

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

IN THE MATTER OF THE PETITION)
OF VERIZON NORTHWEST INC. FOR)
WAIVER OF WAC 480-120-071(2)(a))

DOCKET NO. UT-011439

REPLY TESTIMONY OF
KAY RUOSCH
ON BEHALF OF
VERIZON NORTHWEST INC.

MAY 15, 2002

TABLE OF CONTENTS

I. INTRODUCTION..... 1
II. LINE EXTENSION DESCRIPTIONS 2
III. CONSTRUCTION COST ESTIMATES 4
IV. WAIVER FACTORS AND OTHER INFORMATION 10

Additional Exhibits:

- ____ (KR-8) WUTC Webpage
- ____ (KR-9C) Verizon Data Request No. 44 confidential response - Docket No. UT-011439
- ____ (KR-10) Excerpts from Staff witness David Richardson’s testimony, Cause No. U-82-45
- ____ (KR-11) Record Requisition No. 42 response – line extension cost study, Cause No. U-82-45

I. INTRODUCTION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND PRESENT POSITION.

A. My name is Kay Ruosch. I am the Manager – Network Engineering – Washington State for Verizon Northwest Inc. (“Verizon”). My business address is 2312 West Casino Road, Everett, WA 98204.

Q. ARE YOU THE SAME KAY RUOSCH WHO PREFILED DIRECT TESTIMONY DATED MARCH 6, 2002?

A. Yes, I am.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

A. It is organized in the same manner as my Direct Testimony: first, descriptions of the requested line extensions; second, descriptions of how they would be provisioned and what the estimated construction costs are; third, the waiver factors from the Commission’s line extension rule and additional information the Commission should consider. Within these sections I insert some sub-headings for the Commission’s convenience.

Q. PLEASE SUMMARIZE YOUR REPLY TESTIMONY.

A. The Taylor and the Timm Ranch line extensions would be extraordinary in terms of their length, their construction costs and their ongoing maintenance. This is

1 true even if they are looked at with Staff's asserted additional applicants and its
2 deduction of "reinforcement costs" from the total construction costs.

3
4 It is appropriate for the Commission to use the total construction costs to make its
5 decision in this case, because they would be real costs caused by these line
6 extensions; they have not already been incurred or paid for.

7
8 In this case Verizon is not arguing that the Commission's line extension rule is
9 wrong or should be changed. The Company has been working on dozens of line
10 extension projects under the new rule. In this case, the Company is simply using
11 the Commission's waiver provisions to address an issue that was intentionally left
12 unresolved by the Commission: are there projects that would be so costly or
13 burdensome that they should not be built under the line extension rule? The
14 Taylor and Timm Ranch line extensions are such projects.

15
16 **II. LINE EXTENSION DESCRIPTIONS**

17 **Number of Applicants**

18 **Q. ON PAGES 2 AND 3 OF YOUR DIRECT TESTIMONY YOU LIST THE**
19 **FOLLOWING APPLICANTS FOR SERVICE IN THE TAYLOR LOCATION:**
20 **TAYLOR, SHOMLER, NICHOLS. ON PAGE 17 OF HIS TESTIMONY, STAFF**
21 **WITNESS SHIRLEY SAYS THAT THE BRIGGS AND THE GRENINGERS**
22 **SHOULD ALSO BE LISTED. WHY DID YOU NOT INCLUDE THEM?**

1 A. I listed only the persons from whom we have received orders because our
2 petition requests a waiver only as to those actual orders. I did not include the
3 Briggs or the Greningers because we have not received orders from them, which
4 is also why I did not list the Weisburns. As a practical matter, the size of cable
5 we would place to fill the applications we have received would accommodate
6 these three other locations, but even with these three added to the project, the
7 cost per customer would still be extraordinary.

8

9 **Q. ON PAGES 16 AND 17 OF HIS TESTIMONY MR. SHIRLEY SAYS THAT YOU**
10 **SHOULD HAVE INCLUDED THE NELSON'S COLLEGE STUDENT SON IN**
11 **YOUR LIST OF APPLICANTS FOR THE TIMM RANCH LOCATION. WHY DID**
12 **YOU NOT INCLUDE HIM?**

13 A. As Mr. Shirley notes, Ike Nelson has built a new home for himself on the Timm
14 Ranch. Mr. Shirley says that the Nelsons plan to have their son move into their
15 old home. The five Timm Ranch addresses listed on page 4 of my Direct
16 Testimony include Mr. Nelson's new home. We have not received an order for
17 Mr. Nelson's old home and were unaware that he wanted service there. The size
18 of facilities we would place to the Timm Ranch would accommodate an additional
19 location. Even with one more customer, the per customer costs of this project
20 would be extraordinary.

