Exhibit No. _____(RT-1T)
Docket No. UT-003013

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF THE CONTINUED COSTING AND PRICING PROCEEDING FOR INTERCONNECTION, UNBUNDLED ELEMENTS, TRANSPORT AND TERMINATION, AND RESALE	)))))	**DOCKET NO. UT- 003013**

DIRECT TESTIMONY OF

ROBERT TANIMURA
MANAGER – STATE ADVOCACY SUPPORT

ON BEHALF OF

GTE NORTHWEST, INC.

SUBJECT: PRICING POLICY

MAY 19, 2000

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I. WITNESS IDENTIFICATION AND BACKGROUND

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Robert Tanimura. My business address is One GTE Place, Thousand Oaks, California, 91362.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by GTE Service Corporation as Manager – State Advocacy Support.

Q. WHAT ARE THE RESPONSIBILITIES OF YOUR CURRENT POSITION?

A. I am responsible for the development of regulatory policy advocacy before regulators and legislatures on behalf of GTE strategic business units in the western part of the United States.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. I graduated from the University of Hawaii in 1977 with a Bachelor of Arts in economics. In 1978, I received a Masters of Arts in economics from the University of California at San Diego. I received a Ph.D. in economics from the University of Hawaii in 1982.

I joined GTE in Hawaii in 1979, as Senior Business Research Analyst, and was promoted to Rates and Tariffs Manager in 1986. From 1989 through 1998, I worked on rate design projects as Staff Manager and also Section Manager in GTE's Pricing department. I assumed my current position with GTE Service Corporation in 1998.

Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE ANY OTHER REGULATORY COMMISSIONS?

A. Yes, I have testified on numerous rate issues on behalf of GTE in California, Hawaii, and North Carolina.

II. PURPOSE AND ORGANIZATION OF DIRECT TESTIMONY

Q. WHAT IS THE PURPOSE OF THIS PROCEEDING?

A. The purpose of this proceeding is to establish costs and rates for GTE's operations support systems (OSS), collocation offerings, and line sharing.

GTE has filed testimony and supporting cost studies on all these issues, and GTE's filing is summarized here:

OSS: Ms. Linda Casey, Mr. Jerome Holland, and Ms. Terri Maria offer testimony on costs associated with OSS. The Commission has identified two types of OSS costs: (1) "the cost of converting the operational support systems so that the ILECs' back-

office operations are accessible to the CLECs" (transitional costs); and (2) the "transaction-specific costs ... an ILEC incurs ... each time a CLEC places an order" (transaction-specific costs). 17th Supplemental Order Paragraph 89. Ms. Casey, Mr. Holland and Ms. Maria all offer testimony on transitional costs, and Ms. Casey offers testimony on transaction-specific costs.

Collocation: Mr. Larry Richter and Mr. James Callanan jointly sponsor and explain GTE's collocation cost study, which reflects the costs that GTE will incur to provide collocation on a forward-looking basis. Specifically, Mr. Richter sponsors the cost inputs in the collocation cost study and explains any related technical issues. Mr. Callanan explains the methodology of the collocation cost study, and how it complies with TELRIC principles and relevant FCC orders. In response to a request of the Commission, Mr. John Ries offers testimony regarding the "scope of third party provisioning of collocation in light of the FCC's finding that cageless collocation must be provided by ILECs." GTE does not propose to litigate all of its collocation terms and conditions in this proceeding, as the Commission is currently considering those terms and conditions in GTE's collocation tariff filing.

Line Sharing: Mr. John Boshier, Mr. Steven L. Schroeder, Mr. David Behrle and Ms. Linda Casey offer testimony on line sharing. Mr. Boshier describes the terms and conditions by which GTE will offer line sharing. Mr. Schroeder addresses two technical issues related to line sharing: (1) the availability to competitive local

exchange carriers (CLECs) of GTE's network planning information; and (2) loop conditioning. Mr. Behrle and Ms. Casey discuss the line sharing costs incurred by GTE.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. I set forth GTE's proposed rates for OSS enhancements, collocation, and line sharing based on the costs provided by the other GTE witnesses, and I explain the pricing methodology used to develop these prices. I demonstrate that GTE's pricing methodology is reasonable and consistent with the regulatory requirements mandated by this Commission, as well as the FCC.

