover  
7 the cost of dealing with that order?

8 A. I think what we talked about in my deposition was the fact  
9 that given those parameters and this hypothetical wherein, one,  
10 the CBT interface is an effective method by which competitors  
11 can order, provision, perhaps maintain, I think I saw Mr. Mette  
12 suggest that there was a maintenance electronic interface, at  
13 least in the queue if not already in operation, given the fact  
14 that this is a way in which they can cost effectively do that,  
15 and they choose not to, then I think the proper way to do that  
16 from a public policy perspective, and this gets away from cost  
17 causation, but from a public policy perspective, perhaps a  
18 tiered rate schedule. If you use the electronic interface, it's  
19 this particular rate for a nonrecurring charge. If you fax an  
20 order, given the fact that you could have used the electronic  
21 interface and saved everybody costs, then there would be another  
22 charge associated with that.

23 Q. Now, do you necessarily know that the electronic interface  
24 would be cheaper than the manual?

25 A. The only reason I hesitate with that is I'm trying to think

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1 of any electronic interface I have ever used in ordering any  
2 type of service where it wasn't easier, quicker, more reliable  
3 and cheaper than if I had to call somebody on the phone. I have  
4 never experienced that. So if, in fact, that were the case, it  
5 would go against every intuitive understanding that I have.

6 Q. Well, that's from your perspective. But didn't that  
7 electronic ordering system cost something to develop?

8 A. It's likely that it did.

9 Q. And so wouldn't you have to compare the cost of developing  
10 that electronic system with the cost of dealing with an order  
11 manually?

12 A. If you were making what type of an analysis?

13 Q. To determine which is the least cost, most efficient manner  
14 of doing it.

15 A. I don't think we have that option. My understanding is the  
16 FCC has ordered that electronic interfaces are the  
17 forward-looking technology.

18 Q. Well, they order that you do them, but have they  
19 necessarily determined that they're least cost?

20 A. Well, at this point in time, much like the central offices  
21 being located where they are, I would suggest that is not a  
22 least cost parameter of TELRIC, but the FCC has ordered it and,  
23 hence, we accept it when we do our TELRIC studies.

24 Q. Okay. Your --

25 A. I think this is another example of that.

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1 Q. You raise a good point that the FCC hasn't really adopted  
2 pure TELRIC, it has made certain exceptions to TELRIC, isn't it?

3 A. My understanding is the only exceptions it has made are  
4 those three.

5 Q. But there are exceptions?

6 A. There are exceptions. Well, the only reason I quibble with  
7 that is it really formulated what TELRIC is from the TSLRIC  
8 standpoint, so I could say that they've differed and made  
9 exceptions to the TSLRIC methodology, but they define TELRIC in  
10 that way. And since they defined it, I think we kind of have to  
11 accept it as they defined it. I wouldn't necessarily call it  
12 exceptions to TELRIC.

13 Q. But in a pure economic sense, what you would interpret as  
14 TELRIC isn't exactly what the FCC has ordered, is it?

15 A. It's different than TSLRIC. I think they've made  
16 alterations to the theoretical TSLRIC model.

17 Q. Okay. On Page 50, I believe you recommend that the  
18 nonrecurring charge be broken down into per-order and per-loop  
19 charges; is that right?

20 A. Generally, yes.

21 Q. And you understand Mr. Mette has now done that?

22 A. I do understand that.

23 Q. Have you had an opportunity to review Cincinnati Bell  
24 Exhibits 13 and 14?

25 A. Can you tell me what those are?

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1 Q. Those are his exhibits that demonstrate how he broke those  
2 charges out.

3 A. Yes, I have.

4 I should -- I should -- not preface, but just add to my  
5 last answer, that my understanding that he has broken those down  
6 by service order and loop for the unbundled loop. There are  
7 facilities that he has not done that for such as HI-CAP  
8 facilities, DS1, DS3.

9 Q. Okay. But you have seen those for loops?

10 A. I have seen those for loops.

11 Q. Did he divide the per-loop and per-order cost  
12 appropriately?

13 A. If there ever was a loaded question, that is one. Because  
14 I disagree with the extent to which what's included in the  
15 original studies are appropriate.

16 Q. Well, that's not really what I'm asking you. I'm saying  
17 just accept what's on there on its face, not saying you agree  
18 with that, but whether he appropriately assigned those amounts  
19 to the per loop and the per order.

20 A. I just don't feel comfortable saying "yes" or "no" because  
21 it's kind of like bad info in, bad info out. I think you've got  
22 bad info in the cost studies, so whether you diced it up this  
23 way or that way, it still comes out as bad info.

24 Q. Well, did he assign anything to per-order charges that you  
25 believe should be per loop?

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1 A. Nothing specifically comes to mind.

2 Q. Conversely, did he assign anything per loop that you think  
3 should be per order?

4 A. Nothing, again, specifically comes to mind given my earlier  
5 caveat.

6 Q. Okay. I don't believe you make any recommendation as to  
7 how OSS charges should be recovered, have you?

8 A. I make lots of recommendations, I just have to think of  
9 which one -- if any of them deal with OSS.

10 I don't think you could point to one and specifically say  
11 that's the way OSS should be recovered, no. Though I do make  
12 recommendations that include cost recovery for OSS systems.

13 Q. Now, on Page 55 of your direct testimony, you recommend, I  
14 believe, interim nonrecurring rates equal to 50 percent of CBT's  
15 proposal.

16 A. Let me familiarize myself with that.

17 Yes.

18 Q. MCI and CBT already have interim nonrecurring rates, don't  
19 they?

20 A. That's possible.

21 Q. Let's go on to the next topic, which is, I believe,  
22 conditioning charges.

23 A. Okay.

24 Q. In particular on Page 57, you list some tasks that would be  
25 done with regard to loop qualification and load coil removal; is

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1 that right?

2 A. Just making sure those recommendations are specific to  
3 those particular functions, because those look like general  
4 recommendations with respect to how an electronic interface  
5 would work.

6 Q. I don't believe this deals with electronic interfaces, it's  
7 talking about steps that would be taken to qualify a loop.

8 Page 57.

9 A. Perhaps I'm at a different place. Can you read me what it  
10 says? I apologize.

11 Q. Let me show it to you.

12 A. Never mind, I'm in the wrong testimony. I apologize.

13 Yes, that's what I suggest there.

14 Q. Okay. And you don't disagree that these steps would be  
15 required to perform those activities, do you?

16 A. I don't believe I've said either way whether these are --  
17 if you were going to recover costs associated with this  
18 activity, whether these are the appropriate costs. I have not  
19 made that determination as to those activities or the times  
20 associated with them.

21 Q. Well, you haven't raised any points that there's some step  
22 there that's not required, have you?

23 A. Yeah, I did. I said none of them are appropriately  
24 recovered in a TELRIC.

25 Q. That wasn't my question, sir. I asked you whether those

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1 steps would be required in order to perform those activities.

2 A. That's not what you asked me. You asked me whether I made  
3 a recommendation as to whether those would be required. But  
4 answering this question, I simply haven't done the analysis  
5 because I've said they are not appropriately -- appropriate to  
6 be recovered in a TELRIC cost study.

7 The analysis stops there. It doesn't necessarily have to  
8 go into whether they would be appropriate -- whether those are  
9 the appropriate steps in an inappropriate application of costs.

10 Q. I'm just asking you in provisioning, whether there's any  
11 step identified on Page 57 that you can tell us today Cincinnati  
12 Bell would not have to do.

13 A. I've not done that analysis.

14 Q. Okay. And you would agree with me that for digital  
15 services to be provided over a loop, that load coils would need  
16 to be removed?

17 A. It's asked very broadly. I think generally you could  
18 accept that as true. I think there are instances where it might  
19 not be.

20 Q. Okay. And the FCC has included load coil removal as a form  
21 of loop conditioning, hasn't it?

22 A. I think I know specifically where you're talking about in  
23 the FCC order, but let me just make sure that it considers it  
24 loop conditioning.

25 Q. Well, look at Footnote 826.

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1 A. Unfortunately I only have the back half of the order with  
2 me. Do you have that with you?

3 Q. I'll show you my copy. Why don't you just read  
4 Footnote 826.

5 A. Okay. "Such loop conditioning may involve removing load  
6 coils or bridged taps that interface with the transmission of  
7 digital signals."

8 Q. And why don't you read the last sentence of Paragraph 382.

9 A. "The requesting carrier would, however, bear the cost of  
10 compensating the incumbent LEC for such conditioning."

11 Q. Now, are you familiar with FCC proposed rulemaking 98-188?

12 A. Is that the 706 proceeding?

13 Q. Advanced telecommunications services.

14 A. Yes, I'm familiar with that.

15 Q. Didn't the FCC say twice in that document that, again, the  
16 requesting carrier would bear the cost of load coil removal?

17 A. Perhaps it did. I couldn't speak to that definitively.

18 Q. Okay. Let's go on to collocation, which I think is on  
19 Page 61 of your testimony.

20 Now, at the point this testimony was written, I believe you  
21 had not seen any cost studies for collocation; is that correct?

22 A. That's correct.

23 Q. And am I correct that the topic of collocation is one that  
24 was assigned to Dr. Ankum?

25 A. Yes.

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1 Q. And you've not proposed any testimony here with respect to  
2 collocation?

3 A. I haven't.

4 Q. So your recommendation in this testimony about charging 50  
5 percent of the federal tariffed rate is no longer in play, I  
6 take it?

7 A. I don't think it's any longer relevant because I said those  
8 should be applied until CBT provides a TELRIC study and I think  
9 they have provided a TELRIC study.

10 Q. Okay. Good.

11 Why don't we turn to your supplemental testimony, then. On  
12 Page 5 there's a discussion of trenching again, and you quote  
13 some dollar figures of 2.45 and 2.72; do you see that?

14 A. Yes.

15 Q. Has your counsel shared with you the source of those  
16 amounts?

17 A. I read Mr. Mette's cross-examination where I think he  
18 provided -- where he provided the backup for those.

19 Q. Okay. So you understand that those are, in fact, based on  
20 line items in the J. Daniel contract?

21 A. That's my understanding of Mr. Mette's testimony.

22 Q. You understand that there are many other potential charges  
23 in the J. Daniel contract?

24 A. The J. Daniel contract contemplates a number of different  
25 construction activities, yes.

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1 Q. And these charges are just basic trenching, placing and  
2 backfilling, right?

3 A. I wouldn't refer to them that way simply because -- and I  
4 discuss in my testimony, the extent to which they are unit  
5 prices, and the J. Daniel contract specifically speaks to how  
6 unit prices generally recover more of those miscellaneous costs  
7 than do firm bid or -- and I forget -- time and materials  
8 pricing. So I wouldn't refer to them as just those activities  
9 because they incorporate a whole bunch of other stuff.

10 Q. Well, for example, there are other charges for tunneling,  
11 for example, if you want to tunnel under a driveway?

12 A. That's possible. I couldn't point you to one right now.

13 Q. And there's different charges for digging up concrete and  
14 restoring it?

15 A. The only reason I hesitate is because much of the  
16 restoration -- The unit price speaks to not only what I think  
17 Mr. Mette described as straw and backfill restoration, but it  
18 generally speaks to restoration in general. I don't know  
19 whether that includes concrete restoration or not, I don't know  
20 that specifically.

21 Q. Well, there's a lot of line items that might apply in  
22 different situations; is that fair?

23 A. Yes. Like I say, the J. Daniel contract contemplates a  
24 number of activities over and beyond trenching.

25 Q. And the figures here don't reflect any special

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1 circumstances, do they; it's just digging a trench, placing the  
2 cable, backfilling and seeding?

3 A. That, I don't know. And the reason I don't know is because  
4 the J. Daniel contract is, I don't know quite the best way to  
5 describe it, but it differentiates unit prices, which these are,  
6 from other types of prices in that the unit prices include a lot  
7 more than do the other pricing schemes.

8 Q. Well, unit price is a price per foot, right?

9 A. It is.

10 Q. And there are other unit prices per foot for other  
11 activities as well?

12 A. That's correct.

13 Q. Okay. Now, this issue of trenching, I believe this only  
14 applies in the buried copper distribution; is that right?

15 A. I'm pretty deep in the bowels of the study at this point,  
16 so this might take me a second.

17 No, that's not correct. It's actually -- Well, let me say  
18 it this way: It is only included for buried cable; but it's  
19 also included in feeder buried cable.

20 Q. Am I correct, though, that the loop makeup sheet uses zero  
21 feet for buried feeder?

22 A. No.

23 Q. You understand there's a loop design page that shows the  
24 number of feet of the different types of cable?

25 A. I do.

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1 Q. Why don't you turn to that. Does that study assume any  
2 buried feeder?

3 A. No, it doesn't.

4 Q. So it's got all the feeder either aerial or in conduit,  
5 doesn't it?

6 A. That's very interesting. Yes, it does. That probably  
7 raises the cost above where they should be, but I don't think I  
8 caught that. Because buried is the cheapest way to lay copper  
9 cable or fiber cable, aerial and underground are more expensive.

10 Q. But it may not be the most efficient way to build a  
11 telephone network, would it?

12 A. I've never seen a telephone network that didn't have some  
13 buried feeder.

14 Q. Well, whether it has it or not doesn't mean it's forward  
15 looking, does it?

16 A. It doesn't, but likely it's been our experience that the  
17 manner by which you support, and I'll use that term generally,  
18 the manner by which you support your cable, whether that be in  
19 conduit or on telephones or whether you direct bury it,  
20 generally isn't changed a lot by a forward-looking methodology.

21 Q. Let me ask you this: Isn't it true that if you need to  
22 reinforce feeder cable, it's a lot easier to do that if you've  
23 already placed conduit than it is to go out and dig trenches for  
24 the entire feeder?

25 A. Well, but you have to understand -- Yes, but you have to

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1 understand the conduit is far more expensive than simply burying  
2 it so it's a tradeoff between splicing it and repairing it and  
3 the original cost of the conduit. That conduit is significantly  
4 more expensive.

5 And you don't get -- Honestly, you don't get that many  
6 maintenance benefits from having it in conduit versus having it  
7 buried because they are both protected by the earth. Generally  
8 the only time it cost -- it would cost you more to deal with  
9 buried is if you actually have to go out and dig up a point  
10 where it's been cut. Most spliced points are pulled above  
11 ground in a pedestal, even in buried.

12 Q. Getting back to the original point, the -- am I correct,  
13 then, that in Cincinnati Bell's cost study, that the only place  
14 where trenching has an impact is in buried copper distribution  
15 plant?

16 A. That's true. I wish I would have known that earlier.

17 Q. Okay.

18 A.. I think we would have made some different recommendations.

19 Q. Doesn't apply to fiber and doesn't apply to feeder; is that  
20 right?

21 A. Given what I know now about feeder, that's true, it does  
22 not.

23 Q. Now, you have no idea, do you, whether or not Cincinnati  
24 Bell would place more than one cable in a distribution trench?

25 A. I don't know specifically the extent to which CBT does.

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1 Every other telephone company I've ever dealt with both in terms  
2 of cost studies and as clients have, when it makes sense, placed  
3 more than one cable in a -- in either conduit or in a buried  
4 application.