21

22

1 **III. CONSTRUCTION COST ESTIMATES**

2 **Comparison of the Taylor and Timm Ranch Line Extensions**
3 **to Other Extensions**

4 **Q. AT PAGES 1 AND 2 OF HIS TESTIMONY, STAFF WITNESS SPINKS**
5 **CHARACTERIZES YOUR ESTIMATED COSTS FOR THE TIMM RANCH**
6 **LOCATION AS “LESS THAN THE HISTORIC CONSTRUCTION COSTS” AND**
7 **SAYS THAT, CONTRARY TO YOUR TESTIMONY, THEY ARE NOT COSTLY**
8 **AND BURDENSOME. IS MR. SPINK’S CHARACTERIZATION ACCURATE?**

9 **A.** No, it is not. He focuses on the per mile cost, while my testimony was based on
10 the total cost of the project, which is driven by the length of the facilities we would
11 need to construct. Whether the cost per mile is \$19,000, \$25,000, \$29,000 or
12 \$31,000, a 30 mile construction project is “costly.”

13
14 **Q. AT PAGE 3 OF HIS TESTIMONY, MR. SPINKS ACKNOWLEDGES THAT HE**
15 **CANNOT CONTRADICT YOUR TESTIMONY THAT THE TIMM RANCH**
16 **EXTENSION WOULD CREATE THE ONLY LOCAL LOOP WITH NO**
17 **CUSTOMERS FOR A 23 MILE STRETCH. NEVERTHELESS, HE ASSERTS**
18 **THAT WASHINGTON HAS THOUSANDS OF LOOPS THAT RANGE FROM 20**
19 **TO 40 MILES IN LENGTH. DOES THAT AFFECT YOUR DIRECT**
20 **TESTIMONY?**

21 **A.** No. Based on Mr. Spinks’ data request responses, I understand that this
22 statement in his testimony applies to the whole state and that it is based on
23 computer cost models. However, for that question and answer in his testimony

1 he picked out part of my answer to the question “How do the Taylor and Timm
2 Ranch line extensions compare to other line extensions Verizon has been
3 constructing?” The fact is that Verizon Northwest has not been constructing 20-
4 plus miles of facilities just to serve applicants at the far end of the route. Rather,
5 the norm is for the network to naturally expand in an incremental fashion. In the
6 words of the Commission webpage announcing its new line extension rule, line
7 extensions normally are to locations “just out of the reach of the telephone
8 network.” A copy of that webpage is provided as my Exhibit No. _____ (KR-8).

9
10 **Q. RELYING ON MR. SPINKS’ TESTIMONY, ON PAGE 15 OF HIS TESTIMONY**
11 **MR. SHIRLEY ASSERTS THAT BECAUSE WASHINGTON HAS**
12 **“THOUSANDS” OF LOOPS THAT ARE 20 TO 40 MILES LONG, THE 17 MILE**
13 **TAYLOR AND THE 27 MILE TIMM RANCH EXTENSIONS WOULD NOT BE**
14 **“EXTRAORDINARY.” IS HE CORRECT?**

15 A. No, he is not. Neither Mr. Spinks nor Mr. Shirley identifies any specific line
16 extension projects that they claim resulted in loops that are 20 to 40 miles long.
17 In contrast, the actual line extension projects shown in our response to Data
18 Request 44, to which Mr. Shirley refers, are significantly shorter, averaging less
19 than one and a half miles. A copy of the confidential Data Request response is
20 attached as Exhibit No. _____ (KR-9C).

“Reinforcement Costs”

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

Q. ON PAGE 13 OF HIS TESTIMONY, MR. SHIRLEY ASSERTS THAT YOUR COST ESTIMATES ARE INCORRECT AND “OVERSTATED” BECAUSE THEY INCLUDE “REINFORCEMENT COSTS.” ARE YOUR STATEMENTS ABOUT THE COSTS CORRECT?

A. My statements are correct. My purpose was to advise the Commission of the entirety of the costs of these proposed projects, regardless of how certain costs may be labeled under the line extension rule for cost recovery purposes. In other words, whether or not part of them are labeled “reinforcement” so as to force the Company to absorb them, they would be incurred to complete these extensions. Therefore, they should be considered by the Commission in this case.

