

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF THE CONTINUED )  
COSTING AND PRICING OF UNBUNDLED ) Docket No. UT-003013  
NETWORK ELEMENTS, TRANSPORT, )  
TERMINATIONS AND RESALE ) *Part D*

SUPPLEMENTAL DIRECT TESTIMONY

OF

PETER J. GOSE

ON BEHALF OF WORLDCOM, INC.

**NON-PROPRIETARY**  
**VERSION**

**FEBRUARY 14, 2002**

1 **INTRODUCTION**

2  
3 **Q. Please state your name, business address and occupation for the record.**

4 A. My name is Peter J. Gose. My business address is QSI Consulting, 9209 South  
5 Cedar Hill Way, Lone Tree, Colorado 80124.

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7 **Q. Are you the same Peter Gose who filed direct testimony in this docket on  
8 behalf of WorldCom, Inc.?**

9 A. Yes, I am.  
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11

12 **PURPOSE OF TESTIMONY**

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

15 A. The purpose of my supplemental testimony is to address issues respecting the  
16 development of the expense factors developed by Qwest. In my direct testimony I  
17 indicated that I was gathering more current data through discovery pertaining to  
18 detailed Qwest financial information that the company produces from its financial  
19 reporting system for inclusion in the factor development model. I have received that  
20 information through responses to discovery and have analyzed and included the  
21 information in Qwest's expense factor model.  
22

1 **Q. Can you provide more specifics about the reasons you needed additional**  
2 **data?**

3 A. Certainly. As I indicated in my direct testimony, the financial information used by  
4 Qwest to develop the expense factors put forth in this docket was based on an out-  
5 of-date test period that used 1999 data. Information from 1999 pre-dates the  
6 U S WEST / Qwest merger. Additionally, I pointed out in my direct testimony that  
7 Qwest has recently made substantial work force reductions and has also expressed  
8 to the financial community how cost savings have been achieved. In order to have  
9 these savings reflected in the expense factors applied to Qwest's non-recurring  
10 charges, I required more current data.

11  
12 **Q. Did you make attempts to gather this information from publicly available**  
13 **sources?**

14 A. Yes, I did. I sought the information from the ARMIS database that is accessible from  
15 the Common Carrier Bureau portion of the Federal Communication Commission  
16 ("FCC") web site; however, the information was not provided in the ARMIS reports  
17 to a level that was sufficiently granular for insertion into the Qwest expense factors  
18 model.

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1 **Q. What information did you receive from Qwest's discovery response that**  
2 **was pertinent to your analysis?**

3 A. In response to WorldCom discovery request WCI 04-421, Qwest provided its  
4 Monthly Report 5 ("MR5") for the period ended December 2000. This report  
5 contains operating expense information. Qwest also provided its Monthly Report  
6 2A ("MR2A") for the period ended December 2000. This report contains investment  
7 information. See Exhibit PJG-4.

8

9 **Q. How did you include the information from the Qwest discovery response**  
10 **into the expense factors model?**

11 A. The Qwest expense factors model is comprised of one Microsoft Excel workbook.  
12 That workbook contains <<BEGIN PROPRIETARY>> \*\*\* <<END  
13 PROPRIETARY>> worksheets. Two of the worksheets include the Qwest MR2A  
14 and MR5 data. This information is used by the expense factors model to develop  
15 the factors. I was able to take the more current information provided by Qwest in  
16 response to WCI 04-421 and populate the two worksheets (MR2A and MR5) with  
17 more current information.

18

19 **Q. What were the results of your insertion of more current information into the**  
20 **Qwest expense factor model?**

21 A. The insertion of Qwest's MR2A and MR5 data for the year ended 2000 resulted in  
22 an overall decrease in the factors for directly assigned costs of over <<BEGIN

1           **PROPRIETARY>> \*\*\* <<END PROPRIETARY>>**. Once the new information  
2           was inserted into the expense factors model, the Excel workbook automatically  
3           recalculated the factors. The table below presents the results of the inclusion of the  
4           more current information.

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6           **<<BEGIN PROPRIETARY>> \*\*\* <<END PROPRIETARY>>**

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8           **Q.     Were you able to insert information for 2001 into the expense factor model?**

9           A.     No, I was not. At the time discovery was prepared Qwest would likely not have had  
10           available information for the year ended 2001. Hence, this information was not  
11           requested and has not been included in the calculations.

12  
13           **Q.     Is it your recommendation to the WUTC that the revised factors in the table  
14           above be applied to all non-recurring and recurring costs?**

15           A.     No, that is not my recommendation. Rather, I would urge the WUTC to require  
16           Qwest to file a compliance run of its expense factor model using the most currently  
17           available information. That information should include data derived from the  
18           operations of the company at least through December 31, 2001.

19  
20           **Q.     Please explain why you believe a compliance run is necessary.**

21           A.     During 2001 Qwest initiated significant work force reductions and other cost saving  
22           measures as presented in my direct testimony and the attachments to that  
23           testimony. Inasmuch, I believe that the development of expense factors should

1 reflect those cost savings as they are indeed a more accurate depiction of the  
2 expenses Qwest will incur on a going forward basis.

3

4 **Q. For purposes of this supplemental testimony, do you address directly**  
5 **attributable and common costs?**

6 A. No, I do not. Given that the WUTC has already prescribed figures for directly  
7 attributable and common costs, I have not addressed these factors. However,  
8 should the WUTC find merit in having Qwest perform a compliance run of its  
9 expense factor model, the more current information to be made available should  
10 also be considered with respect to the directly attributable and common costs.

11

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

13 A. Yes, it does.