5 Q. I'm talking about distribution now.

6 A. Okay. Two different telephone cables in a given piece of  
7 distribution?

8 Q. Yes.

9 A. That's not as -- that's not as prevalent, but it's still  
10 done.

11 Q. What clients do you have that place buried distribution?

12 A. Well, I'm afraid our client list is somewhat confidential.  
13 I don't mind giving you that information, but I wouldn't want it  
14 on the public record.

15 Q. Do you represent local exchange companies?

16 A. Yes.

17 Q. Now, you cite in Footnote 4 on -- appears on Page 7 in my  
18 copy, you cite to pages out of the J. Daniel contract; is that  
19 right?

20 A. Let me catch up with you. Page 4?

21 Q. Uh-huh. We're in the rebuttal testimony -- or,  
22 supplemental testimony.

23 THE EXAMINER: Page 4 or Page 7?

24 MR. HART: I'm sorry, it's Footnote 4 on Page 7. I  
25 apologize.

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1 THE WITNESS: Okay.

2 Yes.

3 BY MR. HART:

4 Q. Okay. And you specifically are citing to Pages 18 and 19  
5 of that contract?

6 A. Yes, I am.

7 Q. Okay. And this portion of the contract deals with the  
8 placement of conduit; is that right?

9 A. Well, Page 18 deals with more than conduit. At the very  
10 bottom of Page 18 it begins the placing conduit in plastic  
11 multi-duct section, but Pages 18 and 19 deal with conduit and  
12 other types of placement.

13 Q. But the portion you're citing to is entitled placing  
14 conduit in plastic multi-duct, isn't it?

15 A. Believe it or not, I'm actually having trouble finding  
16 where I had the footnote for in the actual text.

17 Q. It's actually on the preceding page, one of those nice --

18 A. Okay. That's the problem with Word.

19 No, I don't think it is specific to Page 19. I do quote  
20 some material at Page 7 which I believe is from, perhaps, Page  
21 19, but I've got that footnote specifically placed to generally  
22 support what I'm saying, and I think it's the entire document,  
23 and specifically those two pages are what I pointed to that  
24 support that.

25 Q. Well, your footnote is to a sentence that talks about

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1 sharing trenches with other utilities, right?

2 A. That's correct.

3 Q. And the pages of the agreement that you include talk about  
4 placing conduit, don't they?

5 A. Well, no, they talk about other things as well. "For  
6 example...."

7 Q. Manholes?

8 A. I'm sorry, "For example" -- the question -- the sentence  
9 that Footnote 4 deals with is very long. It says, "For example,  
10 the per-foot charge including backfilling and 'finish grade'..."

11 Q. That's not that same sentence, is it?

12 MS. SANDERS: Your Honor, let him finish his answer.

13 I object.

14 THE EXAMINER: Finish.

15 THE WITNESS: You're correct, that is not the  
16 sentence. The sentence before that generally deals with that,  
17 perhaps it was a grammatical error, but that footnote is really  
18 meant to support what I'm saying in general in that paragraph.  
19 That deals with far more than just pages -- or, just the part of  
20 Page 19 that you're talking about that deals with placing  
21 conduit in plastic multi-duct.

22 BY MR. HART:

23 Q. Well, specifically your sentence refers to specifications,  
24 you cite a page, and that page has specifications; is that true?

25 A. Well, I cite two pages. One page that you're focusing on

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1 is in the multi-duct section, the placing conduit. The other  
2 page, and perhaps I did my footnote incorrectly, but I was using  
3 that more generally to talk about the extent to which this  
4 contract in general talks about the way in which things are  
5 restored as well as placed.

6 Q. And Page 19 is talking about conduit as well?

7 A. Well, Page 19 is, Page 18 is not --

8 Q. Page 18 --

9 A. -- specifically.

10 Q. Page 18 is about manholes, which has nothing to do with  
11 trenching, does it?

12 A. That's what I'm suggesting, is that footnote was to be more  
13 specific to the contract. Perhaps I could have been more clear  
14 into using that footnote to specifically identify specific  
15 language, but I used it generally to identify the contract.

16 Q. And the placing of conduit doesn't have anything to do with  
17 buried distribution cable, does it?

18 A. Well, it doesn't have anything to do with is a bit strong.  
19 I would say no, it's not -- it's not specific to my  
20 recommendation.

21 Q. When you place conduit, that's underground, that's not  
22 buried?

23 A. Well, you have to bury the conduit, is the reason I made  
24 that distinction.

25 Q. But the cost study that Cincinnati Bell has put together

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1 does not charge trenching where there's conduit, does it?

2 A. Well, I'd have to look to make sure that's specifically  
3 true, but I doubt that they eat the cost associated with  
4 trenching for the conduit. I'm certain it's recovered in there  
5 somewhere, I'm just not as familiar. Can I take a second to  
6 find out where that actually is included?

7 Q. It's in the conduit factor, isn't it?

8 A. Let's take a look. I don't think -- I don't think we can  
9 be exactly sure because included in -- and I've got pulled up  
10 right now underground 5C distribution cable costs, there are  
11 placing hours associated with that piece of cable.

12 I don't know whether those placing hours deal with just  
13 pulling, in this case, the fiber through the conduit, or what  
14 those -- whether those also deal with recovering cost associated  
15 with placing the conduit itself.

16 Q. Well, in the buried cable investment there's a specific  
17 line item for trenching, isn't there?

18 A. There is.

19 Q. And there's no such line item in underground, is there?

20 A. There is no such line item in underground, though they do  
21 both share a placing cost factor.

22 Q. And you have no evidence that that placing includes  
23 trenching, do you?

24 A. I've not suggested that it does, and I have no evidence to  
25 support that it does or it doesn't, I'm simply saying that it's

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1 not clear.

2 Q. You would agree also with me that the -- the cost of the  
3 copper cable, itself, is a relatively small part of the loop  
4 investment?

5 A. I prefer not to characterize it that way, but I think I  
6 give the actual percentage in my testimony. I think I  
7 suggest -- Think of how I did the calculation. If you took the  
8 cost of the copper cable and let's say it was a dollar per foot,  
9 when you're done adding the rest of the stuff, it would be 6.50  
10 a foot, or 650 percent. Would I consider that to be small,  
11 relatively small? Likely.

12 Q. I'm looking for a quote from here. In your direct  
13 testimony on Page 41 you have a footnote there; see that?

14 A. Yes.

15 Q. And that's where you indicate that the cost of the cable is  
16 six-and-a-half times the actual material?

17 A. That's right. That's where I make that calculation.

18 Q. Okay. I'd like to go to the DA listings testimony, and I  
19 guess your calculations appear in Exhibit 7; is that right?

20 A. I think that's correct, yes.

21 Q. Now, you indicated this morning when you started out that  
22 the bottom line price which shows up as .0067 here is going to  
23 be increased to, I think .00758? .

24 A. Well, that was the TELRIC. The rate was going to be .0088.

25 Q. But the comparable number is the .0067 would convert into

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1 the .00758?

2 A. Yes. The only reason I made that distinction is because  
3 you said the price and I want to make sure you understood that  
4 was the cost.

5 Q. I thought I said the bottom line figure; but nevertheless,  
6 what changes in the equation leading up to that number to result  
7 with that answer?

8 A. Well, it was the adjustments that we talked about in my  
9 deposition, which was I inadvertently -- best way to say this --  
10 when I recalculated CBT's directory assistance costs, there are  
11 a pot of dollars that are determined and then allocated in a  
12 certain fashion. The way Mr. Mette did the -- And that pot of  
13 dollars deals with the expenses of that operation for a period  
14 of time, for a given year.

15 What Mr. Mette did is he did that operation for four years  
16 and assumed a growth in the number of employees that would be  
17 needed to accommodate those services over those four years, such  
18 that to provision the service in year 4 was more expensive to  
19 provision in year 1. Then what he did was took a present value  
20 of all those costs back to a current day -- back to the present  
21 value, and then he allocated those -- this is generally -- he  
22 allocated those in a fashion similar to the way I've done here  
23 to arrive at a per-listing cost.

24 I inadvertently, whenever I recalculated Mr. Mette's  
25 studies, I didn't mean to take out his analysis with respect to

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1 the four-year period, but I made a mistake and I simply used  
2 that pot of dollars from the first year in my original  
3 calculation and then I did my allocation.

4 When I revised my calculations I went back in, did the four  
5 years, present valued them back just like Mr. Mette did and then  
6 reallocated them. I didn't -- It was not my intention to assume  
7 one given year and I was afraid that my calculation may look  
8 like I was, so I made the change.

9 Q. Well, the simple answer to my question is that one of these  
10 numbers changed. Can you just tell me what that numbers is and  
11 what it should be to reveal the result you came up with?

12 A. I'm sorry. Yeah. It's in Exhibit 7. In Exhibit 7, the  
13 top line that's entitled "Total Nonclosing Yearly Production  
14 Expenses", and that 814,134,444 that have I there was for  
15 year 1; after I did the present value analysis that Mr. Mette  
16 did, that number changes to 929,883.

17 Q. Thank you.

18 A. And then everything else flows from that.

19 Q. Now, if we could go back a couple exhibits, I believe the  
20 Exhibit 5 to your -- I'm sorry, 4 to your supplemental testimony  
21 has a flow chart.

22 A. Yes.

23 Q. Now, the expenses that you've just identified that were  
24 changing to the 929,883, would you tell me where those originate  
25 in this process diagram?

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- 1 A. Yes. My understanding is, is that you see the cylinder  
2 "OS/Order System and Database", and then there's an arrow that  
3 goes to "Directory Service Order Activity". My understanding is  
4 that all costs on the directory service order activity,  
5 including those costs of the directory service order activity,  
6 are included in CBT's DA listing cost study.
- 7 Q. Okay. So a DA listing would come through, flow from that  
8 into the LSS?
- 9 A. Yes.
- 10 Q. And certain directory listings fall out because of  
11 something wrong with them?
- 12 A. Yes, I believe that happens.
- 13 Q. And that goes into the box called "Rejects"?
- 14 A. Right, the box off of LSS directories that's rejects, not  
15 OSS rejects.
- 16 Q. And then somebody who works for Cincinnati Bell has to deal  
17 with that listing to try to correct it; is that right?
- 18 A. That's correct.
- 19 Q. And that's the directory production unit?
- 20 A. That is one of their functions, is my understanding.
- 21 Q. Okay. And the cost of dealing with those rejects is a part  
22 of this overall cost we're talking about, isn't it?
- 23 A. That's what CBT has included in its studies, yes.
- 24 Q. Okay. And the LSS then, am I correct, that's used to  
25 produce both the directory assistance database and a published

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1 directory?

2 A. Yes. My -- The way I think of that, rightly or wrongly, is  
3 that that is where the most current directory listings data  
4 resides. And whether you go to do your white pages directory or  
5 whether you go to repopulate a DA database for electronic,  
6 whatever you do, you pull it from that database.

7 Q. So both directory assistance and published directories rely  
8 upon the LSS?

9 A. That's my understanding.

10 Q. And before a listing makes it into LSS it has come through  
11 the order process and it has passed whatever screening is  
12 necessary to correct rejects?

13 A. Well, as you can see from the diagram there, the only  
14 reason I would disagree with that is it appears from the diagram  
15 to me that it first goes to the LSS directory production system,  
16 which then recognizes whether something needs to be rejected.  
17 If it does, it rejects it, it goes to the directory production  
18 unit and then is returned to the database as accurate  
19 information. So it actually hits that database first.

20 Q. But before it's retained there in the database that feeds  
21 directory assistance, it passes through the reject and  
22 correction system, right?

23 A. My understanding is only if there is an error or a problem  
24 with the data.

25 Q. Which happens, doesn't it?

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- 1 A. I think we have said it does, yes.
- 2 Q. Okay. And then am I correct that there are a couple of
- 3 computer jobs that are run to convert the LSS database into the
- 4 DA database?
- 5 A. That's my understanding, yes.
- 6 Q. And you've included the costs of those jobs in your study,
- 7 right?
- 8 A. Yes, I have.
- 9 Q. And that then yields what's called an F20 output?
- 10 A. That's my understanding, and as I've suggested in my
- 11 testimony, those jobs, the costs associated with those jobs, are
- 12 those jobs for an entire year.
- 13 Q. And the F20 output is what MCI is looking to purchase?
- 14 A. That's my understanding, yes.
- 15 Q. And this happens every day, doesn't it?
- 16 A. What happens every day?
- 17 Q. Listings are generated?
- 18 A. Yes, listings are generated every day.
- 19 Q. And it's some small percentage of the overall database is
- 20 generated every day?
- 21 A. That's not the way I'd look at it. I think the way I'd
- 22 look at it is the database is maintained, and that includes
- 23 incorporating new listings as well as the rejects we talked
- 24 about earlier of correcting inaccurate information.
- 25 Q. Okay. Every new listing has to go through that screening

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1 before it makes it to an F20 output?

2 A. Well, I guess the only reason I hesitate with that is that  
3 my understanding from this flow chart is that -- Well, let's  
4 just take an example. Let's say I move into Cincinnati tomorrow  
5 and order service. I call up the CBT customer representative  
6 and say, "Mike Starkey wants to order service", and I'm assigned  
7 a number and I give them my address, or they already have it.  
8 That's a new listing.

9 The OS order system generates that listing from that  
10 customer representative's time and sends -- one place it sends  
11 it to is the directory service order activity section on this  
12 diagram. That is then put into the LSS directory production  
13 system and database.

14 If there is an error with that, and it is somehow rejected  
15 by the system, then it's rejected, but it first goes to that LSS  
16 directory production system.

17 Q. But before a listing shows up on the daily F20 output, it  
18 has passed through this system and been accepted?

19 A. Yes. The only reason I differentiated is because it may  
20 not have gone through that reject system; if the information is  
21 accurate, it has no reason to go through this.

22 Q. Some percentage do go through the rejects?

23 A. Again, that's true.

24 Q. And what we're doing here is we're pricing the total  
25 element, which would include both the rejects and the ones that

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- 1 pass through, wouldn't it?
- 2 A. I would agree with that.
- 3 Q. Now, the daily F20 feed, would you agree with me that only
- 4 updates to the database?
- 5 A. The daily F20 feed?
- 6 Q. Yes.
- 7 A. The daily F20 feed is only updates.
- 8 Q. So there's a large database that contains all of the
- 9 listings, and then every day there's a new feed of updates to
- 10 that?
- 11 A. That's my understanding.
- 12 Q. And MCI is looking to purchase not only the daily updates,
- 13 but they want the entire database, too?
- 14 A. In that same F20 format, yes.
- 15 Q. And every one of those listings has been through the same
- 16 process?
- 17 A. Well, when you say "process", I can't agree with that, no,
- 18 not every one of those listings has been through the same
- 19 process. Not every one of those listings would have been
- 20 rejected. Many of them, and I think the vast majority, from
- 21 what I've been able to tell from this information, simply go to
- 22 the LSS directory production system and database and reside
- 23 there.
- 24 Q. But when I say "the same process", I mean they either pass
- 25 through without any problems or they were rejected and were

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1 corrected?

2 A. I think those are the two options, yes.

3 Q. Okay. And there's really no distinction between the  
4 listings that are in the total database and the listings that  
5 flow through every day, is there?

6 A. Yes, I think there is.

7 Q. How are they different?

8 A. A listing that is in the database has already been  
9 verified, and it's verified when it first comes in, isn't  
10 queried for whether it should be rejected for accuracy or not.