All of GTE's proposed rates are set forth in Exhibit RT-2, which is attached to my testimony. These proposed prices are either in the form of non-recurring charges or monthly recurring charges. Our cost studies and cost testimony refer to "non-recurring costs" and "monthly recurring costs," but these terms reflect the manner in which GTE intends to recover these costs, not the manner in which they were incurred. For example, the costs of environmental conditioning are incurred only once, but they are classified as a monthly recurring cost in our cost study because GTE proposes to recover these costs over time through a monthly recurring charge.

Q. HOW IS THE REMAINDER OF YOUR DIRECT TESTIMONY ORGANIZED?

A. In Section III, I discuss GTE's proposal for recovering the costs that have been incurred to enhance its OSS to make them accessible to CLECs. In Section IV, I present and explain GTE's collocation pricing proposal. In Section V, I discuss GTE's line sharing pricing proposal for the three different configurations GTE will offer. Finally, in Section VI, I provide a brief summary of GTE's pricing proposals.

III. OSS PRICING

Q. PLEASE DESCRIBE THE ISSUES ASSOCIATED WITH OSS PRICING.

A. The Commission intends in this proceeding to establish rates for operations support systems that would recover the costs incurred by GTE to give CLECs access to these systems. As discussed in the direct testimony of Mr. Jerome Holland on the transitional OSS costs incurred by GTE, there have been numerous system enhancement projects that GTE has had to undertake to give CLECs the same access that GTE has to systems used in providing service to its customers. The transaction-specific OSS costs identified by Ms.Casey, which are incurred whenever a CLEC accesses the OSS, include costs associated with data processing and system maintenance.

The pricing issues relevant to the recovery of these OSS costs include: 1) determining the type of rate element that should be applied, 2) the appropriate costs and forecasted units to be used in rate development, and 3) what to do if the number of orders differs from the forecasted units used to set price recovery. These pricing issues will be discussed below.

Q. HAS THE COMMISSION ESTABLISHED ANY GUIDELINES FOR THE PROPER RECOVERY OF OSS COSTS IN ITS PREVIOUS ORDERS?

A. Yes, it has. In the Commission's 17th Supplemental Order in Phase II of Docket No. UT-960369 et al. (or 17th Supplemental Order), the Commission ruled that ILECs such as GTE should be compensated for reasonable costs incurred in order to comply with the requirements of the Telecommunications Act of 1996 to open its network. In particular, the Commission recognized that "[t]he Act provides that when a CLEC orders a UNE, it must pay a fair and just price, which will compensate the ILEC for its reasonable costs." (17th Supplemental Order, paragraph 100). The Commission further concluded that this "cost-causer" principle applies equally to transitional costs and transaction-specific costs and that the pricing issue was the appropriate quantification of the costs to be recovered. The Commission summarized its position on this issue with the following statement, "Having found that ILECs are entitled to recover the cost of OSS from CLECs, it remains for the Commission to determine what those costs may reasonably be assumed to be and what the ILECs may reasonably expect to recover." (17th Supplemental Order, paragraph 102). Based on

this guidance, I will discuss below the appropriate OSS costs to be used and the pricing to achieve the proper recovery of these costs from the CLEC.

Q. GIVEN THE BASIC PRINCIPLE DISCUSSED ABOVE, WHAT PRICE STRUCTURE SHOULD BE USED TO RECOVER OSS COSTS?

A. Given that OSS costs should be recovered from CLECs (who are the parties with the demand for services being offered by the newly enhanced OSS), the most efficient pricing structure is one based on access to and use of those systems. Thus, it would be appropriate to establish an OSS charge based on the forecasted number of local service requests (LSRs) accepted by the ILEC to provision services to CLECs. It is a relatively straightforward and simple matter to take the total OSS costs and divide this by the forecasted LSRs to be generated by CLECs to arrive at the appropriate charge. While other measures of demand are possible, this simple calculation provides a reasonable estimate of the rate that would have to be charged in order for GTE to recover its OSS costs.

Q. WHAT ARE THE APPROPRIATE COSTS TO BE USED IN THE DEVELOPMENT OF THIS NEW PER-LSR RATE?

A. As discussed in Ms. Casey's direct testimony, GTE has incurred a total of $57.1 million in OSS transitional costs during the years 1996-1999 (Exhibit LC-1C, p. __). In addition, she shows that GTE has incurred $13.1 million in OSS transactions-

specific costs in 1999 (Exhibit LC-1C, p. __). Ms. Casey further demonstrates that these costs are not recovered in GTE"s wholesale recurring or non-recurring charges.

