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January 9, 1999

**VIA OVERNIGHT DELIVERY**

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

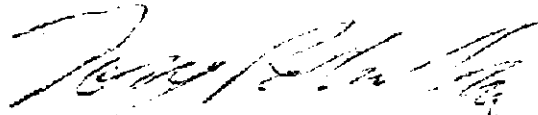
Re: *In the Matter of the Application of Cincinnati Bell Telephone Company for Approval of a Retail Pricing Plan Which May Result in Future Rate Increases, Case No. 96-899-TP-ALT*

Dear Ms. Crockron:

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

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

Respectfully submitted,



Antony Richard Petrilla

Counsel for CoreComm Newco, Inc.

Enclosures

cc: Attached Service List  
Christopher Holt, Esq.

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Technician Jean Schupler Date Processed 1-12-99

**ORIGINAL**

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

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

**SUPPLEMENTAL TESTIMONY OF**

**PETER J. GOSE**

**ON BEHALF OF**

**CORECOMM NEWCO, INC.**

**January 11, 1999**

**[REDACTED PUBLIC VERSION]**

**BEFORE THE  
PUBLIC UTILITIES COMMISSION OF OHIO**

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

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

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

2  
3     **A.     My name is Peter Gose and my business address is 15938 Ledge Rock Drive, Parker,**  
4           **Colorado, 80134.**

5     **Q.     Have you filed testimony in this proceeding previously?**

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

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

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

14    **Q.     How did you revise CBT's ACFs?**

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

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

6	Land	REDACTED
7	Building	REDACTED
8	Building Entrance Cable	REDACTED
9	Intrabuilding Cable	REDACTED
10	Aerial Cable - Copper	REDACTED
11	Buried Cable - Copper	REDACTED
12	Underground Cable - Copper	REDACTED
13	Equipment - P Gain Term	REDACTED
14	CO Equipment - P Gain Chan	REDACTED
15	CO Equipment - FO Mux Term	REDACTED
16	CO Equipment - FO Mux Chan	REDACTED
17	CO Equipment - Digital SW	REDACTED
18	Aerial Cable - Fiber	REDACTED
19	Buried Cable - Fiber	REDACTED
20	Underground Cable - Fiber	REDACTED
21	Connectors	REDACTED
22	Misc. Equip. Comm. & Power	REDACTED
23	Pole Line	REDACTED
24	Conduit	REDACTED

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

4 A. CBT's rates for 2-wire loops in Bands 1, 2, and 3 would be REDACTED, REDACTED,  
5 and REDACTED, respectively.

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

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

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

14 A. No. The revised ACFs continue to overstate CBT's forward-looking costs because they  
15 continue to incorporate various embedded costs (e.g. maintenance costs), lack  
16 adjustments for forward-looking productivity, and improperly include operations support  
17 systems costs.<sup>11</sup> See Gose Direct, at 24-27 (describing the flaws in CBT's proposed  
18 ACFs). I could not correct these flaws in CBT's ACFs without performing substantial

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<sup>11</sup> CBT has stated that it included operations support systems costs in its proposed ACFs. See Additional Supplemental Direct Testimony of Mette, at 7. In analyzing the ECONCOST model, I could not determine where or in what manner CBT had included such costs. That model gives no indication whatsoever that it contains operations support systems costs. The Commission should reject CBT's proposed ACFs because, among other reasons, CBT has failed to document the degree to which they contain operations support systems costs.

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

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

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

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

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

6     **Q.     Does this conclude your supplemental testimony?**

7     **A.     Yes, it does.**