

1 the blue rooms, I could claim that the whole interior of the house was green, but I would not be
2 correct. Nor is Dr. Selwyn correct to ignore 40 years of ~~history~~ of a 120-year history.

3 **Dr. Selwyn’s assertion that risks were “captured” in 1923 is nonsensical.**

4 **Q. DR. SELWYN ARGUES: “WHATEVER RISKS WERE ATTENDANT TO THE**
5 **DIRECTORY PUBLISHING BUSINESS (OR, FOR THAT MATTER, THE LOCAL**
6 **TELEPHONE BUSINESS OVERALL) BEFORE THE ESTABLISHMENT OF THE**
7 **ILEC’S REGULATORY RATE BASE WERE CAPTURED WHEN IT CAME UNDER**
8 **REGULATION.”⁵⁴ DO YOU AGREE?**

9 A. No. Forty years of history were not erased when the Company went under effect cost-of-service
10 regulation in 1923. The establishment of a cost-of-service ratebase in 1923 did not capture the
11 prior forty years of risk and burden. Nothing in the record from the 1923 rate case or the rate
12 case that preceded it or the rate case that followed it suggests that the Commission obligated
13 ratepayers to compensate the Company’s owners for any of the risks of capital losses or burdens
14 of inadequate earnings they had already borne.

15 **Q. DOES DR. SELWYN EVER EXPLAIN HOW COST-OF-SERVICE REGULATION**
16 **COMMENCING IN 1923 ELIMINATES THE PRIOR 40 YEARS OF RISK AND**
17 **BURDEN?**

18 A. No, he does not. Instead he offers only that: “From that point on, the entirety of the utility’s
19 investment base — including its directory publishing operations — constituted the rate base upon
20 which the utility’s return on investment was determined.”⁵⁵ **He does not**
21 **attempt to explain how inclusion of tangible assets**

⁵⁴ Selwyn, page 61, lines 19 to 21.

⁵⁵ Selwyn, page 61, lines 21 to 23.

1 (but not intangible assets) in ratebase did
2 anything to