11 Q. Because that's already happened?

12 A. It's already happened, so they are different.

13 Q. Well, if we were to start from scratch, we start a brand  
14 new telephone company and we don't have a listings database,  
15 would you agree with me that every listing would essentially be  
16 an update?

17 A. We're quibbling over terminology. I don't know what the  
18 significance of calling it an update or anything else is. It  
19 would go through this process we have just talked about. That's  
20 true whether you're just starting a telephone company or whether  
21 you've got an existing telephone company.

22 Q. And on a total element basis, the cost of those listings  
23 that are in the database is the same as the cost of the listings  
24 that are in the updates, isn't it?

25 A. No.

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1 Q. Tell me why they are different.

2 A. Well, as I've discussed in my testimony, the database is  
3 generally -- well, not generally, but it is, it's generated from  
4 the OS order system and database, so let's think of it this way,  
5 let's think of the fact that we have got a database that is  
6 generated from this OS ordering system and database that was  
7 actually generated by those customer service representatives  
8 that I talked to on the phone when I ordered service, of which  
9 those costs were recovered through my nonrecurring charges  
10 whenever I picked up the phone and made a retail service order.  
11 So that listing goes to the LSS directory production system  
12 database and it resides there.

13 Now, we have got this database. Now, on a daily basis  
14 we're going to be updating that information. We're going to be  
15 taking new -- Well, let's take a new listings example. A new  
16 listing comes into the database, MCI doesn't have that in its  
17 database because it ordered the database yesterday, so it needs  
18 to get that information via update. Those are two very  
19 different processes, they are two very different things, and  
20 they have two very different associative costs.

21 Q. Tell me why the costs are different.

22 A. Because a different process is done. Processes generate  
23 costs.

24 Q. I thought you said they had all been through the process.

25 A. No, I didn't say that. What I said was if you were

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1 including the process as the rejection system, I'm not saying  
2 all of them go through that, we agree some small percentage do,  
3 so no, I'm not suggesting they all go through the process, if  
4 that's how you're defining it.

5 Q. Well, tell me what's different about the process that's  
6 been experienced by a listing that's in the final database  
7 versus the process that the daily updates go through.

8 A. Well, the difference rests in -- And this is the way I look  
9 at it. MCI comes in, gets the database, okay? Now, a number  
10 that is in the current MCI database which hasn't changed, which  
11 we have already agreed is the vast majority, doesn't go through  
12 this process, it's already there, it's already there, only the  
13 numbers that change go through this process, so the costs  
14 associated with those changes are the costs that are incremental  
15 to a given update.

16 Q. And each one of the listings in the final database has gone  
17 through that process at some point in time?

18 A. Well, again, that's the same question that I've said "not  
19 necessarily", and again, I think it comes down to your  
20 definition of "process", but I don't think we're going to agree  
21 on that; no is my answer.

22 Q. So I understand your proposal is that the cost of the  
23 initial load of data ought to be limited to those two computer  
24 programs that convert the LSS into a DA database; is that right?

25 A. That is my recommendation.

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1 Q. So you're ignoring all of the costs of the LSS, the cost of  
2 correcting any reject that had to pass through the reject  
3 system, and only charging that one computer program for the vast  
4 majority of listings?

5 A. I wouldn't say it that way. What I would say is there is a  
6 database that exists. We would like a copy of it. What are the  
7 costs associated with providing us a copy of that; that is, the  
8 download of the DA database.

9 Now, there's also another element, which is we would like  
10 to have that database up to date on a daily basis. We're  
11 willing to pay for all costs associated with updating that, and  
12 that's what is included in my analysis.

13 Q. Now, in a TELRIC long-run analysis, that database doesn't  
14 exist, does it?

15 A. Well, yes, it does.

16 Q. I thought long-run analysis said everything is avoidable  
17 when you start from a clean slate?

18 A. It does say that.

19 Q. So we start with listing number one, don't we?

20 A. Well, perhaps, I mean, what I'm suggesting is that there is  
21 a system in place, this OS/Order system. Let's think of it this  
22 way. All right. You want -- if we want to start at the  
23 ground-level TELRIC analysis, we know where our customers are,  
24 we know where our central offices are, we have provisioned  
25 services to those customers. Those customers have all ordered

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1 service.

2 Q. And the cost of building this network has to include all of  
3 those orders, doesn't it?

4 A. And it does. Those customers have paid nonrecurring  
5 charges for ordering that service.

6 Q. Not in TELRIC.

7 A. Including those nonrecurring charges, they have paid for  
8 this OS/Order system and they have paid for the representatives  
9 that put data into it. So after we have done that process, as a  
10 result of that process, we have a database of all those  
11 customers' listings. That's what resides in the LSS directory  
12 production system and database.

13 Q. You've included in your testimony as an Exhibit No. 5  
14 something produced by Southwestern Bell.

15 A. That's correct.

16 Q. And this doesn't tell us how many listings they have, does  
17 it?

18 A. No, it doesn't.

19 Q. It doesn't tell us how many people they have or what the  
20 expenses of those people are, does it?

21 A. Well, not specifically those numbers. It tells us what the  
22 aggregate of all of those things are, and, in fact, it tells  
23 their incremental cost.

24 Q. And Southwestern Bell is a huge company, isn't it?

25 A. They are a large company; I would agree.

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1 Q. And I take it you've been participating in their efforts to  
2 merge with Ameritech here?

3 A. Well, no, I haven't. To a large extent I've been keeping  
4 up with it because we were active in that case in Illinois.

5 Q. Okay. Southwestern Bell probably has 25 million customers,  
6 doesn't it?

7 A. I'd only be guessing if I guessed that. I don't know.

8 Q. So this study where we get the results isn't real helpful  
9 to us in determining how they got there, is it?

10 A. Actually, I think it is, and I think what this study shows  
11 us is that -- Well, let me say a couple of things. One, I think  
12 what the Southwestern Bell information shows is a couple of  
13 things.

14 One, we're talking about orders of magnitude of 16,000  
15 percent between what Southwestern Bell -- I think that's the  
16 right number, of what Southwestern Bell has determined their  
17 costs are for this service as compared to what CBT is proposing  
18 in this case.

19 Now, we have got that as a factor, we're just not in the  
20 realm -- my opinion is we're not even in the realm of reality at  
21 18 cents, we're dealing with costs that are so disparate that we  
22 can't even really compare the two.

23 The other thing that this study shows us is that this is an  
24 arbitrated result with a Commission decision, which is that  
25 these are the costs.

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1 The only reason I provide this one as opposed to others is  
2 that this is public information. I've more recently received  
3 other public information which support -- this is from NYNEX.  
4 This is the level of DA directory costs which are being provided  
5 by Commissions pursuant to decisions across the country.

6 Q. And those decisions were based on the cost information of  
7 those specific companies, wasn't it?

8 A. That's true, the long-run incremental cost study, and in  
9 New York I believe they used the TELRIC standard.

10 Q. And we haven't been benefited here with a calculation  
11 similar to your Exhibit No. 7 or like Mr. Mette's DA study which  
12 shows how that .0066 number was derived, have we?

13 A. No, we haven't.

14 Q. It would be pretty useful to know that, wouldn't it?

15 A. I would like to know that; unfortunately much like CBT they  
16 consider that to be proprietary information.

17 Q. Now, in SBC's study, the initial load costs a lot more than  
18 the update, doesn't it?

19 A. When you say "a lot more", we're talking about the  
20 difference between less than a penny, but it does cost more.

21 Q. Well, it's more than twice as much; in fact, it's three  
22 times as much or more for electronic, isn't it?

23 A. Yes, it is.

24 Q. So that says there's something out of line with your study  
25 that shows that the initial load is cheaper, doesn't it?

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1 A. I don't know that it necessarily does.

2 Q. Well, are we supposed to accept SBC in all respects, or  
3 just in respect of compare its cost to Cincinnati Bell?

4 A. We're supposed to accept it in all respects, and what I've  
5 suggested in my testimony is not that we should accept the  
6 Southwestern Bell rates, my recommendation is not take these  
7 rates and apply them to CBT.

8 My recommendation is this is relevant information to  
9 understand the magnitude of the rates that CBT has proposed in  
10 this case at 16,000 percent of what Southwestern Bell has  
11 proposed, and again, now I understand 16,000 percent of what  
12 Bell Atlantic/NYNEX is proposing.

13 Q. Well, should we also take into account that the initial  
14 load ought to be a multiple larger than the update?

15 A. I'm certain that if the Commission finds that to be  
16 relevant information, I think that they should take that into  
17 consideration. I don't know that I necessarily would draw that  
18 conclusion from this.

19 Q. Did Southwestern Bell exclude any of the comparable expense  
20 to LSS and reject correction in their initial loads?

21 A. I don't know. I don't know that their system is set up  
22 exactly like CBT's is, all I know is this is a forward-looking,  
23 long-run incremental cost associated with an efficient way to  
24 run a directory system.

25 Q. For SBC?

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1 A. We have argued in my deposition about the fact that  
2 long-run incremental cost varies very little between carriers.

3 Q. Well, if 10 people could run SBC's DA processing, it would  
4 also take 10 people to run Cincinnati Bell's, wouldn't the  
5 magnitude of listings be a major factor?

6 A. Well, there are a number of assumptions in there that I  
7 would point out before I answer it, and those are that the  
8 number of people required to update a directory listing database  
9 isn't variable with respect to the number of DA listings that  
10 are in the database.

11 I would suggest that Mr. Mette's study, and I think  
12 appropriately so, suggests that that isn't the case, that it is  
13 incremental, the more directory listings you get, the more  
14 people you need, and that's why I made the correction to my  
15 testimony to say that Mr. Mette's point is a valid one, which is  
16 if you have more folks coming in to change their numbers, you  
17 probably need more folks to update that number.

18 Q. And if you saw SBC's listings and number of employees, we  
19 could test your assumption?

20 A. I don't know if we could test it given that information,  
21 but it would be useful information.

22 Q. Now, another thing you've done in your calculation is  
23 assume that only 10 percent of the updating costs net of  
24 directory closing are applicable to DA database, correct?

25 A. That's correct.

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1 Q. And that's a totally arbitrary number, isn't it?

2 A. No.

3 Q. Will you show me how you calculated it?

4 A. In my testimony, I describe the extent to which I  
5 reviewed -- we asked CBT for -- Let me step back.

6 There are particular expenses included in the CBT DA  
7 directory study for particular categories of current employees  
8 that do this type of work. One-hundred percent of their time  
9 and expenses, including down to the fact that they sit in a  
10 desk, and that desk is incremental to DA, are included in the DA  
11 cost study.

12 Now, what I did was, is I asked CBT for the job description  
13 for those folks, and what it is that they do on a daily basis,  
14 and CBT provided that information to me, and I describe this in  
15 my testimony, the vast majority of the jobs that are included on  
16 those position profiles deal not with maintaining the DA  
17 database, most of them deal not with DA at all, most of them  
18 deal with directory and directory publishing; and, hence, I  
19 reduced that to a ten percent level.

20 There was not a mathematical calculation of that, you're  
21 correct, it was simply my review of those positions; nor was  
22 there a mathematical calculation of Mr. Mette's 50 percent, by  
23 the way, it was simply an estimate given the fact of what those  
24 people do on a daily basis assigned to either directory  
25 production or DA listings maintenance.

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1 Q. Well, before we decide what's DA and what's directory  
2 production, would you agree that Mr. Mette subtracted out what's  
3 called directory closing costs?

4 A. He did.

5 Q. And do you have any way of telling me how much of the time  
6 on those job descriptions is attributable to directory closing  
7 costs?

8 A. No. We tried to get a sense of that through Mr. Mette's  
9 cross-examination, and there were a number of places where  
10 Mr. Mette didn't know whether a particular function was closing  
11 or not. I don't have any more information than Mr. Mette had so  
12 I can't make that calculation.

13 Q. Well, you know, don't you, that Mr. Mette consulted with  
14 the managers of the DA production system and they had records of  
15 what was closing cost time, didn't they?

16 A. Well, and I've not quibbled with the amount of money  
17 Mr. Mette has taken out for closing costs, I've not changed that  
18 number at all.

19 Q. And you haven't taken that into account when you looked at  
20 the job descriptions in determining how much of their time was  
21 closing costs and how much was generic to the database, have  
22 you?

23 A. Yes, I did.

24 Q. How much did you take out for closing costs?

25 A. Well, again, we have to refer to the original study wherein

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1 there isn't a -- Well, I took out exactly as much as Mr. Mette  
2 took out. I took out 34.7 percent.

3 Q. And which of the tasks in the job descriptions did you  
4 attribute to directory closings?

5 A. There are a number that are specific and give us that  
6 information. I'd have to turn there to get them. And again,  
7 this is something we tried to understand with respect to  
8 Mr. Mette and his cross-examination, and we didn't get a lot of  
9 relevant information, although there was some relevant  
10 information.

11 For example, manages fire, police, Bell and Bell executives  
12 listings, pending order and missed due date. Directory closing  
13 is a process wherein you take a given amount of data in a DA --  
14 Let's say it's a database, in the DA -- not DA database, but a  
15 listings database, and you determine a cut-off point for which  
16 that data -- that data will be updated. You then do particular  
17 activities associated with attributing that data at that point  
18 in time and disseminating it to a publisher and a number of  
19 other folks that are necessary to actually produce a white pages  
20 directory.

21 Managing a particular set of numbers over a period of time  
22 is very unlikely to be included in those closing costs  
23 associated with a point of time production of a given directory.  
24 There are a number of activities in here that deal on that very  
25 same basis with the idea that these clerks actually manage this

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1 on a year long basis, not simply a closing cost point in time.

2 Q. How much time was spent on that task you identified?

3 A. That information is not provided, nor is it my  
4 understanding that it was provided to Mr. Mette.

5 Q. You think the manager of the DA area would know how their  
6 people spend their time a little more than you would?

7 A. I think that is possible, and that's why I've not changed  
8 the number that they provided to Mr. Mette, which was 37.5  
9 percent.

10 Q. You think they would better know how their time was divided  
11 between DA and directory?

12 A. Well, my understanding is they did not provide that  
13 information. Mr. Mette's testimony suggests that he attributed  
14 50 percent to each because they benefit both systems.

15 Q. And LSS does benefit both systems, doesn't it?

16 A. Well, that's a different point than was just made. I think  
17 it does benefit both systems, that's a different question than  
18 it is incremental, are the costs incremental to a given system,  
19 which is the analysis that is appropriate here.

20 Q. Well, the DA database flows directly out of the LSS  
21 database, doesn't it?

22 THE WITNESS: Can I hear that again.

23 (Question read back as requested.)

24 THE WITNESS: It's a direct line on the flow chart.

25 It does flow out of it, yes.

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1 BY MR. HART:

2 Q. So if there wasn't a LSS there wouldn't be a DA database on  
3 this flow chart?

4 A. Perhaps that's true, but its irrelevant to my analysis.

5 Q. So you can't provide me with any kind of an analysis -- or,  
6 what I really mean is a calculation how you came up with 10  
7 percent?

8 A. No, no more than Mr. Mette did with his 50 percent.

9 Q. Just your best guess?

10 A. I'm just trying to understand the extent to which I could  
11 have been more specific than Mr. Mette was because I obtained  
12 all my information from Mr. Mette.