It should be noted that OSS enhancement costs are not a function of any specific CLEC activity in Washington, or any other state in which GTE operates. Rather, it is a function of the overall system requirements and level of demand faced by GTE across the United States. This total also does not reflect the additional costs that will be incurred from 2000 and beyond, as GTE further modifies its systems to comply with regulatory mandates.

Q. ARE THESE OSS COSTS BEING RECOVERED IN GTENW'S RETAIL RATES?

A. No, they are not. These OSS costs did not exist until after the Telecommunications Act of 1996, while GTENW's last rate case was in 1985 (UT-85-33). Therefore, GTENW's retail rates were based on a revenue requirement that could not have included these OSS costs.

Q. PLEASE DISCUSS GTE'S FORECAST OF CLEC DEMAND TO BE USED IN THE DEVELOPMENT OF THE OSS CHARGE.

A. GTE's forecast of CLEC local service requests across the United States during the 2001-2005 period is approximately 3.5 million per year. This demand estimate is subject to a fair amount of uncertainty. Both in Washington and across the United

States, GTE operates in a variety of geographic areas ranging from relatively densely populated urban areas to very rural market areas. For the most part, GTE's telephone operations -- as compared to a typical Bell Operating Company -- are more oriented toward serving single line residential and single line business customers in the less urbanized areas of the United States. However, most CLECs have targeted the larger volume business customers such as those operating in GTE's more urban areas, where the costs of service are lower and the expected contribution levels are higher, rather than the less urbanized areas served by GTE. This gives rise to a substantial degree of uncertainty as to how great the realized demand for UNEs and resale services will be in the areas served by GTE.

Q. GIVEN THE COSTS AND DEMAND UNITS DISCUSSED ABOVE, WHAT CHARGE IS GTE PROPOSING FOR THE RECOVERY OF OSS COSTS.

A. GTE proposes to charge an additional $4.04 per CLEC local service request for recovery of OSS costs. The calculation of this charge is straightforward and is summarized as follows:

Table 1

OSS Cost Recovery Charge

1 Total Recoverable OSS Costs	$70.2 million
2 Average Annual LSRs (2001-2005)	3.475 million
3 Recovery Period (2001-2005)	5 years
4 Total LSRs (2001 –2005) (Line 2 x Line 3)	17.375 million
5 OSS Cost Recovered per LSR (Line 1 / Line 4)	$4.04

As shown above, the rate is designed to recover the $70.2 million in OSS costs incurred in 1996-1999 over the 17.375 million CLEC local service requests expected over the 2001-2005 time period.

Q. WHAT IF THE TOTAL NUMBER OF LSRS FOR THE FIVE-YEAR RECOVERY PERIOD DIFFERS FROM THE DEMAND FORECAST?

A. Given the inherent uncertainty in demand forecasts and to ensure that GTE recovers all of these costs, GTE proposes that the per-LSR charge remain in place until 17.375 million orders have processed. Thus, the per-LSR charge could be applied beyond the five-year recovery period if demand forecasts are overstated.

Q. DOES GTE PROPOSE TO RECOVER FUTURE OSS COSTS IN THIS PROCEEDING?

A. No. GTE expects to incur additional enhancement costs in the coming years as GTE further modifies its systems to comply with regulatory mandates. These costs are not within the scope of this proceeding, but will need to be collected in the future.

IV. COLLOCATION PRICING

Q. WHAT TYPES OF COLLOCATION DOES GTE PROPOSE RATES FOR?

A. As discussed by Mr. Callanan in his direct testimony, there are six types of collocation identified by GTE: Single Cage, Shared Cage, Subleased Cage, Cageless,

Virtual, and Adjacent. Virtual collocation will be provided by GTE on an individual case basis. As such, cost support and proposed prices are presented below only for the other five types of collocation.

Q. DID GTE PROVIDE COST SUPPORT FOR ITS PROPOSED COLLOCATION PRICING?

A. Yes. GTE witnesses Larry Richter and James Callanan jointly sponsor the cost support underlying GTE's collocation prices. Mr. Richter reviews the cost study inputs and the technical aspects of provisioning collocation service, while Mr. Callanan provides an overview of the cost study and the methodology used. The cost support jointly sponsored by these witnesses is summarized in Exhibit LR-2C to Mr. Richter's direct testimony.