Q. ON PAGE 14 OF HIS TESTIMONY, MR. SHIRLEY SHOWS THE “REINFORCEMENT COSTS” OF THE TWO PROPOSED PROJECTS. DID VERIZON SUPPLY THOSE FIGURES TO STAFF?

A. Yes. Staff issued Verizon a Data Request asking that we state the portion of the estimated total construction costs that are “reinforcement costs.” “Reinforcement costs” are not defined in the Commission’s line extension rule. Based on prior conversations, the Company believes Staff uses that term simply to describe the cost of work done “inside” the existing network, so we provided responses on that basis.

1 **Q. WHAT MAKES UP THE “REINFORCEMENT COSTS” FOR THE TAYLOR**
2 **LOCATION SHOWN ON PAGE 14 OF MR. SHIRLEY’S TESTIMONY?**

3 A. They consist of engineering, material, placing and splicing costs for over 47,000
4 feet of twenty-five pair cable, placing conduit in road crossings, and eight load
5 points (a type of signal boosting equipment).

6
7 **Q. WHY WERE THESE FACILITIES NOT ALREADY IN PLACE WHEN THE**
8 **TAYLOR LINE EXTENSION REQUESTS WERE RECEIVED?**

9 A. They were not in place because under the tariff in place before the Commission’s
10 new line extension rule, the existing feeder facilities were adequate for the
11 anticipated growth along that route.

12
13 In addition, it would not be a prudent use of capital and other resources in areas
14 such as this, which have no or very slow projected growth, to construct additional
15 feeder facilities on speculation - - especially such a long and costly route as this
16 one. Rather, feeder capacity is added when orders for new service are actually
17 received and the existing network has insufficient unused capacity to fill the
18 orders.

19
20 **Q. WHAT MAKES UP THE “REINFORCEMENT COSTS” FOR THE TIMM RANCH**
21 **LOCATION SHOWN ON PAGE 14 OF MR. SHIRLEY’S TESTIMONY?**

22 A. As I explained in my Direct Testimony (page 7), the Timm Ranch location is
23 technically in Verizon’s Bridgeport exchange but we would serve it from our

1 Brewster Exchange. Using what we understand to be Staff's definition, the
2 "reinforcement" consists of the facilities we would build between the Brewster
3 central office and the end of the existing feeder facilities along the route. The
4 costs for that portion of the project consist of engineering, materials, placing and
5 splicing for approximately 21,500 feet of fiber optic cable and 200 feet of conduit.
6

7 **Q. WHY WERE THESE FACILITIES NOT ALREADY IN PLACE WHEN THE TIMM**
8 **RANCH LINE EXTENSION REQUESTS WERE RECEIVED?**

9 A. The existing facilities along the route we would use to serve the Timm Ranch end
10 at the Brewster Exchange boundary, and they are adequate for anticipated
11 growth there.
12

13 In addition, as I explained in my Direct Testimony (page 7), the long route from
14 the Brewster central office into the Bridgeport Exchange and to the Timm Ranch
15 would be better served by fiber optic facilities than copper. There is no
16 anticipated growth along this route within the Brewster Exchange that would
17 require a fiber system to be installed. This would be a custom project just for the
18 Timm Ranch.
19

20 **Q. AFTER MAKING HIS DEDUCTIONS OF "REINFORCEMENT COSTS" FROM**
21 **YOUR TOTAL COST FIGURES ON PAGE 15 OF HIS TESTIMONY, MR.**
22 **SHIRLEY ASSERTS THAT THE TAYLOR AND TIMM RANCH EXTENSIONS**

1 **WOULD NOT BE ATYPICAL LINE EXTENSIONS. IS HIS CONCLUSION**
2 **CORRECT?**

3 A. No, it is not. He bases his assertion on a 25,500 foot extension in the Curlew
4 Exchange that cost \$84,381 and a 34,300 foot extension in the Soap Lake
5 Exchange that cost \$95,340. As shown in the confidential Data Request
6 response, to which Mr. Shirley refers, those two projects are outliers compared to
7 the other line extensions. A copy of the confidential Data Request response is
8 attached as Exhibit No. _____ (KR-9C). Out of 13 projects, the third longest was
9 11,500 feet and cost nearly three-fourths less than the Soap Lake project. All of
10 the other projects were less than 10,000 feet. Even with those two outliers in the
11 equation, the average length was about 7,500 feet. If those two are taken out,
12 the average is about 3,800 feet.