13 Q. Now, you also make some different demand assumptions, don't  
14 you?

15 A. Yes, I do.

16 Q. And you assume that five carriers would be using the  
17 database?

18 A. That's correct.

19 Q. You can't identify who any of those carriers are, can you?

20 A. No, nor do I think that's relevant. I mean, I base my -- I  
21 base my recommendation on five carriers based upon my  
22 discussions with MCI directory assistance personnel, and what  
23 they have seen in other areas that have a more developed and  
24 mature local competition market, and in those markets they  
25 suggested five is a very reasonable number if not a highly,

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1 highly conservative one.

2 Q. Do you know if any carrier other than MCI that has asked to  
3 get Cincinnati Bell's database?

4 A. Yes.

5 Q. Who?

6 A. I don't know the name because CBT didn't provide it. My  
7 understanding was, though, that they had been approached by  
8 another carrier requesting that information, that's all I know.

9 Q. Where do you get that information?

10 A. It came on a data request response.

11 Q. Is this the third carrier in Mr. Mette's demand you're  
12 referring to?

13 A. No, my understanding was from that data request response,  
14 and it would take me a while but I could find it, that they had  
15 been approached by another carrier requesting access to that  
16 database but they had not yet completed an agreement. I think  
17 we asked Mr. Mette about that in his examination and I don't  
18 believe he had any more information on whether they had  
19 contracted or had not at that point.

20 Q. I'd like you to try to find that data request over lunch if  
21 you could.

22 A. I will.

23 Q. Do you know of anybody else besides that one?

24 A. That has done what?

25 Q. That has requested the database.

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- 1 A. From CBT?
- 2 Q. Yeah.
- 3 A. I don't. My data request response asked for anybody who
- 4 had approached CBT and that was the only one they provided.
- 5 Q. So of the parties to this case, MCI is the only one?
- 6 A. That has approached MCI?
- 7 Q. Has approached CBT.
- 8 A. I'm sorry. As to parties to this case that might very well
- 9 be true, but I don't know why we would limit it to that in terms
- 10 of unitizing our demand, whether they were involved in this case
- 11 or not would be irrelevant.
- 12 Q. Your cost study assumes there's 15 carriers, doesn't it?
- 13 A. No, it doesn't.
- 14 Q. Well, tell me where you got the demand number for the
- 15 number of updates, which is Line 10 of your Exhibit No. 7.
- 16 A. Those are taken from Mr. Mette's DA study.
- 17 Q. That references Tab B, Page 2; is that right?
- 18 A. It does reference that, yes.
- 19 Q. Could you find that number on his study Tab B, Page 2 for
- 20 me?
- 21 A. I'm there.
- 22 Q. How is that calculated?
- 23 A. Perhaps I've -- well, okay. That's calculated by the
- 24 number of updates times the three customers.
- 25 Q. So it already has embedded with that an assumption of three

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1 customers, right?

2 A. Well, I don't think that's necessarily true because if we  
3 go back to where that number generates, which is back to Exhibit  
4 2, Tab A, that's actually -- well, yeah -- that is actually  
5 where that number generates is the levelized demand of total  
6 updates in a given year, Tab A -- I'm sorry, Exhibit 2, Tab A,  
7 A3.

8 Q. Well, in fact, isn't that the number of annual updates  
9 projected over time?

10 A. No.

11 Q. Where are you again, what page are you on?

12 A. Exhibit 2, Tab A, Page 3, Column A, Line 3.

13 Q. And that's entitled levelized demand?

14 A. It is, but you see in the levelizing columns B, C, D, E and  
15 F that there's no levelization that's taken place.

16 Q. Look at Tab A, Page 2.

17 A. Okay.

18 Q. Would you agree with me that that shows a levelized demand  
19 for listings?

20 A. Yes, that's where the levelization is done.

21 Q. And that's where the 2.8 comes from?

22 A. Where that's where the 2,828,823 comes from, yes.

23 Q. Now, your source is Tab B, Page 2, right?

24 A. Well, as I read through this, it looks like I've used the  
25 wrong source. The number at Exhibit 2, Tab A is actually the

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1 levelized demand and it's a larger number. So in using the  
2 smaller number, I've overestimated the cost.

3 Q. And that's still three customers to get to that number,  
4 isn't it?

5 A. Well, I don't think that's necessarily clear. From Exhibit  
6 2, Tab A.

7 Q. Why don't you tell me what the source is for the annual  
8 listing demands in that levelized demand charge.

9 A. Let me trace them back here. They're at the bottom of the  
10 page of the study.

11 Q. We're looking specifically at Lines 5, B, C, D and E,  
12 right?

13 A. Well, I was actually looking at Line 6, but Line 5 -- Line  
14 6 is derived from Line 5, so we can look at Line 5.

15 Q. And Line 5 is a series of demand forecasts?

16 A. It is.

17 Q. And those come from Tab B, Pages 2, 4, 5 and 6?

18 A. That's what it says.

19 Q. And Tab B, Page 2, is where the 2.5 million for the first  
20 year comes from?

21 A. From the first year, yes.

22 Q. And that demand indicates that it's based on 841,282  
23 updates times three customers?

24 A. Let me do the calculation there, because it actually starts  
25 with daily updates, averaged through October, gets them down to

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1 an update per day, yes, and then multiplies them by the three  
2 customers.

3 Q. Okay. So have we come full circle now and would you agree  
4 that the 2-1/2 million dollar -- or 2-1/2 million number of  
5 updates is already assuming three customers?

6 A. It appears that it is.

7 Q. Okay. So when your Exhibit 7 -- when you used that as your  
8 demand and then you also multiply or divide by five, the effect  
9 of that is to assume that there are 15 customers, not five?

10 A. Is that a question?

11 Q. Yes.

12 A. What I would suggest is that the number on -- that there's  
13 a mistake on my calculation in Exhibit 7, that the proper way to  
14 determine the number at Line 10 on that would be to go back to  
15 this Tab B, Pages 2 through, I think, 6, and calculate that  
16 total demand on five carriers instead of three and then divide  
17 by that number.

18 Q. Okay. And other than making that adjustment, if we made  
19 just the correction now to take out the three carriers, that  
20 would make -- your .00758 would turn into something like .023?

21 A. Assuming you've done the calculation.

22 Q. I'm doing it in my head, but .00758 times three?

23 A. Now you're scaring me.

24 Q. Subject to check.

25 A. I would agree with that, that makes logical sense to me.

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1 Q. And when you add the 13 percent and get to .0088, then  
2 we're up to 2.64, aren't we?

3 A. I would accept your math. I told you the way that I think  
4 you should do it.

5 MR. HART: Your Honor, this is a good place to break.

6 THE EXAMINER: Let's break until 1:30.

7 (Luncheon recess taken.)

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P R O C E E D I N G S

- - -

Wednesday, March 17, 1999

Afternoon Session

- - -

THE EXAMINER: Back on the record.

Mr. Hart.

- - -

CROSS-EXAMINATION (continued)

BY MR. HART:

Q. Mr. Starkey, I want to move on to the topic of entrance facilities, which begins at the bottom of 33 in your supplemental testimony.

A. Okay.

Q. I understand that on the general topic of interoffice transport, you're deferring to Dr. Ankum except for entrance facilities?

A. Yes, though some of my recommendations, for example, fill factors, affect all of the studies; but, yes, generally, I think that's true.

Q. Okay. And you focused on entrance facilities in your supplemental testimony separate from interoffice transport in general?

A. Yes, based upon -- and my understanding of the fact that entrance facilities are far more comparable to a loop facility

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1 than they are an interoffice facility.

2 Q. Now, you make a comment on Page 35 that Mr. Mette has too  
3 narrowly defined an entrance facility.

4 A. Yes.

5 Q. And is your comment there directed to the issue of whether  
6 they're provisioned point to point or on a ring?

7 A. No, I don't know that it's necessarily limited to that, but  
8 that is an issue.

9 Q. Okay. Now, entrance facility is defined in the  
10 interconnection agreement between Cincinnati Bell and MCI, isn't  
11 it?

12 A. Possibly.

13 Q. And is that the definition we ought to use?

14 A. Not necessarily. My -- The definition we should use -- And  
15 this gets back to the fact that whenever you do a TELRIC study  
16 you're actually, unlike a TSLRIC study where you're trying to  
17 determine the cost of a given service, you're trying to  
18 determine the costs of the facilities that are in place to  
19 provision the service.

20 So if the facilities in place to provision an entrance  
21 facility are the exact same costs associated with provisioning a  
22 loop -- and I'm not suggesting that they are, but I'm suggesting  
23 that if they were -- the costs for the two shouldn't differ.  
24 The definition shouldn't be narrowly focused any more than it  
25 has to be to aggregate the proper facilities that you're

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1 interested in costing.

2 Q. Well, aren't we here to set prices for unbundled elements  
3 that competitive carriers will actually purchase?

4 A. Well, I don't know that it is that limited, but that's  
5 possible, though we have to recommend that that's a broader  
6 category than what's included in MCI's interconnection  
7 agreement.

8 Q. Well, for purposes of the unbundled element of entrance  
9 facility, wouldn't we want to look at the definition of that  
10 element in order to decide what it is we're pricing?

11 A. I think I just answered that question, no, not necessarily.  
12 You would want to look at facilities required to provide the  
13 functionality necessary to provision an entrance facility and  
14 you would cost those particular facilities.

15 Q. Well, should we look at the agreement to define the  
16 functionality of an entrance facility?

17 A. Not necessarily.

18 Q. Where should we look to define entrance facility?

19 A. What you should do is define what it is that you're  
20 costing. For example, a loop. The --

21 Q. Well, we're on entrance facility, so I want you to define  
22 entrance facility.

23 A. Well, I appreciate that. I'm just making an analogy that  
24 will help me define entrance facility.

25 The analogy I was making is the loop. Nowhere in the

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1 interconnection agreement or anywhere else does it specifically  
2 speak to the fact that it has to go through a pedestal, that it  
3 has to go through a stub to a telephone pole.

4 Whenever you look at a given facility, the loop is  
5 basically a connection between the main distribution frame and  
6 the network interface device. What I am suggesting is the  
7 entrance facility is, as Mr. Mette defines it in his testimony,  
8 and maybe I should just quote -- well, I don't have his  
9 testimony here, so I'll paraphrase -- is a connection between a  
10 CBT CO and a NEC location.

11 Q. Okay. Isn't that the same as the definition in the  
12 agreement?

13 A. I don't know. I've already said I don't know what that  
14 definition is.

15 Q. Okay. I guess maybe I've got a bigger conceptual problem  
16 here, and that is: Where is it that we're supposed to look to  
17 definitively define the unbundled element that we're trying to  
18 cost?

19 A. I think first -- the first place you should look is in the  
20 FCC's order. The FCC's order defines, at least in my opinion, I  
21 understand there's some controversy over that now since the  
22 Supreme Court has come out, but my understanding is the FCC  
23 specifically defines exactly what these network elements are.

24 Now, it doesn't get to the point where it tells you that  
25 you should include all pedestals. Obviously, that level of

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1 detail isn't available. But it does speak to the fact that is  
2 the main distribution frame to the network interface device. I  
3 think that's a good place to start. I think you'll point out  
4 that the FCC order doesn't define entrance facility.

5 Q. That's what I was going to ask you, is whether it did.

6 A. And I'm not quibbling with Mr. Mette's definition of the  
7 network element of an entrance facility in terms of how he  
8 defines it, except I think he defines it too narrowly in  
9 assuming that a NEC location must be an existing IXC point of  
10 presence, which is how the study is built.

11 Q. So that's where you're quibbling, is where the exact  
12 locations are?

13 A. I guess, though I would say what my basic quibble, for lack  
14 of a better word, is, I think, a facility, entrance facility,  
15 call it a loop, call it entrance facility, or whatever you want,  
16 what we're really talking about is DS1 connectivity between  
17 CBT's central office and some other nonCBT central office  
18 location.

19 Q. Okay. And so if we're going to do a TELRIC study on the  
20 universe of that element, we'd want to see where the existing  
21 customers are for that element?

22 A. A DS1 connectivity between the CBT central office and  
23 another location, yes, I would think that would be the  
24 appropriate universe. That extends beyond the current IXC point  
25 of presence that Mr. Mette used in his testimony.

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- 1 Q. I thought you said we look at current customers.
- 2 A. I did.
- 3 Q. Who are the current customers for entrance facilities?
- 4 A. Well, now you're using the term "entrance facility", and I  
5 was using the term DS1 connectivity between the CBT central  
6 office and a nonCBT central office location. So I would use  
7 anybody who has DS1 connectivity between a CBT central office  
8 and a nonCBT central office location.
- 9 Q. Okay. And who are those people other than IXCs?
- 10 A. There's a whole bunch of folks that have DS1 circuits, my  
11 understanding. I don't know exactly within CBT's network, but  
12 if it's anything like any other network we've looked at, and I  
13 can't imagine why it wouldn't be, there's a lot of DS1  
14 connectivity between nonCBT CO locations and the CBT CO.
- 15 Q. Well, can you identify any nonCBT central office in  
16 Cincinnati?
- 17 A. Yeah, any location -- any address that isn't a CBT central  
18 office location would be a nonCBT central office location.
- 19 Q. Well, I thought --
- 20 A. I could make one up.
- 21 Q. I thought the element's defined as connectivity between a  
22 CBT central office and somebody else's central office.
- 23 A. Well, maybe that's your definition. That's not what I have  
24 said. I have said it was the CBT central office and a nonCBT CO  
25 location.

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- 1 Q. So a nonCBT CO location would be somebody else's C  
2 location -- CO location?
- 3 A. Are you asking me if I agree with that?
- 4 Q. Yeah.
- 5 A. No.
- 6 Q. So you disagree with the definition that MCI agreed to in  
7 the contract?
- 8 A. I'm saying it's irrelevant to determining what the proper  
9 way to cost DS1 connectivity between a CO location and another  
10 location is. And again, I point to the simple fact that that  
11 interconnection agreement will ultimately expire.
- 12 Q. So you're predicting what the next one's going to say?
- 13 A. I'm not. I'm simply saying that we shouldn't be  
14 constrained -- Well, and there's another issue here, too, which  
15 is the fact that, and I think Ameritech is an example, the  
16 Ameritech TELRIC rates, if you want to call them that, went into  
17 a common tariff -- a tariff of common applicability where people  
18 could buy them out of the tariff, not out of a specific  
19 interconnection agreement.
- 20 Q. And does the tariff define what the element is?
- 21 A. It does. Does it define it the same way in which all the  
22 interconnection agreements do? No, it doesn't.
- 23 Q. Does Cincinnati Bell have any interconnection agreements  
24 that define "entrance facility" other than the way it's defined  
25 in the MCI agreement?

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1 A. I don't know.

2 Q. What good is the interconnection agreement if we just  
3 ignore it when it defines what the elements are?

4 A. Well, any agreement is, one, good for the time within which  
5 it's an executable agreement, so we have to understand that it  
6 expires. So after it expires, it starts as a starting point to  
7 negotiating a new agreement. We could go through any list of  
8 things of what it's good for.

9 But is it good for -- as an authoritative source of  
10 defining a given network element? My suggestion is it is not,  
11 it is not the only authoritative source.

12 Q. Okay. So MCI could come into a TELRIC hearing and define  
13 elements any way we'd like regardless of what it agreed to in  
14 the agreement?