Q. PLEASE DESCRIBE GTE'S PROPOSED COLLOCATION RATE STRUCTURE.

A. GTE's proposed collocation rate structure is comprised of several non-recurring charges (NRCs) and monthly recurring charges (MRCs). GTE's proposed collocation rates are summarized in Exhibit RT-2C.

Consistent with GTE's overall pricing policy, costs recovered through monthly recurring charges are marked-up by 24.75% for common costs, consistent with the

Commission's 17th Supplemental Order (see 17th Supplemental Order, paragraph 208), while non-recurring charges are not.

Q. HOW IS GTE PROPOSING TO RECOVER LARGE START-UP COSTS SUCH AS BUILDING MODIFICATIONS AND ENVIRONMENTAL CONDITIONING?

A. GTE has modified its pricing structure for these elements to reduce the up-front charges assessed to CLECs. Rather than assessing the entire start-up cost for building modifications and environmental conditioning to the first entrant, GTE uses fill factors to spread the cost among all of the expected entrants. GTE's pricing policy on this matter agrees with the Commission's tentative conclusion in Phase II that GTE and US WEST may not recover the entire start-up costs for collocation from the first entrant requesting collocation (see 17th Supplemental Order, paragraph 284), as well as the FCC's ruling in Order No. 99-048 (see First Report and Order and Further Notice of Proposed Rulemaking In the Matters of Deployment of Wireless Services Offering Advanced Telecommunications Capability, FCC 99-048; CC Docket No. 98-147, released March 31, 1999, paragraph 51). This pricing policy is also germane to GTE's arbitration with American Telephone Technology, Inc. (Docket No. UT-990390), in which the Commission ordered the issue of the proper allocation of space-conditioning costs among collocating carriers to be addressed in Docket No. UT-003013, or a related proceeding (see Commission Order in Docket No. UT-990390, paragraph 109).

In addition to allocating these large start-up costs among all collocators, GTE has decided that certain building modifications and environmental conditioning costs should be recovered on a monthly recurring basis. This has the effect of further reducing the up-front charges to potential entrants requesting collocation. As part of this proposal, GTE will refund any NRCs previously paid by collocators for building modifications and environmental conditioning (previously called the "Site Preparation Charge") and revise the charge using the appropriate MRCs.

Q. PLEASE DESCRIBE HOW GTE DEVELOPED ITS PROPOSED COLLOCATION PRICES.

A. GTE developed its proposed collocation prices from the costs developed in Messrs. Richter and Callanan's direct testimonies in several steps. In the first step, GTE maps each cost element with a relevant rate element. Generally, rate elements combine one or more cost elements in a logical manner in order to limit the number of rate elements and to ease administration. The total cost for each rate element is, therefore, equal to the sum of various cost elements. For example, the Overhead Superstructure charge is comprised of multiple cost elements, including cable racking (dedicated) – engineering, which in turn is comprised of engineering costs and travel time. Combining multiple cost elements into a smaller number of rate elements greatly simplifies the rate structure for the customer and is much easier to administer.

In the second step of the rate development process, the number of units and their frequency (or the percentage of the time that the cost element units will be required) are developed and applied to the costs to reflect the average usage for selected rate elements. For example, GTE estimates that for the Cage Fencing (101-200 square feet of floor space) rate element, roughly 444 square feet of fencing will be required. Also, the frequency for this element is equal to one since fencing is always required for this rate element. The fencing unit cost (per square foot) is then multiplied by 444 units and by the frequency to derive the total fencing costs. The units and frequencies used in the pricing development are shown in Exhibit RT-2C.

In the third step, a fill factor was developed and applied to the costs to reflect the average number of collocators expected to share certain building modification rate elements. As discussed above, GTE proposes to spread these costs among all of the expected entrants rather than to the first entrant. The fill factor was based on the average number of collocators in those GTE central offices that had collocators in them. As of December 31, 1999, there was an average of four collocators per GTE central office across the United States. This is a reasonable indication of how many collocators are likely to share building modification and environmental conditioning costs on a going-forward basis (there was an average of three collocators in GTE's Washington central offices, as of December 31, 1999).

