

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Pricing Proceeding )  
for Interconnection, Unbundled )  
Elements, Transport and Termination, )  
and Resale )

DOCKET NO. UT-960369

In the Matter of the Pricing Proceeding )  
for Interconnection, Unbundled )  
Elements, Transport and Termination, )  
and Resale for U S WEST )  
COMMUNICATIONS, INC. )

DOCKET NO. UT-960370

In the Matter of the Pricing Proceeding )  
for Interconnection, Unbundled )  
Elements, Transport and Termination, )  
and Resale for GTE NORTHWEST )  
INCORPORATED )

DOCKET NO. UT-960371

REBUTTAL TESTIMONY

OF

MEADE C. SEAMAN

April 25, 1997

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**GTE NORTHWEST INCORPORATED**

**REBUTTAL TESTIMONY OF**

**MEADE C. SEAMAN**

**WUTC UT-960369, 960370, 960371**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Meade C. Seaman. My business address is 600 Hidden Ridge, Irving,  
3 Texas, 75038.

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

5 A. I am employed as Director – Local Competition/Interconnection Program Office for  
6 GTE Telephone Operations, which has telephone operations in 28 states.

7 **Q. DID YOU PREVIOUSLY PROVIDE DIRECT TESTIMONY BEFORE THIS**  
8 **REGULATORY COMMISSION IN THE CURRENT DOCKET?**

9 A. Yes, I prefiled Direct Testimony on the factors this Commission must consider in  
10 this docket, including, specifically, the types of costs GTE must recover in order to  
11 recover all of its total actual costs, how those costs should be recovered, and GTE's  
12 proposals for recovering its total actual costs.<sup>1</sup>

13 **Q. WHAT IS THE PURPOSE OF THIS REBUTTAL TESTIMONY?**

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<sup>1</sup> *Testimony of Meade C. Seaman before the Washington Utilities and Transportation Commission, Docket Nos. UT-960369, UT-960370, and UT-960371 (hereinafter "Seaman Testimony").*

1 A. The purpose of this testimony is to respond primarily to the Direct Testimony of Dr.  
2 Glenn Blackmon on behalf of the Washington Utilities and Transportation  
3 Commission Staff.<sup>2</sup>

4 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

5 A. Although I agree with certain positions taken by Dr. Blackmon in his Direct  
6 Testimony, his testimony fails to consider several important issues, including why  
7 his proposed pricing methodology would not enable GTE to recover its total actual  
8 costs.

9 **Q. WITH WHAT PARTS OF DR. BLACKMON'S TESTIMONY DO YOU AGREE?**

10 A. I agree with Dr. Blackmon's proposal that the prices for unbundled network  
11 elements should be set so as to "achieve rough parity with the incumbent's resale  
12 rates for bundled retail services."<sup>3</sup>

13 I also agree with Dr. Blackmon's conclusion that: "Common costs are real  
14 costs and need to be recovered in prices for the firm to stay in business."<sup>4</sup>

15 **Q. IN WHAT RESPECTS DO YOU DISAGREE WITH DR. BLACKMON'S**  
16 **TESTIMONY?**

17 A. Depending on the nature and extent of competition offered by facilities-based  
18 providers of local exchange services and unbundled network elements, a likely

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<sup>2</sup> *Testimony of Glenn Blackmon, Ph.D. before the Washington Utilities and Transportation Commission, Docket Nos. UT-960369, UT-960370, and UT-960371 (hereinafter "Blackmon Testimony").*

<sup>3</sup> Blackmon Testimony, page 7, line 2.

<sup>4</sup> Blackmon Testimony, page 5, lines 8-11.

1 outcome of Dr. Blackman's approach is that the incumbent local exchange carrier  
2 would be unable to cover its total actual costs.

3 **Q. WHAT ARE GTE'S TOTAL ACTUAL COSTS?**

4 A. As I stated in my Direct Testimony, GTE's total actual costs include: (1) GTE's  
5 forward-looking costs, which encompass GTE's Total Element Long Run  
6 Incremental Costs ("TELRICs"), common costs, non-recurring costs, and  
7 implementation costs; (2) GTE's stranded historical costs; and (3) the subsidy costs  
8 GTE must bear.<sup>5</sup> My direct testimony and the direct testimony of Michael Williams  
9 address the above definition in greater detail. These total actual costs also can be  
10 expressed as (1) GTE's net book costs (i.e., net undepreciated capital investment),  
11 plus (2) any new capital investment required to maintain the existing network and  
12 meet regulatory obligations, plus (3) a return on GTE's undepreciated investment  
13 (calculated at the appropriate cost of capital), plus (4) operating costs, plus (5) any  
14 additional costs GTE will incur to accommodate CLECs' requests for elements and  
15 services under the Telecommunications Act. All of these costs are "actual costs"  
16 GTE incurs in providing retail and wholesale services. GTE must be allowed an  
17 opportunity to recover these costs through (1) rates for retail services, (2) rates for  
18 wholesale services, which are determined in accord with GTE's avoided cost study,  
19 (3) rates for UNEs, which are based on GTE's TELRIC studies plus a share of  
20 GTE's forward-looking common costs, (4) a Universal Service Fund, and (5) a  
21 competitive transition charge, which would recover GTE's stranded historical  
22 investment.

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<sup>5</sup> Seaman Testimony, page 3, lines 10-14.

1 **Q. IF THE PRICES OF UNBUNDLED NETWORK ELEMENTS DO NOT ALLOW GTE**  
2 **TO RECOVER ITS TOTAL ACTUAL COSTS, WHAT DO YOU RECOMMEND?**

3 A. As discussed in my Direct Testimony, the Commission must recognize that statutes  
4 and regulatory policies have imposed, and continue to impose, substantial costs on  
5 incumbent local exchange carriers like GTE. Specifically, (1) a portion of GTE's  
6 prudently invested historical costs has become stranded by reason of the  
7 Commission's prior policies and the termination of GTE's sole provider status; and  
8 (2) GTE continues to bear the costs of subsidizing below-cost universal service for  
9 residential customers. The mechanism(s) to recover these "regulatory costs" must  
10 be established at the same time any new carrier is allowed to enter the local  
11 exchange market and purchase interconnection and network elements from GTE.  
12 The Commission cannot deal with the transition to a competitive market on a  
13 piecemeal basis. Specifically, what is needed immediately is a single proceeding  
14 where the Commission addresses recovery of GTE's stranded costs, rate  
15 rebalancing, universal service, as well as pricing for interconnection, network  
16 elements, resale and other services that the Act requires GTE to provide to its  
17 competitors.

18 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

19 A. Yes.

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**ERRATA SHEET**

**ON**

**MEADE C. SEAMAN**

**REBUTTAL TESTIMONY**

**APRIL 25, 1997**

**JULY 9, 1997**

GTE Witness Testimony  
ERRATA

Witness	Original Testimony	Change To
Meade C. Seaman, Rebuttal Testimony (4 pages)	P. 1, 1. 2-3 My business address is 600 Hidden Ridge, Irving, Texas 75038.  P. 1, 1. 4-6 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY? A. I am employed as Director--Local Competition/ Interconnection Program Office for GTE Telephone Operations, which has telephone operations in 28 states.	P. 1, 1. 2-3 My business address is 500 East John Carpenter Freeway, Irving, Texas 75015.  P. 1, 1. 4-6 Q. BY WHOM ARE YOU EMPLOYED? A. I am employed as Regulatory & Governmental Affairs Vice President - Central for GTE.