15 A. Are you asking me if that's legally possible?

16 Q. Yeah.

17 A. I don't know.

18 Q. Okay. I take it the basic objection you have is that you  
19 want point-to-point facilities priced separately from ring-based  
20 facilities?

21 A. I think that's a simplification, and I think my  
22 recommendation or what my desire would be, that when we talk  
23 about an entrance facility, when we talk about an unbundled  
24 loop, when we talk about anything, simply any facility that  
25 connects two points, we should be costing that dependent upon

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1 the level of capacity available, not whether it goes to an IXC  
2 POP, whether it goes to a customer location, customer premises  
3 or what. We should cost it based upon the TELRIC standard,  
4 which is based upon the facilities, costing the facilities that  
5 provision that network.

6 Q. And DS1 facilities between a CBT central office and a  
7 nonCBT central office consist of both point-to-point systems and  
8 ring systems, don't they?

9 A. That's possible. My point in my testimony is that you  
10 looked at too small a subset of the overall DS1 connectivity  
11 between two points. That is, you looked at the IXC population,  
12 which probably has a more prevalent use of the nonpoint-to-point  
13 architecture.

14 Q. Well, shouldn't we include both point-to-point and the  
15 ring-based architecture in pricing the total element?

16 A. Well, now you're talking about pricing as opposed to  
17 costing.

18 Q. Well, let's go back to the word "cost" then if that's your  
19 hangup.

20 Does the cost of the total element take into account both  
21 point to point and ring?

22 A. I'm not sure I'm hung up, but what I would say is that  
23 there are costs associated with a given architecture. You  
24 determine, just like Mr. Mette did in the unbundled loop study,  
25 there are different costs associated with DLC architecture and

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1 different costs associated with the copper loop architecture.  
2 Those were melded together to come up with an average cost.

3 I'm saying there are circumstances where that's  
4 appropriate and there are circumstances where it may not be as  
5 beneficial. I'm suggesting that in the CO entrance facility  
6 example, the costs between those two architectures are so  
7 disparate and they actually provide different services, that  
8 they should be broken up and you should be able to buy them  
9 either as a direct point-to-point basis or as a ring basis.

10 And as I talk about in my testimony, the fact that it's on  
11 a ring gives you additional functionality that being on a  
12 point-to-point basis doesn't, so there are those additional  
13 costs to actually provide additional functionality. And the  
14 consumer, in this case the competitors, should be able to choose  
15 which of those functionalities they want and, hence, receive the  
16 resultant costs from those two architectures.

17 Q. So when we determine the cost of a point-to-point facility,  
18 we should ignore all of the rings and just price the  
19 point-to-point facilities, right?

20 A. Well, you would determine the cost basis of a  
21 point-to-point facility, an average point-to-point facility.

22 Q. Okay. So then you're redefining entrance facility into  
23 point-to-point entrance facility and ring-based entrance  
24 facility?

25 A. Well, whether you define it that way or not, that's the way

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1 it comes out because, as I said, if you put it on a ring, then  
2 you have cable diverse redundant SONET technology. That's a  
3 different service than point-to-point T1 capacity. If a carrier  
4 chose to have cable redundancy on a technology, I would think  
5 that they should then be required to pay the costs associated  
6 with that technology.

7 Likewise, if a carrier simply wants point-to-point  
8 connectivity at a T1 rate or a DS1 rate, same thing, then they  
9 should receive the resultant costs associated with that.

10 But there's a very big difference between the services that  
11 are provided over that. I'm saying that TELRIC appropriately  
12 looks at the facilities involved more than it looks at the  
13 particular service or the definition of that service.

14 Q. What I'm trying to get at is in order to determine the cost  
15 of a point-to-point facility, should we only look at the  
16 universe of point-to-point facilities?

17 A. If our task is to determine the TELRIC cost of a  
18 point-to-point facility, then yes, we would look at only  
19 point-to-point facility.

20 Q. And if we want to know the cost of a ring-based entrance  
21 facility, you would recommend we only look at rings?

22 A. Yes, given the caveat that you're going to provide rates  
23 for those services differentiated between the two architectures.

24 Q. And you would expect the rate on the ring to be higher than  
25 the point-to-point ring -- rate?

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1 A. Well, now you're more deeply into Dr. Ankum's testimony,  
2 which would suggest that that's sort of a nonintuitive result of  
3 the CBT studies. So I don't know exactly what I would -- what I  
4 would think.

5 Actually, if I looked at it intuitively in my own mind, I  
6 would think that a ring architecture might be very comparable  
7 because while it does provide additional services, it's also  
8 likely to accommodate a greater number and types of services so  
9 the investment associated with that ring might be unitized over  
10 a greater number of demandable units.

11 Q. In fact, the fill may be different on a point-to-point  
12 system than on a ring system, wouldn't it?

13 A. Well, it could be different. I don't know that you could  
14 say that it's causal because you're using two different types of  
15 architecture.

16 Q. Well, a point-to-point facility only goes one place, right?

17 A. It goes out there and comes back; yeah, it goes to one  
18 place.

19 Q. And so the customer kind of dictates the capacity that's  
20 going to be run on that system?

21 A. Not necessarily. Because you have to recommend that the  
22 Fujitsu FACTR system that's also capable of providing DS0s is  
23 also capable of providing DS1s. You're simply using a bit of  
24 the capacity of that system now to provide a DS1 grade signal as  
25 opposed to a DS0 grade signal.

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1 Q. If that customer wants one DS1 and they want it provided on  
2 a point-to-point entrance facility, you still have to put out  
3 all this common equipment in order to provision that, don't you?

4 A. To provision the DS1 you would have to have both the  
5 line-specific and the common equipment.

6 My point was that that common equipment isn't simply  
7 divided by that DS1, that common equipment is also used to  
8 accommodate the DS0s that are also likely provisioned over that  
9 FACTR piece of equipment.

10 Q. But the -- the factors that go into determining what the  
11 fill will be on a point-to-point system are different than the  
12 factors that will determine the fill on a ring system, aren't  
13 they?

14 A. No.

15 Q. So the customer who demands a point-to-point system has no  
16 influence over the fill that will be achieved on that system?

17 A. I think it's unlikely that they would.

18 Q. You would agree with me that on a ring system that serves  
19 multiple locations, that Cincinnati Bell would have more control  
20 over the fill on that system than the customer would?

21 A. No. I think I've already suggested the customer has no  
22 control in either circumstance, so it would have no more or less  
23 control on either system.

24 Q. You didn't listen to my question. I asked you whether  
25 Cincinnati Bell had more control over this -- over the fill on a

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1 ring system than the customer would have.

2 A. I did listen to your question. What I said was the  
3 customer has no control in either circumstance, so there's no  
4 way to compare the extent to which CBT has more control in one  
5 circumstance than in the other. They have total control in both  
6 circumstances.

7 Q. So that would be more than the customer?

8 A. Well, but you asked me to compare that with the point to  
9 point. It wouldn't be more --

10 Q. No, I didn't.

11 A. -- than the point to point.

12 Q. I asked you to compare Cincinnati Bell's control versus the  
13 customer's control on a ring system.

14 A. Versus a point to point? Maybe I mis- --

15 Q. No, I didn't --

16 A. -- -understood your question.

17 Q. I didn't ask you that.

18 A. Well, maybe if I could have it read back.

19 Q. Let's not bother wasting the time.

20 If the customer wants cable diversity, they should pay  
21 more, shouldn't they?

22 A. Only if providing that cable diversity costs more.

23 Q. Doesn't it?

24 A. Again, I suggested that gets more to Dr. Ankum's testimony  
25 where he suggests that the CBT studies that do conclude that

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1 very thing are unintuitive with respect to the way they  
2 charged -- well, costed interoffice facilities. That's his  
3 testimony. I don't know.

4 Q. I'm not asking you what he said. I'm not asking you what  
5 Cincinnati Bell does. I'm asking you, is it a fact of life that  
6 cable diversity costs more than point-to-point cable?

7 A. In some circumstances it might, in some circumstances it  
8 might not. I don't think you could make that definitive  
9 statement.

10 Q. Then why are you suggesting that we should not price this  
11 as if it's diverse?

12 A. Because it's the right way to do it.

13 Q. It has no relationship to its cost?

14 A. Well, there is a relationship. The relationship is that --  
15 The relationship is that the costs will result in the way I have  
16 suggested. It doesn't have anything to do with whether one  
17 might be cheaper than the other.

18 Q. Are you suggesting that entrance facilities should be based  
19 on Cincinnati Bell's loop lengths?

20 A. I think that I would continue to suggest what I suggested  
21 earlier, which is the proper way to do a point-to-point study  
22 for DS1 capacity, call it an entrance facility, call it a loop,  
23 call it whatever you want, basically it's the connectivity of  
24 one location to the CBT central office at a DS1 level, the right  
25 way to do that is to determine your current customer base for

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1 that type of connectivity and determine the average  
2 characteristics of that type of facility.

3 Q. Well, that's different than the customer base for DS0  
4 loops, isn't it?

5 A. It quite likely is.

6 Q. Okay. I'm asking about Page 41, the sentence on Lines 5  
7 through 8. And tell me whether you're suggesting there that  
8 Cincinnati Bell's loop length study should be used as the basis  
9 for the cost of entrance facilities.

10 A. Well, I think what I'm suggesting there is a proxy. And I  
11 think the reason I'm suggesting that is we talked earlier about  
12 the Fujitsu FACTR system and its ability to provide a DS1  
13 interface. My guess is you're not going to move those remote  
14 terminals for the Fujitsu FACTR system solely to provision DS1  
15 for an entrance facility. You've already gotten them  
16 provisioned in your loop network.

17 I'm suggesting that we not necessarily do a study to move  
18 those to where they're perfect for the DS1s, but that they can  
19 stay where they are and we use the loop study.

20 Now, if we were to do that, if we were to suggest that you  
21 should do a study specific to those DS1s, which is what I think  
22 is the best way to do it, I think you would find that those loop  
23 lengths are far shorter than the loop lengths associated with  
24 the loop study.

25 It's been my experience in every study we've ever done and

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1 every network we've ever looked at that high-capacity DS1  
2 signals are generally a little shorter length from the central  
3 office because they're generally business based than are loops  
4 as a general matter.

5 Q. Well, let me just ask you directly again: Are you  
6 recommending that the entrance facilities be priced according to  
7 the loop lengths in Cincinnati Bell's loop study, or are you  
8 not?

9 A. That's my recommendation in this case. I was simply  
10 clarifying the matter that that is, and we talked about this in  
11 my deposition, there are certain shortcuts you make. I'm not  
12 suggesting that's the perfect way to do it. The perfect way to  
13 do it would be to have CBT go back out, measure all of its DS1s  
14 to get an average facility composition type and redo the study.  
15 I understand that we're under a time constraint, I understand  
16 that this is not a perfect proxy, but it is my recommendation.

17 Q. Let's go to the loop transport combination. Again, I  
18 believe you are leaving the interoffice piece of this to  
19 Dr. Ankum; is that right?

20 A. That's correct.

21 Q. And I take it you also agree with the general concept of  
22 how Mr. Mette developed rates for the loop transport  
23 combination?

24 A. Again, there's one of those loaded questions. "The general  
25 concept", you might need to be a little more specific.

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1 Q. Well, the fact that you price a loop and you price the  
2 transport and you price what it takes to put the two together.

3 A. No, you know, I don't think I am necessarily comfortable  
4 with the way Mr. Mette has done that.

5 Q. Well, you would include the price of a loop, wouldn't you?

6 A. Yes, you would. The thing you wouldn't want to do is  
7 include the costs associated with a piece of equipment that  
8 might be both common to loop and common to common transport and  
9 recover it twice whenever you combined those two elements.

10 Q. Well, which piece did he combine twice?

11 A. Well, if you take a look at the unbundled loop on an  
12 integrated basis -- and I think that's MCI Exhibit -- I had it  
13 here a second earlier -- MCI Exhibit 5, you'll see that included  
14 in the integrated loop is investment associated with an FLM 150  
15 and a DSX1 cross-connect panel. If you go to the interoffice  
16 transport piece, you see again there is investment associated  
17 with an FLM 150 and a DSX1 cross-connect panel.

18 My analysis is that at least that FLM 150 is recovered in  
19 both the loop and the common transport, such that it would be  
20 double recovered. I still need to do further analysis with  
21 respect to the DSX1 cross-connect because I believe you may  
22 actually need two separate jacks in the DSX1 to accomplish what  
23 Mr. Mette has suggested, but I need further analysis to make  
24 sure that that is the case.

25 Q. Well, the combination that's defined in MCI's contract is

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- 1 the DS0 loop, isn't it?
- 2 A. It could be. In fact, it is. There are two combinations,  
3 DS loop and DS1.
- 4 Q. Well, it's not a DS1 loop, it's a DS1 transport interface,  
5 isn't it?
- 6 A. Right. I'm sorry. DS0 loop to DS1 common transport and  
7 then DS0 loop to DS0 common transport.
- 8 Q. So we need to price the DS0 loop and we need to price  
9 transport, whether it be DS0 or DS1?
- 10 A. Well, you need to price that -- well, cost, more  
11 specifically, that combination, yes. Where they use common  
12 equipment and you only need one to do the combination, but you  
13 might need two to do them separately, then you would include  
14 only one.
- 15 Q. Now, am I correct that TELRIC rates are not based on retail  
16 rates?
- 17 A. I always avoid using the term "TELRIC rates",  
18 or I try to. TELRIC costs are independent of retail rates, and  
19 I would define TELRIC rates as simply TELRIC costs plus a shared  
20 and common additive.
- 21 Q. Okay.
- 22 A. So I would say they're independent of retail rates.
- 23 Q. When I use the word "TELRIC rates", would you accept that  
24 that means TELRIC cost plus 13 percent common overhead?
- 25 A. I can accept that.

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1 Q. Okay. Now can you answer my question: Should TELRIC rates  
2 be based on retail rates?

3 A. I think I suggested they should be -- they are independent,  
4 so no.

5 Q. Would you agree with me that Cincinnati Bell doesn't offer  
6 at retail a loop transport combination?

7 A. I don't know. I -- Actually, you know, I would suggest  
8 that they probably do. I'm sure they have central office FX  
9 service that extends a loop from one central office to another,  
10 but it may include a little bit more functionality than just the  
11 loop transport because it provides foreign dialtone, but I think  
12 they provide things that are very similar to that.

13 Q. It is probably not provisioned as a DS0 loop and DS0  
14 transport, is it?

15 A. I don't know. It might be.

16 Q. Turn to the topic of nonrecurring charges again that you  
17 revisit in the supplemental testimony, in particular your  
18 Exhibit No. 8.

19 MS. SANDERS: I'm sorry, what was the page reference,  
20 Mr. Hart?

21 MR. HART: Exhibit 8.

22 MS. SANDERS: Oh, Exhibit 8. Thank you.

23 BY MR. HART:

24 Q. I understand this is your effort at dividing the loop  
25 establishment charge into a per-order and per-loop rate; is that

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1 right?