As shown in Exhibit RT-2C, four collocators were used to spread the cost for the Storage Security, Demolition and Site Work, and Floor Grounding Bar cost elements in the development of the Building Modification rate and for the Premise Space Report. Also, for the Security Access – Card Reader & Controller cost element, GTE included itself as a user and, thus, spread the cost of this element across five users rather than four.

Finally, the proposed non-recurring charges are developed based directly on the cost per unit. The proposed monthly recurring rates are developed by marking-up the costs by 24.75% as a reasonable contribution for the recovery of common costs. This is a straightforward application of the TELRIC methodology with appropriate mark-ups for common costs that have already been established for the pricing of other UNE elements such as loop, ports, and switching in Phase II of this proceeding (see 17th Supplemental Order, paragraphs 204 to 209). All of these calculations are shown in Exhibit RT-2C.

V. LINE SHARING PRICING

Q. WHAT TYPES OF LINE SHARING DOES GTE PROPOSE?

A. As explained by GTE witness John Boshier, GTE is offering CLECs the ability to share the same loop used by the ILEC using three different configurations. In the first configuration, the CLEC owns the splitter and places it in a virtual collocation

arrangement. This is GTE's preferred network configuration. In the second configuration, the CLEC provides the splitter in its physical collocation area. In the third configuration, GTE will own, and install in a bay, a splitter and then provide the cabling and terminations necessary to hand off the high frequency portion of the loop to a collocating CLEC. The third configuration will be offered between June 6, 2000 and August 31, 2000 and is meant only to facilitate the initial offering of line sharing. CLECs are expected to place splitters in GTE offices between June 6 and August 31 using one of the first two options. Mr. Boshier discusses these three configurations (and GTE's policies regarding them) in more detail in his direct testimony and provides diagrams of each.

It must be noted that collocation (physical or virtual) is a prerequisite to line sharing. That is, the CLECs must place their own digital subscriber line access multiplexer (DSLAM) equipment and splitters (in the first two configurations) in GTE's central office. In addition, the CLECs must have tie cable that run from their collocation area to GTE's main distribution frame (MDF). The applicable rates and charges for satisfying the collocation prerequisite are discussed in Section IV above and are separate from the line sharing rates and charges proposed herein.

Q. DID GTE PROVIDE COST SUPPORT FOR ITS PROPOSED LINE SHARING PRICING?

A. Yes. The cost support underlying GTE's line sharing prices was provided by GTE witnesses David Behrle and Linda Casey.

Q. DOES GTE PROPOSE TO ALLOCATE ANY PORTION OF THE LOCAL LOOP INTO ITS LINE SHARING PRICES?

A. No, it does not. GTE has developed prices for line sharing in accord with the FCC's current pricing rules, and in doing so, GTE does not include any loop costs. GTE, however, disagrees with the FCC's pricing rules for UNEs, e.g., they do not permit recovery of opportunity costs, and the substantive validity of these rules is being reviewed by the Eighth Circuit Court of Appeals. The FCC's pricing rules, and GTE's pricing proposals, may change as a result of the Eighth Circuit's upcoming ruling.

A. FIRST CONFIGURATION (CLEC-OWNED SPLITTER IN A VIRTUAL COLLOCATION ARRANGEMENT)

Q. PLEASE DISCUSS THE PRICING ASPECTS OF THE FIRST CONFIGURATION.

A. In GTE's preferred network configuration, the CLEC would own the splitter and lease it to GTE for $1. It will then place the splitter in a virtual collocation arrangement and GTE will install, operate and maintain the equipment on behalf of

the CLEC. As discussed in Section IV, the terms and conditions for virtual collocation are available today by GTE on an individual case basis. The rates for this configuration are currently under development and may include recurring and non-recucrring charges.

B. SECOND CONFIGURATION (CLEC-OWNED SPLITTER IN CLEC PHYSICAL COLLOCATION AREA)

Q. HOW WERE THE PRICES FOR THE SECOND LINE SHARING CONFIGURATION DERIVED?

A. In this second configuration, the CLEC provides the splitter in its physical collocation area. Under this arrangement, GTE does not incur the cost of a splitter, relay rack or cabling. Consequently, the only costs incurred by GTE under this configuration (besides physical collocation costs) are the costs associated with service ordering and cross-connect activities.

Q. PLEASE SUMMARIZE THE COSTS UNDERLYING THE SECOND CONFIGURATION.

A. The cost support associated with the various service ordering and cross-connect activities is provided by Ms. Casey in Exhibit LC-2C. In addition, we include for the recovery of OSS enhancement costs, $4.04 per service order, as discussed in Section III.