2 A. That's correct.

3 Q. When you did this, you removed all manual order processing  
4 type?

5 A. Yes, I did. All manual order processing.

6 Q. And you removed all removal costs?

7 A. I did remove all removal costs, yes.

8 Q. And you removed 50 percent of the time associated with  
9 field visits?

10 A. I did.

11 Q. Now, Cincinnati Bell will not avoid 100 percent of removal  
12 costs, will it?

13 A. I'm trying to think through the extent to which we can know  
14 that given the fact that what we're looking at here is not a  
15 forward-looking, nonrecurring charge development. I don't think  
16 I can answer that question as "yes" or "no".

17 Q. Well, let me give you some hypotheticals and ask you  
18 whether it would incur a removal cost.

19 If Cincinnati Bell has sold an unbundled loop to a CLEC,  
20 let's say it's MCI, for example, and has cross-connected that to  
21 MCI's cage, if MCI informs Cincinnati Bell that it no longer  
22 needs that loop, wouldn't Cincinnati Bell remove the  
23 cross-connect?

24 A. You're talking about a DS0-level loop.

25 Q. Yes, or any unbundled element, for that matter.

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- 1 A. That's possible. I don't know that it's necessarily  
2 required.
- 3 Q. Well, to make it nonfunctional, the loop would have to be  
4 disconnected at some point, right?
- 5 A. At some point, yes. I don't know if that happens at the  
6 cross-connect or not as you suggested.
- 7 Q. Well, if we're looking at a copper DS0 loop, where else  
8 would you disconnect it other than the cross-connect?
- 9 A. Well, there's any number of cross-connection points. You  
10 could disconnect it at the main distribution frame.
- 11 Q. Is that the most likely?
- 12 A. I think that happens on occasion, yes.
- 13 Q. Is that the most cost effective place to remove loop?
- 14 A. I've not done that analysis.
- 15 Q. Well, that can be done without a field visit, right?
- 16 A. Disconnecting at the main distribution frame?
- 17 Q. Right.
- 18 A. Yes.
- 19 Well, let me rephrase that. Yes, it can be if you have  
20 people in the CO. There are nonmanned COs.
- 21 Q. If the CO is not manned, somebody has to go out there?
- 22 A. Yes.
- 23 Q. Now, your removal of 50 percent of field visits, am I  
24 correct that you based that on your analysis of the  
25 cross-connectibilities of the Fujitsu FACTR system?

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1 A. I think I base that on a couple of things, but I would  
2 agree that that was one of my factors.

3 Q. What other factors do you take into account there?

4 A. Well, one of the issues we have to remember is that  
5 whenever we design this loop and we estimate our forward-looking  
6 monthly TELRIC recurring costs associated with that loop, we pay  
7 to splice that loop all the way through.

8 That was included in those -- in those big cable things we  
9 were talking about earlier, that 605 -- or, 650 percent of the  
10 cost of the piece of cable, we start with a dollar of cable and  
11 later you come up with \$6.50 worth of cable because you've paid  
12 somebody to go out and splice that -- one of the things you've  
13 paid for them to do is go out and splice that all the way  
14 through.

15 So one of the things I think we have to be cognizant of  
16 whenever we do nonrecurring charges is we have to assume that  
17 that loop is spliced all the way through.

18 Now, CBT has said there are examples where that won't be  
19 the case and they've said 86 percent of the time that won't be  
20 the case. As I have looked over the nonrecurring charge study,  
21 they based that simply on the extent to which they have to do  
22 that today for residential and business customers.

23 What I am suggesting is that's not the relevant universe to  
24 look at because we've already assumed that we're paying for that  
25 in the monthly recurring charge to some extent. So I think

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1 there is a factor associated with the fact that we've already  
2 recovered some of those costs.

3 Second, I would say that even on top of that, the Fujitsu  
4 FACTR system allows for a cross-connect, a software  
5 cross-connect within the remote terminal that, as Mr. Meier  
6 explained to us the other day, could be done on a PC located  
7 anywhere on that fiberoptic or that -- actually, any -- any  
8 electrical connection to that fiberoptic ring.

9 So assuming that 86 percent of the time we have to send  
10 somebody out to the field I think is not a realistic assumption  
11 given our forward-looking technology of the Fujitsu FACTR  
12 system.

13 So what I have done, and I would be the first to admit that  
14 I haven't been able to delineate with a calculation exactly what  
15 it should be, I have suggested that instead of 86 percent of the  
16 time it should be -- reduce that by 50 percent. And this is an  
17 interim proposal, by the way, until a time and motion study is  
18 done.

19 Q. And you're suggesting that the 50 percent should apply to  
20 every loop, right?

21 A. That's correct. Well, it should -- it should be applied to  
22 the nonrecurring charge calculation, and then you -- I assume  
23 you're going to apply that to every loop.

24 Q. Okay. Regardless of whether the loop's provisioned on  
25 copper or digital loop carrier?

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1 A. That's correct.

2 Q. Let me try to make sure we understand one another here, if  
3 I could try to draw.

4 Let's say I have a central office and out in the field I've  
5 got serving area interface and out here is distribution to the  
6 right (drawing).

7 A. Okay.

8 Q. And along here are drop terminals (drawing) --

9 A. Okay.

10 Q. -- which go to houses.

11 And between the serving area interface and the central  
12 office, if we're on copper, this is copper feeder (drawing); is  
13 that right?

14 A. Yes.

15 Q. Then the alternative is I might have digital loop carrier,  
16 in which case I have a DLC remote terminal that's on fiber?

17 A. Right.

18 Q. And there's electronics in the office on the other end of  
19 that.

20 And there are line cards in the DLC; is that right?

21 A. That's correct.

22 Q. And those have cables that come out and they go to the SAI,  
23 right?

24 A. Well, partially. I would add another piece of equipment,  
25 if I could.

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1 Q. What do you want to add? I'll --

2 A. Actually, on the other side of the remote terminal they'll  
3 come right out of the remote terminal into copper wires. There  
4 is a -- I don't know exactly what you would call it, but there  
5 is a cross-connect panel there --

6 Q. Okay.

7 A. -- that does connect to. That's exactly where the  
8 software-driven cross-connect --

9 Q. There's something in here that terminates copper wire on  
10 one end and line cards on the other end?

11 A. That is correct.

12 Q. And this is what you're saying can be used to  
13 electronically cross-connect?

14 A. Yes. It's called a time slot interchange and it's a  
15 software cross-connect.

16 Q. Okay. Now, first of all, if we're on copper feeder, that  
17 doesn't apply, does it?

18 A. Well, this point doesn't apply. The point I made earlier  
19 still continues to apply and probably applies more specifically.

20 Q. The point about splicing?

21 A. Right.

22 Q. Okay. Am I correct that the SAI has a panel in it where  
23 distribution pairs terminate on one side, feeder pairs terminate  
24 on the other side and jumper wires cross-connect those two?

25 A. I never really thought of them as jumper wires. That could

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1 be possible in some situations. It's generally just a  
2 cross-connect block wherein you have feeder coming out on one  
3 side where you terminate that cable, you have distribution that  
4 goes out on the other side.

5 Q. But these are physically cross-connected with wires that  
6 people go out and physically attach?

7 A. They are physically cross-connected with wires.

8 Q. Okay. Now, the loop study, when you mentioned splicing,  
9 wouldn't that be -- if this cable has branches that come off at  
10 different points and this distribution cable has branches, those  
11 are splices, aren't they?

12 A. Well, yes, they are, but this is also -- this is also a  
13 simple splice. I mean, there is -- What we're actually doing is  
14 we're taking one pair of wire, whether that be in the feeder or  
15 distribution or to another part of the feeder, and we're  
16 connecting it to the appropriate other piece of wire to  
17 establish a circuit between any two given locations.

18 Q. Are these -- Are feeder pairs and distribution pairs  
19 jumpered together until a line actually goes in service?

20 A. My understanding, and this is -- I'm taking it from the  
21 cost study -- my understanding is that the cost study, through  
22 its costs -- and let me see if I can show you specifically where  
23 that is -- assumes costs associated with connecting through --  
24 what I would call connecting through any copper pair from the CO  
25 to the customer terminal. And then costs associated with

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1 dropping from the customer terminal to the customer are included  
2 in the drop costs.

3 As you can see, we've got -- we have a service area  
4 interface cost directly in -- and I don't know how to refer to  
5 this thing, it's the loop backup support wherein we determine  
6 the investment associated with a given cable. We deal with the  
7 investment all of the way from splicing, placing, engineering  
8 all the way through the serving area interface, we include  
9 investment for things like 900-pair cable stubs which might take  
10 you from an underground or buried serving area interface to the  
11 first telephone pole, which is what those things are associated  
12 with. So we're talking about connecting a loop all the way from  
13 the central office to the customer prem.

14 Q. What line item on that page is cross-connecting at the  
15 serving area interface?

16 A. Well, I'm assuming it's wherever we talk about the ability  
17 to splice pairs. We sort of are going down our list here of how  
18 we get those cables into place. It's splicing, placing and  
19 engineering costs associated with cutting that line through.

20 Q. Are you sure about that? Are you sure that includes SAI  
21 cross-connects?

22 A. I'm not 100 percent sure because it doesn't say; but if it  
23 doesn't, it should.

24 Q. Well, isn't that what the nonrecurring charge is, is to  
25 make that cross-connect at the serving area interface?

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1 A. That would assume that whenever we pay the rate for a --  
2 for an unbundled -- Well, anyway, let's say it this way:  
3 Whenever CBT determines the cost from a loop, the CO to the  
4 customer premise, that loop won't work. I don't understand why  
5 you would build your cost study that way.

6 My understanding is -- well, not my understanding, but my  
7 position would be that you should build your cost study in such  
8 a way that after you've built it, that loop is a workable  
9 facility.

10 Q. Well, you understand that these distribution pairs go off  
11 to different locations and all of the feeder pairs go back to  
12 the central office?

13 A. That's my understanding.

14 Q. And the very purpose of the serving area interface is to  
15 allow the matching of any given feeder pair to any given  
16 distribution pair?

17 A. That's not different than the purpose of any drop terminal  
18 or any splice point in the network, is to attach a piece of wire  
19 that comes in on one end with another piece of wire that comes  
20 in on the other.

21 At any pedestal, you can change one wire to another wire;  
22 that sort of cross-connection can be done. The serving area  
23 interface is no different.

24 Q. And the drop terminal is limited to the end users right in  
25 that vicinity, right?

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1 A. Well, no, I don't think it is. It's generally done that  
2 way, but we do things like dead lug throws where -- or wire out  
3 of limits where you might borrow a copper wire from a given drop  
4 terminal and place it to another one.

5 Q. But the common use of the drop terminal is to pick a pair  
6 out of the distribution and send it to a house?

7 A. That's exactly what I'm talking about. Yes, the common use  
8 of all of these things is to connect a loop from the CO to the  
9 customer's premise.

10 Q. Okay. And Cincinnati Bell has two different nonrecurring  
11 charge structures, doesn't it; one for establishing a loop and  
12 one for transferring a loop that's already been established?

13 A. That's my understanding.

14 Q. And the --

15 A. Well, is that still --

16 Q. It's called migration, I believe?

17 A. That is still the case, yes.

18 Q. And the migration charge doesn't charge for work done at  
19 the serving area interface, does it?

20 A. No, it doesn't.

21 Q. It charges for work done in the central office to attach  
22 the feeder pair to the collocation cage?

23 A. Generally, that's correct, yes.

24 Q. Now, the remote terminal cross-connect that you say can be  
25 done electronically, what that does is assigns a time slot on a

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1 fiber system to a copper pair on the subfeeder; isn't that  
2 right?

3 A. That's correct. It connects -- It gives the DS0  
4 distribution, which is at this point copper analog -- not DS0,  
5 but a copper analog voice-grade circuit, it gives it enough  
6 capacity at a DS0 level to complete the circuit from that point  
7 back to the CO.

8 Q. Okay. So that would get us between the CO and the SAI, we  
9 could pick out a pair that goes to the SAI, right?

10 A. Well, you could interface -- you could interconnect any  
11 feeder -- fiber feeder portion with anything that hangs off the  
12 other side of that remote terminal.

13 Q. Okay. That remote cross-connect doesn't change any jumper  
14 wires within the SAI, does it?

15 A. Not unless the remote terminal and the SAI are the same  
16 thing, and many times they are.

17 Q. Well, in fact, many times this remote terminal might feed  
18 other SAIs going other directions, doesn't it?

19 A. That is possible. Both situations occur.

20 Q. Yeah. Now, would you agree with me, and this is just -- I  
21 think it was your estimation, that about 50 percent of CBT's  
22 study is based on copper loops and about 50 percent on digital  
23 loop carrier?

24 A. That varies by band. That's not even close in the outer --  
25 Well, it's not even close in West 7th, for certain.

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1 Q. West 7th is almost all copper, isn't it?

2 A. It's almost all copper. But -- I could tell you the exact  
3 number. There is an exact number, I don't know what it is off  
4 the top of my head.

5 Q. In general, overall, is this kind of approximate, 50?

6 A. I don't want to agree until I actually look, but we can  
7 look. Just a second.

8 It's generally in a range of between 45 and 55 one way or  
9 another.

10 Q. But as you mentioned, West 7th is almost all copper because  
11 of the shortness of the loops?

12 A. That's correct; and Band 3 is primarily more fiber feeder  
13 than it is copper.

14 Q. Okay. So the impact of DLC cross-connects is going to vary  
15 by band?

16 A. Yes, as will the application of connecting the copper  
17 through in my first point, that would be more prevalent in  
18 copper-based systems, whereas the software cross-connect would  
19 be more prevalent in fiber-based systems.

20 Q. Okay. Now, when we're talking about the loop establishment  
21 charge, do you understand that that is a loop that's not  
22 currently in service to a given customer?

23 A. Well, that I was never exactly sure of, whether it meant  
24 that it wasn't in service or whether it wasn't connected  
25 through. Because you could have a line that rests out there

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1 that is established but isn't currently being used. I never was  
2 exactly sure about that.

3 Q. Okay. But let's start with loop migration. You understand  
4 that loop migration is a loop that is actually being used by a  
5 customer and it's going to be moved to another carrier?

6 A. Well, I don't know that -- The same point would apply. I  
7 don't know whether if -- Let's say MCI -- Let's say a customer  
8 in their house has two telephone lines hooked up but they've  
9 only been using one for a period of time.

10 If MCI comes in and requests two unbundled loops, both of  
11 those are connected, neither would require work at the SAI, but  
12 I don't understand the extent to which at this point CBT would  
13 charge us a migration for one and an establish for the other.

14 Q. I thought you said they were both in service?

15 A. No. I said they're both connected, only one is in service.

16 Q. Okay.

17 A. Even though they had to do no differently -- they would  
18 have to do nothing different for the one than the other. I  
19 don't know the extent to which those are applied.

20 Q. Okay.

21 A. I haven't been able to figure that out.

22 Q. So let me refine my deposition -- or, definition of  
23 migration. Let's assume migration means a loop that's in use  
24 and there's a paying customer on it.

25 A. Okay.

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1 Q. Okay? You understand that in that situation, the only  
2 thing that would have to be done to migrate that loop would be  
3 to disconnect it from Cincinnati Bell's switch and send it to  
4 the CLEC's point of presence?

5 A. I think that's right, yes.

6 Q. Okay. And if the loop is not currently in service, there  
7 are a variety of activities that may or may not have to occur to  
8 put that into service?

9 A. Well, again, we get back to my point. I don't think it's a  
10 matter of whether it's in service or not that's important. It's  
11 whether it's connected through.

12 Q. Okay.

13 A. So that line that might not be in service at that  
14 customer's house, that second line, all you would still have to  
15 do to that line is turn it -- and you probably don't even have  
16 it in the switch at this point because it's not in service --  
17 all you would have to do is jumper that at the main distribution  
18 frame or a collocation cage.

19 Q. Well, let's work backwards from the customer. Let's use  
20 your second line example. Let's say this customer has a  
21 two-line drop but only one of them connects. Would you agree  
22 with me that one thing that might have to be done is to send  
23 somebody out to jumper the second drop wire to another pair?

24 A. Well, that's a possibility, but we also have to remember  
25 that costs associated with running a drop wire are included in

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1 the unbundled loop study.

2 Q. Does it include the time to connect both wires in the drop?

3 A. Well, what it should assume -- the extent to which it does  
4 or not, I couldn't point specifically to. What it should  
5 assume, as I said before, is a connection from the CO to the  
6 customer's premise, connected through. So instead of doing what  
7 I think you're asking, which is at some point in time we've got  
8 to send somebody out there to build the drop to the customer's  
9 house, it's a matter of should they connect it at that point or  
10 not.

11 The study assumes you know your customers, you know the  
12 customers assume -- the study assumes you know what your demand  
13 is, and so it should assume that you connect the drop at that  
14 point in time and the appropriate number of circuits which you  
15 need to serve that customer.

16 Q. Well, if you're recommending that we have an 85 percent  
17 fill on distribution, I can't possibly connect two drops at  
18 every house, can I?

19 A. Absolutely, you can.

20 Q. I can?

21 A. Yes.

22 Q. Let's say I've got a 10 percent take on second lines.  
23 Okay?

24 A. All right.

25 Q. And I've got 85 percent fill. Does that tell me -- and my

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- 1 customer base is something like 77 percent of the line capacity.
- 2 A. Okay. Let's assume what else?
- 3 Q. So if 10 percent of these people have a second line, that
- 4 gets me up to 85, and a simple example, I've got 77 customers on
- 5 a 100-pair cable.
- 6 A. Okay.
- 7 Q. Okay. Now, those 77 customers, if I wanted to attach two
- 8 drops to each one of those, I would need 154 lines, wouldn't I?
- 9 A. Well, what you have to remember is you're holding something
- 10 constant here, which is the size of the cable. What I have
- 11 suggested is that the right way to do a TELRIC study is you know
- 12 this customer wants two lines, you know the customer next to
- 13 them doesn't, you know the customer next to them does. You
- 14 provision your network in the least-cost, forward-looking manner
- 15 to provision exactly that number of lines.
- 16 Q. So do some customers get two wire drops and some get one
- 17 wire drop?
- 18 A. Depends on how many -- Depends on how many services they're
- 19 requesting in their premises.
- 20 Q. I'm asking, for TELRIC purposes, is that what I assume?
- 21 A. Yes.
- 22 Q. Okay. So when I go to establish a nonrecurring charge and
- 23 somebody asks for a second line, my nonrecurring charge ought to
- 24 include the price of adding a second drop wire, shouldn't it?
- 25 A. Well, no, that's where we disagree. Because this gets back

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1 to our point, and we started to talk about it this morning, the  
2 time frame within which you do a TELRIC study.

3 We talked about all the way through the deposition that the  
4 right way to do the TELRIC study is to pick a point in time,  
5 determine what the costs associated with provisioning the  
6 services at that point of time is.

7 Now what you're suggesting is we moved out of that point in  
8 time, now we're at some other place in the future and somebody  
9 has requested another service. That is inconsistent with  
10 determining the proper way to determine a TELRIC cost study.

11 Now, there are ways to do this, and we talked about this,  
12 wherein what you could do is you could determine all of the  
13 costs out over a given period of time and present value it back.  
14 That's not what CBT has suggested and that's not what I have  
15 suggested because it's a very difficult and complex product --  
16 or, process.

17 But we have to be true to the methodology we've chosen, we  
18 can't mix and match the two. We've chosen to pick a point in  
19 time and determine the costs associated with that point in time.  
20 And the question you asked me undercuts that rationale and,  
21 hence, it's not a logical extension of what we're trying to do.

22 Q. Well, if I picked that point in time, by definition, aren't  
23 all nonrecurring charges after that point in time?

24 A. Well, again, we talked about this, and the fact that  
25 nonrecurring charges to some extent are, in my opinion, somewhat

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1 inconsistent with the TELRIC methodology, but assuming that  
2 we're making these shortcuts that we talked about, yes, they do  
3 assume out of time.

4 But you can't ignore what you did in the TELRIC study. You  
5 can't take the two of them mutually exclusively and recover the  
6 cost twice.

7 Q. Okay. So let's try to be consistent here. You're telling  
8 me if I do a point in time and this customer only takes one line  
9 now, I should assume that he's only got one wire drop?

10 A. Unless they don't come in one-wire drops. I mean, there  
11 are parameters. I mean, if they only come in two-wire drops,  
12 then that's your only option, to put two in.

13 Q. Or maybe I put a two-wire drop in, but I only connect one  
14 of them because there's no service going to that house on the  
15 second line?

16 A. You would do in the least cost manner.

17 Q. Okay. So doesn't that mean, then, when I do my  
18 nonrecurring charge, being consistent and true to my TELRIC  
19 study, I would have to include whatever cost would be additional  
20 in order to make a second line to that house serviceable?

21 A. No, because you're not being consistent. You're picking a  
22 different point out of time. That's inconsistent with what  
23 we've done.

24 Q. Well, then, to be consistent, would I have to tell that  
25 customer he's out of luck because my study says he only gets one

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1 wire?

2 A. No. To be consistent, you would redo your entire TELRIC  
3 study at each given point in time, and it's an iterative  
4 process, and I've told you that's not the easiest way to do it.

5 Q. Okay. So every time we get an order, are we going to come  
6 back up here and have a hearing?

7 A. I think I suggested that's not what I'm suggesting, but you  
8 have to be consistent, you have to do one of two things. You  
9 can't take one way to do it and take the good points of it and  
10 take the bad points of the other one and do both. You have to  
11 be consistent with your methodology.

12 Q. Okay. Well, let's just talk about all the different points  
13 where something might have to be done to make a line  
14 serviceable. We've talked about the drop. Would you also agree  
15 that at some point somebody's got to take the pair that's  
16 attached to that drop and make sure that it's attached to a  
17 feeder line?

18 A. Say that again.

19 Q. At some point, somebody's got to attach the pair in the  
20 distribution network that connects to that home to a live pair  
21 in the feeder network.

22 A. That's true, they do. And what I've suggested the proper  
23 way to do that is when you're placing the network, connect it  
24 through.

25 Q. And if I do that, then every feeder pair should match a

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1 distribution pair?

2 A. Well, again, understanding that there might be some  
3 breakage associated so you may have some that don't connect, but  
4 the vast majority would be connected.

5 Q. Aren't there more distribution pairs than feeder pairs?

6 A. You mean in the real world or --

7 Q. Yeah.

8 A. -- in a properly done TELRIC study?

9 Q. In the real world.

10 A. Sometimes that is the case.

11 Q. And typically doesn't an SAI have 900 pairs coming in and  
12 1,800 local pairs?

13 A. I know that's the way you assumed it in your study, but I  
14 don't know that that's necessarily an industry standard or  
15 anything of that nature. But what your -- The point that you're  
16 making is, again, a point in time point which is they normally  
17 do this but the plant distribution for the ultimate demand of a  
18 given location they realize they can supplement fiber -- or, I'm  
19 sorry, feeder later on so that there is generally in some -- in  
20 some instances distribution pairs of a greater number than there  
21 are feeder pairs.

22 Again, what I have suggested when you do a TELRIC study,  
23 you have to determine the least cost way to provision your  
24 current customer base. If you were to do that, that wouldn't  
25 necessarily be the case.

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- 1 Q. Aren't we supposed to use current technology as well?
- 2 A. Current technology, yes.
- 3 Q. And isn't this how current technology builds service
- 4 area -- serving area interfaces, with two pairs leaving for
- 5 every pair coming in?
- 6 A. That's not what -- That's not dictated by the technology,
- 7 no. That's dictated by the fact that demand over time is an
- 8 issue that they must deal with.
- 9 Q. I'm asking you: Is that how manufacturers sell the
- 10 equipment today?
- 11 A. To accommodate more distribution pairs than feeder pairs?
- 12 Q. Yes.
- 13 A. My understanding is that SAIs are generally a modular
- 14 component that you don't -- you aren't limited to the single
- 15 number of distribution pairs you might have at any given point
- 16 in time. So you build it to whatever you need it.
- 17 Q. Don't they come with cable stubs molded into the box?
- 18 A. That, I don't know.
- 19 Q. Do you think Mr. Meier would know more about how serving
- 20 area interfaces are built than you would?
- 21 A. That's possible, but what we're arguing about here is not
- 22 how a serving area interface is built, we're arguing about the
- 23 proper way in which it's costed in a TELRIC study, and I would
- 24 suggest that -- and I don't know Mr. Meier's background -- but I
- 25 would suggest I'm competent in my experience with doing that

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1 activity.

2 Q. Okay. Just to recap, then, the digital cross-connect  
3 capability you say the Fujitsu FACTR equipment has wouldn't have  
4 any impact at all on copper feeder, would it?

5 A. No, it wouldn't, but my first point would.

6 Q. And it doesn't have any impact on what happens at the SAI?

7 A. No, it wouldn't, but again my first point would.

8 Q. And has no impact on the drop terminal?

9 A. Again, no, it wouldn't, but my first point would.

10 MS. SANDERS: Your Honor, could I have the last answer  
11 reread.

12 (Answer read back as requested.)

13 BY MR. HART:

14 Q. Now, for the cross-connect capability of the digital loop  
15 carrier to be used to establish a loop that's not currently  
16 giving service, would the drop at the customer's house already  
17 have to be attached to a distribution pair which, in turn, is  
18 attached to a feeder pair?

19 A. Yes. Again, the cable would need to be connected through.

20 Q. One brief point about Fujitsu discounts again, if you could  
21 turn to Page 66 of your supplemental testimony. You indicate at  
22 the bottom that you had no indication of labor expense in the  
23 Fujitsu contract other than project engineering's initial  
24 installation and troubleshooting?

25 A. That's correct.

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1 Q. Now, in fact, doesn't the Fujitsu contract talk about  
2 initial installation support?

3 A. Could you point me to that?

4 Q. Well, you've got the contract attached, I believe.

5 A. I do, but it's a long contract, I thought you might have  
6 it.

7 Q. Well, you cite it as Exhibit 9 to your testimony. In fact,  
8 I think you say Page 4 of 6, Appendix 4.

9 A. I'm trying to find Appendix 4, I think that's the original  
10 agreement.

11 Q. I believe it's Amendment 1.

12 A. Yes, I see it now. It's Page 4 of 6.

13 Q. And this is under a heading called "Technical Support"?

14 A. Yes.

15 Q. And it uses the term "technical installation support"?

16 A. Well, it says, "...technical support shall include, but not  
17 be limited to: Project engineering, Order processing and Order  
18 expediting. Technical installation support and troubleshooting  
19 shall be provided to Buyer at no charge for each initial  
20 installation only".

21 Q. And technical installation and troubleshooting support  
22 isn't actual installation labor, is it?

23 A. Well, I don't know exactly what they do mean by "technical  
24 installation support", but I will point out it says "shall be  
25 included, but not limited to".

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1 Q. And isn't it a fact that Cincinnati Bell installs Fujitsu  
2 equipment itself?

3 A. I don't know whether that is true or not. And I don't know  
4 whether that differs with the extent to which it's installed,  
5 when you say Fujitsu equipment, whether you mean entirety of the  
6 FACTR system or whether you're talking about the SONET OC  
7 architecture as well.

8 Q. Does it make a difference?

9 A. Yes, many times it does. Many times the contractor -- or,  
10 the provider will install any central office components,  
11 especially in the SONET architecture, though they may not be  
12 involved in installing remote terminal sites.

13 Q. Do you know whether they do that at Cincinnati Bell?

14 A. The contract isn't specific, I don't know. It does say,  
15 however, that they provide technical installation support,  
16 technical support which shall include but not be limited to  
17 these things.

18 Q. Which could be a phone call, if I have a problem I call and  
19 ask how to fix it, right?

20 A. It could be. I doubt they would put it in this kind of  
21 contract if that were all it meant to entail.

22 Q. Doesn't it go on to say in the next page that if they have  
23 to come on site, it's \$70 an hour plus expenses?

24 A. Well, it says for each initial installation only, and then  
25 it says charges for said support which are not for initial

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1 installations will be charged at \$70 per hour; so I don't think  
2 it's a matter of if they come on site it's \$70 per hour, I think  
3 it's a matter if after they have initially installed it they  
4 have to come on site, it's \$70 per hour.

5 Q. Well, you think Cincinnati Bell would know a little better  
6 than you would as to who actually installs its equipment?

7 A. Well, yes, I think it would. But all I'm suggesting in  
8 this instance is that it's a common industry practice that a lot  
9 of CO entrance -- a lot of CO electronic equipment is installed  
10 by the vendor, and in fact, that's why we normally have an  
11 equipped, furnished and installed cost that is generated out of  
12 a contract as opposed to within the cost study itself.

13 Q. And this contract doesn't provide for equipped, furnished  
14 and installed, does it?

15 A. Well, that's what I'm not sure about because it does  
16 provide for technical support not limited to project  
17 engineering, order processing and order expediting and technical  
18 installation support and troubleshooting.

19 Q. Let me ask you to assume, as hard it may be for you, that  
20 Cincinnati Bell actually installs this equipment. Would  
21 Cincinnati Bell's labor rates be the appropriate place to look?

22 A. Well, again, I guess that would depend on whether they  
23 could do it cheaper than the vendor could do it. You would want  
24 to do the least cost, whichever one that is.

25 Q. Let's go to the last topic in your testimony, which is the

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1 weighting of loops between biz and res.

2 Would you agree with me that the TELRIC methodology calls  
3 for considering the entire population of loops?

4 A. Yes, I think we started this morning talking about the fact  
5 that the proper way to do a TELRIC study is to determine the  
6 total output of a given element, in this case loops, and  
7 determine what the costs associated with those are.

8 Q. So we ought to use the actual population of loops, not some  
9 estimate of loops that would be unbundled?

10 A. We should use the total population of loops. But we have  
11 to understand that if we just use the total population of loops  
12 and estimate a cost for all of those on average, we have  
13 probably overly averaged some underlying cost characteristics.

14 For example, I think we all understand that loops that are  
15 longer generally cost more than loops that are shorter; hence,  
16 it wouldn't be appropriate -- it would hide -- Let me say it  
17 this way: It would mask the underlying cost of a shorter loop  
18 if you averaged it with a longer loop. So many times, and CBT  
19 in this case has done it, has geographically deaveraged, and  
20 they have done it geographically because that's many times the  
21 cost characteristic driving the cost differences, they have  
22 deaveraged that greater average into more finite cost-specific  
23 categories, and I think that's an appropriate -- I think that's  
24 an appropriate activity because it doesn't allow the  
25 overaveraging process to mask the underlying cost in some loop

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1 differences.