Q. HOW WERE THE PRICES FOR SERVICE ORDERING AND CROSS-CONNECT ACTIVITIES DETERMINED?

A. The non-recurring charges for service ordering and cross-connect activities are based on the cost studies for these activities developed by Ms. Casey, as well as the OSS costs discussed above. Consistent with GTE's pricing of other non-recurring charges, these rates are based on the cost of activities with no additional mark-up applied for common costs. GTE proposes to establish separate rates for initial and subsequent service orders and for initial and additional provisioning units since there are often significant cost differences between them. Also, GTE proposes to establish separate rates for manual and semi-mechanized ordering and for disconnection activities, which is in conformance with the Commission's order in Phase II (see 17th Supplemental Order, paragraphs 453 and 471). GTE's proposed service order, provisioning (i.e., cross-connect), and disconnect charges are developed in Exhibit RT-3C and are as follows:

Table 2

Line Sharing (CLEC-Owned Splitter) – Non-Recurring Charges

Service Type	Ordering		Provisioning	
	Manual	Semi-Mechanized	Initial Unit	Additional Unit
CLEC Splitter Connection - Initial	$26.23	$19.48	$28.38	$28.38
CLEC Splitter Connection – Subsequent	$17.18	$13.77	$14.84	$7.73
CLEC Splitter - Disconnect	$9.90	$6.98	$24.88	$24.88

In addition to these charges, the CLEC must be physically collocated and have tie cables that run from their collocation area to the MDF. The applicable rates and charges for collocation are discussed in Section IV above.

C. THIRD CONFIGURATION (GTE-OWNED, BAY MOUNTED SPLITTER)

Q. WHAT PRICES DOES GTE PROPOSE IN ORDER TO RECOVER THE COST OF LINE SHARING USING THE THIRD CONFIGURATION?

A. GTE offers a combination of monthly recurring and non-recurring charges for this configuration. A proposed monthly recurring charge of $3.88 will cover the cost to GTE of providing the splitter, relay rack, and cabling required to pass the high frequency portion of the loop to the CLEC's termination on the MDF. The non-recurring charges, as developed in Exhibit RT-3C and shown in Table 4 below, reflect the cost of the service order and cross-connect activities required to initiate the line sharing arrangement.

Q. PLEASE SUMMARIZE THE COSTS UNDERLYING THE THIRD CONFIGURATION.

A. The cost support for the monthly recurring rate element is provided by Mr. Behrle (Exhibit DLB-2C) and the cost support for the non-recurring elements is provided by Ms. Casey (Exhibit LC-2C). The monthly recurring elements are associated with the

cost of providing the bay mounted splitter. As discussed by Mr. Behrle this includes the following cost elements:

- Splitter Bay (including Splitter Relay Rack) Cost
- ADSL Signal Cable Cost
- Loop Termination Cable Cost
- POTS Return Cable Cost
- Splitter Termination Cost

These elements correspond to the incremental facilities required for line sharing in Exhibit JJB-6 in Mr. Boshier's direct testimony.

Similar to the second configuration, there are costs associated with processing line sharing service orders and for installing the jumpers. As shown by Ms. Casey, these costs are also split out between manual and semi-mechanized service orders, initial and additional service orders, and initial and additional provisioning units. In addition, there are separate costs for disconnects.

Finally, service order charges must recognize that significant OSS enhancement costs have been incurred to allow CLEC LSRs to be processed. As discussed above, GTE proposes to charge $4.04 per LSR for OSS enhancements.

Q. HOW WAS THE PRICE FOR THE MONTHLY RECURRING ELEMENT DETERMINED?

A. The monthly recurring charge for the bay mounted splitter service was derived by combining the monthly recurring elements shown above and applying a mark-up of 24.75% to allow for recovery of a reasonable share of GTE's common costs, as follows:

Table 3

Line Sharing (GTE-Owned Splitter) – Monthly Recurring Charge

Monthly Incremental Cost per Line (Exhibit DLB-2C)	$3.11
Mark-up	24.75%
Monthly Recurring Charge	$3.88

This pricing methodology is a standard application of a mark-up to the TELRIC and is consistent with the Commission's ruling in its 17th Supplemental Order in Phase II (see 17th Supplemental Order, paragraphs 204 to 209).

Q. HOW WERE THE PRICES FOR SERVICE ORDER AND CROSS-CONNECT ACTIVITIES DETERMINED?

A. The non-recurring charges for these activities were determined in the same manner as the service order and provisioning charges in the second configuration described above. These non-recurring charges are based directly on the costs for these activities as developed by Ms. Casey in Exhibit LC-2C, as well as the charges for OSS enhancements ($4.04 per LSR) discussed above. GTE's proposed service order,

provisioning, and disconnect charges are developed in Exhibit RT-3C and are as follows:

Table 4

Line Sharing (GTE-Owned Splitter) – Non-Recurring Charges

Service Type	Ordering		Provisioning	
	Manual	Semi-Mechanized	Initial Unit	Additional Unit
GTE Splitter Connection – Initial	$26.23	$19.48	$40.57	$40.57
GTE Splitter Connection – Subsequent	$17.18	$13.77	$14.84	$7.73
GTE Splitter – Disconnect	$9.90	$6.98	$26.50	$26.50

Again, in addition to these charges, the CLEC must be physically collocated and have tie cables that run from their collocation area to the MDF. The applicable rates and charges for collocation are discussed in Section IV above.

D. LOOP CONDITIONING

Q. WHAT PRICE DOES GTE PROPOSE FOR LOOP CONDITIONING?

A. GTE will provide loop conditioning (i.e., removal of bridged taps and load coils) when needed to allow CLECs to provide acceptable forms of xDSL-based services over the high frequency portion of the loop. The rates for loop conditioning are non-recurring charges based directly on the cost for these activities as developed by Ms. Casey in Exhibit LC-2C. GTE's proposed loop conditioning rates are developed in Exhibit RT-3C and are shown below in Table 5.

Table 5

Loop Conditioning - Non-Recurring Charges

Type of Conditioning	Provisioning Cost per Loop	
	Initial Unit	Additional Unit
Bridged Tap Removal - One Occurrence	$926.49	$20.42
Bridged Tap Removal - Multiple Occurrences	$1,312.48	$51.07
Load Coil Removal Only	$1,203.95	$47.03
Bridged Tap (One) and Load Coil	$1,480.13	$67.45
Bridged Tap (Multiple) and Load Coil	$1,866.12	$98.09

Q. WILL LOOP CONDITIONING BE PROVIDED UNDER ALL CIRCUMSTANCES?

A. No. Loop conditioning will not be provided in cases where such conditioning significantly degrades other advanced services or traditional voice band services. This is in accordance with FCC Rules 51.230, 51.233, and paragraphs 85, 86, and 201-205 of the FCC's Line Sharing Order.

VI. SUMMARY

Q. PLEASE SUMMARIZE YOUR DIRECT TESTIMONY.

A. My direct testimony addresses the pricing policy underlying the development of GTE's proposed rates for OSS enhancements, collocation, and line sharing. In my discussion I demonstrated that GTE's pricing methodology is reasonable and

consistent with the regulatory requirements of this Commission, as well as the FCC. GTE's overall pricing policy is to align rates with their underlying costs and to assess the rates to the "cost causer." As a general principle, no additional mark-up is applied to non-recurring charges, while monthly recurring charges are based on TELRIC plus a mark-up of 24.75% for common costs, consistent with the Commission's 17th Supplemental Order.

In the case of OSS enhancements, GTE proposes to recover its costs from CLECs in the form of a $4.04 charge per LSR over the 2001-2005 period. Since the forecast of LSRs is fairly uncertain, GTE proposes that the charge be applied until the costs that GTE has incurred are recovered. GTE also proposes to update the OSS cost recovery charge, as future OSS enhancement costs are identified.

For collocation, GTE proposes a straightforward series of cost-based non-recurring and monthly recurring charges, as shown in Exhibit RT-2C. GTE has modified its pricing structure for building modifications and environmental conditioning by spreading these costs among all collocators and by providing the services on a monthly recurring basis. This has the effect of significantly reducing the up-front charges assessed to CLECs.

Finally, GTE proposes line sharing (for three configurations) and loop conditioning rates, as shown in Tables 2 through 5. GTE does not propose to allocate any portion

of the local loop into its line sharing prices. Instead, these prices are based on a straightforward extension of the costs of providing service and for service ordering and provisioning activities, including reasonable charges for the recovery of OSS enhancements.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.