2 Q. Well, do you agree that even if we band loops, we should  
3 look at the total population in the band and not assume an  
4 artificial number that would be unbundled?

5 A. I think I could always agree that you shouldn't look at an  
6 artificial number, but if there are cost characteristics that  
7 differ, even within a band, then those cost characteristics  
8 should be recognized as individual cost characteristics of that  
9 loop-type.

10 MR. HART: Your Honor, if I could take a minute, I  
11 think I'm finished.

12 THE EXAMINER: Okay. Sure.

13 (Discussion off the record.)

14 BY MR. HART:

15 Q. One other topic, and maybe my drawing here will help. You  
16 talked about the loop transport combination, that there ought to  
17 be only one FLM 150.

18 A. Yes.

19 Q. Okay. Now, am I correct that this digital loop carrier  
20 remote terminal comes in and terminates on a FLM 150?

21 A. Yes.

22 Q. And this side is fiber, right?

23 A. Yes.

24 Q. And the other side is DS1?

25 A. Yes.

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1 Q. Okay. Now, if I want to take this and put it on transport  
2 to another central office, I take it there's another fiber ring  
3 out here somewhere, right?

4 A. Yes.

5 Q. And this fiber ring has to terminate on a FLM 150, doesn't  
6 it?

7 A. Yes.

8 Q. And so I've got to take this signal off of one digital loop  
9 carrier system and send it on to another one, don't I?

10 A. That's correct .

11 Q. So I do have to involve two FLM 150s, don't I?

12 A. That's correct; but if you look at Mr. Mette's unbundled  
13 loop study in combination with the picture that we drew, the  
14 diagram that determined how we do an interoffice transport  
15 facility, I don't know what exhibit number it is, he assumes in  
16 the -- to get a DS0 loop up to the speed necessary to get it on  
17 this system, that you need a FLM here to get it up to the OC3  
18 and then another FLM to transport between central offices, so  
19 whenever you combine those two with the FLM, it's already  
20 included in the loop, you come up with three, not two.

21 Q. Well, in fact, this might actually go down to a DS0, it  
22 will go, say, through a DCS, come out at a DS0 and go off on to  
23 a ring somewhere, right?

24 A. That's unlikely. Generally, the way this works, and the  
25 way it is drawn in the loop study, is it comes into a FLM 150

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1 and then goes to a DSX1, which is a cross-connect, digital  
2 signal cross-connect. After it gets to that DSX1, DS level, it  
3 can be transferred to anyone in the office, unlikely you would  
4 take it down to DS0 before you took it across some sort of  
5 central office stand, you generally stay at the DS1 level, and  
6 this is the way it is drawn in the interoffice transport feed,  
7 goes into the FLM 150 -- or, the FLM as a DS1, and then comes  
8 out at whatever OC speed or band which we're concerned about, in  
9 either case OC12 or 48 --

10 Q. If we're talking about a DS1 signal coming out of DS0 --  
11 unless other circuits are going to another switch?

12 A. You do that at the digital cross-connect, the DSX which is  
13 already included.

14 Q. And if we're talking about DS0 loop transport, we have got  
15 to at some point provide a DS0 interface.

16 A. Not necessarily. Because we're always --

17 Q. It's not a DS0 interface, is it?

18 A. Well, let me explain. Not necessarily, because we're  
19 talking about the ability to groom a single DS1 out of the  
20 system and we're also talking about an integrated digital loop  
21 carrier system, so there are going to be circumstances wherein  
22 MCI requests 24 DS0s from this remote terminal and puts them on  
23 to a common DS1 and then sends them on either a DS1 or DS0 level  
24 through the interoffice network, and that is one of the  
25 combination possibilities.

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1 Q. And that's the loop transport combination, that pre-DS1  
2 interface?

3 A. Well, it's either because we're actually receiving from the  
4 remote terminal 24 DS0s that just happen to be grouped on to a  
5 DS1.

6 Q. Well, a voice grade interface is not a DS1, is it?

7 A. Well, what I'm suggesting to you is included in the DS0  
8 loop transport combination is equipment associated with the  
9 deport channel bank that would take an analog DS0 and multiplex  
10 it to a digital service 1, a DS1, and what I'm suggesting is  
11 that step isn't necessary in many instances because whenever we  
12 have an integrated remote terminal or integrated digital loop  
13 carrier system we don't have to go down to the DS0 level at all,  
14 we can pull 24 DS0s out of that DSX1, take it to the FLM and we  
15 don't need that multiplexing capability.

16 Q. If you do that, I do not have a voice grade interface, do  
17 I?

18 A. Well, we do, we have a voice grade interface at OCO which  
19 is really the only thing we need.

20 Q. But that's not what the combination is, is it?

21 A. I don't know; that's what I'm saying. This is the proper  
22 way to cost a loop transport combination.

23 Q. Not a voice grade loop transport combination?

24 A. Yes, I think it is.

25 Q. It's a DS1 interface combination?

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1 A. It's a -- The interface we're concerned about is when it  
2 arrives at other central offices, we're able to take it at DS1,  
3 DS0, however we decide --

4 Q. If you order voice grade interface you connect a voice  
5 grade interface, don't you?

6 A. Perhaps you do.

7 Q. And that requires some equipment to convert it into a voice  
8 grade interface?

9 A. The problem is that CBT assumes whether we order a voice  
10 grade interface or a DS1 interface, we always end up with a  
11 voice grade coming in to the FLM 150 here. What I'm suggesting  
12 is we could use the integrated digital loop carrier system  
13 capabilities, which is really all we want to do, we could have  
14 our DS0 interface right here. It's just a separate definition  
15 of where the DS0 is in the system.

16 Q. So you'd like to change the definitions in the agreement,  
17 wouldn't you?

18 A. I have no intention of changing anything in the agreement,  
19 I'm simply here to cost it out in the appropriate manner.

20 MR. HART: That's all I have. Thank you.

21 THE EXAMINER: Mr. Reilly?

22 MR. REILLY: We have nothing, your Honor.

23 THE EXAMINER: Five minutes.

24 (Recess taken.)

25 THE EXAMINER: Back on the record.

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1 Ms. Sanders, any redirect?

2 MS. SANDERS: Just a couple questions, your Honor.

3 Thank you.

4 - - -

5 REDIRECT EXAMINATION

6 BY MS. SANDERS:

7 Q. Mr. Starkey, do you recall Mr. Hart had you read some  
8 sections from the FCC order regarding loop conditioning and load  
9 coil removal value. Do you remember that series of questions?

10 A. Yes, I do.

11 Q. And I believe that you agreed that CBT should recover the  
12 costs of load coil removal, did you not, during that series of  
13 questions?

14 A. Well, I did, sort of. I think you would say I did.

15 Q. And do you believe these costs are being recovered in the  
16 loop studies?

17 A. Well, yes, and I guess that's my point, is that the FCC  
18 order suggests that connecting carriers should be responsible  
19 for paying for the conditioning of the loop, and one of the  
20 instances in which the FCC suggests a loop is conditioned by is  
21 by removing load coils.

22 It's my position that the costs associated with removing  
23 load coil on a forward-looking long-run incremental basis are  
24 already included in the cost studies for the monthly recurring  
25 charges.

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1        You sort of have to think of TELRIC -- TELRIC cuts both  
2 ways. TELRIC is a forward-looking cost analysis such that you  
3 look at all of the costs associated with provisioning a given  
4 loop in a point in time. You have to distinguish between TELRIC  
5 costs, which are long-run costs, and short-run marginal costs  
6 which look at a particular loop and see what it would cost to  
7 provision this loop as an unbundled network element.

8        If you pick that loop as an unbundled network element, that  
9 loop may have been in the ground for 40 years, it may have no  
10 capital recovery left, it may have no -- it may have no  
11 short-run marginal cost associated with providing it, but  
12 regardless of that fact, we're still charging the monthly  
13 recurring TELRIC rate associated with putting a brand-spanking  
14 new loop out there.

15        So load coils aren't a forward-looking technology. I think  
16 both us and CBT agree with that because they haven't included  
17 them in their studies, but to suggest that you must do TELRIC to  
18 determine the cost of a given loop and then look at a very  
19 specific loop and do a short-run marginal cost to determine the  
20 cost associated with removing a load coil, I think you're mixing  
21 and matching the different methodologies to get to a certain  
22 result which is CBT wants to recover the cost of sending one out  
23 to recover a load coil.

24        That's -- That's inconsistent. We don't ask for, on a loop  
25 that we buy that's 50 years old, we don't have to get it for a

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1 buck because that's all the capital recovery that's left in it,  
2 we pay the TELRIC rate. You either must do TELRIC or do  
3 short-run marginal costs, doing a combination of both costs out  
4 a forward-looking network, and then charges you for what you get  
5 for the short-run marginal network, and that's inconsistent.

6 Q. Okay. Just one other thing along these lines. Given that  
7 MCI's position is that the loop study already takes into account  
8 the costs of load coil removal as you just explained, Mr. Hart  
9 did direct your attention to Page 57 of your direct testimony  
10 where you listed certain steps which CBT said that it would have  
11 to take to remove load coils. Do you recall that?

12 A. I do.

13 Q. What is your recommendation as to the specific steps that  
14 CBT put forth as to their -- what would need to be done to  
15 remove load coils?

16 A. Well, I think the way I would say that is my recommendation  
17 is that CBT should not be allowed to charge a specific  
18 nonrecurring rate for removing from its loops things that aren't  
19 included in the long-run incremental cost study, which would be  
20 load coils, because of my discussion I just mentioned earlier.

21 So there shouldn't be a rate associated with load coil  
22 removal; however, if someone were to disagree with me on that, I  
23 would lump these same -- these charges in with all nonrecurring  
24 charges which I've assumed a 50 percent reduction in, because  
25 again, a time and motion study is the proper way to determine

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1 these sort of labor-specific costs and one hasn't been done, so  
2 it's meeting the same arguments of all the other nonrecurring  
3 charge studies that I've recommended a 50 percent reduction.

4 MS. SANDERS: That's all I have.

5 THE EXAMINER: Mr. Hart.

6 MR. HART: Just a couple questions.

7 - - -

8 RECROSS-EXAMINATION

9 BY MR. HART:

10 Q. Mr. Starkey, in Paragraph 382, the FCC said, "If a  
11 competitor wants a loop conditioned to carry digital signals,  
12 that the incumbent LEC had to do that", right?

13 A. Yes.

14 Q. And it also used the word "compensate", didn't it?

15 A. Yes, it did.

16 Q. And they didn't stop in the TELRIC order, they actually, in  
17 the 706 order you mentioned earlier, said another two times that  
18 the new carrier bears the cost of compensating the incumbent for  
19 doing that conditioning, right?

20 A. And I agree with them, we do bear that cost.

21 Q. And if the FCC intended for that cost to be zero, as you  
22 say it is, why would they bother to go through all that  
23 machinations to say you would recover the cost?

24 A. First of all, I would disagree I've said the cost is zero.  
25 What I said is the cost is included in the monthly recurring

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1 rates associated with the TELRIC-based rate. So I'm not  
2 quibbling with the FCC, I'm agreeing that CBT should be  
3 compensated, and I'm suggesting the way in which they are  
4 compensated is through the monthly recurring rate.

5 Q. So if MCI orders an unbundled loop voice grade and MCI  
6 orders an unbundled loop conditioned to carry ADSL, your view is  
7 those should be exactly the same costs?

8 A. Yes, because CBT has costed both of those type of loops  
9 exactly the same way in its study.

10 Q. So the cost of actually doing the conditioning is zero over  
11 and above the cost of the loop, itself?

12 A. Well, generally that is true. I mean, we're talking --  
13 Conditioning is a broad term that's used for many different  
14 things in the network. It can constitute something as simple as  
15 unloading the pair, it can deal with, oh, say, a digital data  
16 circuit, it can deal with fine tuning the electronics at both  
17 the customer prem and the central office.

18 What I'm suggesting is CBT provisioned a loop in its TELRIC  
19 study, at -- and I hope I'm right here -- 24-gauge nonloaded  
20 cable such that if you got a loop that you paid for in the  
21 TELRIC study, you would never have to unload it because it  
22 didn't have load coils. We're already paying for that loop at a  
23 rate for a nonloaded loop, but you're asking us through this  
24 nonrecurring charge to not only pay for the nonloaded loop but  
25 then to buy a loop that is loaded and pay again for a loop that

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1 is unloaded. That's what I'm suggesting is inappropriate.

2 Q. So I guess the Commission will have to decide what the FCC  
3 meant.

4 MR. HART: That's all I have.

5 THE EXAMINER: Mr. Reilly, do you have anything?

6 MR. REILLY: No, your Honor.

7 THE EXAMINER: Thank you, Mr. Starkey, you're excused.  
8 (Witness was excused.)

9 THE EXAMINER: Any objection to the admission of MCI  
10 Exhibits 20, 20A, 21 and 21A other than the motion to strike  
11 certain parts made earlier by Mr. Hart?

12 MR. HART: Your Honor, I would, I guess, add to my  
13 motion to strike two other features.

14 On the issue of DA listings, there is an inclusion in  
15 the testimony of this cost study done by Southwest Bell and  
16 there's some text that accompanies that on Pages 22 through 24.

17 I don't believe there's been any foundation  
18 established that that cost study has any application to  
19 Cincinnati Bell, and should be stricken.

20 And likewise, there is a footnote on Page 21 -- I'm  
21 sorry, it's Page 51, it's Footnote 21, in the supplemental  
22 testimony which makes reference to some sort of a dispute MCI is  
23 apparently having with Ameritech about special construction  
24 charges that are irrelevant to this case.

25 THE EXAMINER: Okay. I will deny the motions to

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1 strike and your objections to the testimony are noted on the  
2 record.

3 MR. HART: Thank you.

4 THE EXAMINER: Okay. I will admit MCI Exhibits 20,  
5 20A, 21 and 21A.

6 . - - -

7 Thereupon, MCI Exhibits Nos. 20, 20A, 21 and 21A  
8 were received into evidence.

9 - - -

10 THE EXAMINER: And I believe that's all we have for  
11 today. So let's go off the record.

12 - - -

13 (Thereupon, the hearing was adjourned at  
14 3:00 o'clock p.m. on Wednesday, March 17, 1999,  
15 to be reconvened at 10:00 o'clock a.m.  
16 on Thursday, March 18, 1999.)

17 - - -

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I N D E X

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5	Cross-examination by Mr. Hart	VIII-9
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6	Redirect examination by Ms. Sanders	VIII-171
	Recross-examination by Mr. Hart	VIII-174

7 - - -

8	EXHIBITS	MARKED	RECEIVED
9	MCI Exhibit No. 20 -	VIII-5	VIII-177
10	Direct Testimony of Michael Starkey		
	*** CONFIDENTIAL ***		
11	MCI Exhibit No. 20A -	VIII-5	<i>withhandwritten</i> <del>VIII-177</del>
12	Direct Testimony of Michael Starkey		<i>Volume XIII</i>
	Public Version		
13	MCI Exhibit No. 21 -	VIII-5	VIII-177
14	Supplemental Testimony of Michael Starkey		
	*** CONFIDENTIAL ***		
15	MCI Exhibit No. 21A -	VIII-5	VIII-177
16	Supplemental Testimony of Michael Starkey		
	Public Version		

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