13
14 In contrast, even with Mr. Shirley’s “reinforcement” deductions, the Taylor
15 location would require a 42,600 foot project costing \$165,000, and the Timm
16 Ranch location would require a 142,300 foot project costing \$738,000. They are
17 not typical line extensions; they would be unusually long and costly ones.

18
19 **Impact of the Terrain on Construction Costs**

20 **Q. ON PAGES 21 AND 22 OF HIS TESTIMONY, MR. SHIRLEY HAS A LONG**
21 **QUESTION AND ANSWER TITLED “TECHNICAL DIFFICULTIES AND**
22 **PHYSICAL BARRIERS PRESENTED BY THE REQUESTED EXTENSIONS,”**
23 **IN WHICH HE COMMENTS ON A STATEMENT AT PAGE 6 LINE 8 OF YOUR**

1 **TESTIMONY ABOUT THE TERRAIN IN THE TAYLOR LOCATION. WHAT**
2 **WAS THE POINT YOU WERE MAKING AT THAT PLACE IN YOUR**
3 **TESTIMONY?**

4 A. The statement cited by Mr. Shirley is in the section of my testimony describing
5 our cost estimates for the two proposed projects. My statement about the Taylor
6 location terrain simply pointed out the likelihood that actual construction would
7 encounter conditions not covered by our initial cost estimate. In other words, it is
8 likely that the actual construction costs will be higher than our estimate. Since our
9 waiver request is pending, we have not expended resources to produce the
10 detailed engineering and cost estimate we would do for a project actually being
11 built.

12

13 **IV. WAIVER FACTORS AND OTHER INFORMATION**

14 **Maintenance Impacts**

15 **Q. AT PAGE 3 OF HIS TESTIMONY, MR. SPINKS SAYS THAT SINCE THE**
16 **FACILITIES WOULD BE NEW, “THERE WOULD BE A VERY LOW**
17 **PROBABILITY THAT ANY MAINTENANCE WILL BE REQUIRED . . . FOR**
18 **YEARS.” IS THIS ASSERTION CORRECT?**

19 A. No, it is not. Certainly new facilities are not likely to incur trouble for some time
20 due to the deterioration that can cause trouble in older plant. That, however,
21 ignores the trouble caused by outside forces, including human, animal and
22 natural, as I discussed in my Direct Testimony. The longer the facility, the higher

1 the probability that it will be impacted at some point by such forces, and the
2 Taylor and Timm Ranch facilities would be very long.

3
4 In addition, Mr. Spinks fails to take the long view in terms of time. The Company
5 must assume that these facilities will need to be in service indefinitely. Plant
6 deterioration will eventually begin to cause trouble, which will impose higher than
7 normal maintenance burdens because of the distances involved. Also, at some
8 point the plant will have to be replaced, at which time the Company will be faced
9 with building these enormous projects all over again.

10

11 **Q. AT THE SAME PLACE IN HIS TESTIMONY, MR. SPINKS ASSERTS THAT**
12 **THE MAINTENANCE BURDENS OF THE TAYLOR AND TIMM RANCH**
13 **EXTENSIONS WOULD BE NORMAL BECAUSE THE WENATCHEE**
14 **DISTRICT'S TROUBLE REPORT RATE IS COMPARABLE TO THE REST OF**
15 **THE STATE. IS MR. SPINK'S POSITION CORRECT?**

16 **A.** No, it is not. The fact that the level of the Wenatchee District's trouble reports
17 generated from the current network may be similar to the statewide average does
18 not mean that maintenance requirements on the lengthy Taylor and Timm Ranch
19 routes would be similarly low. As I have explained, because of their length the
20 Taylor and Timm Ranch facilities' maintenance needs would likely be significantly
21 higher than normal.

22

1 Q. ON PAGES 25 AND 26 OF HIS TESTIMONY MR. SHIRLEY SAYS THAT IT
2 WOULD BE “UNUSUAL” FOR THE COMPANY TO ENCOUNTER
3 MAINTENANCE DIFFICULTIES IN WINTER ON UNPLOWED ROADS.
4 COMPARED TO THE GENERAL SITUATION, WHAT WOULD BE THE
5 SITUATION FOR THE TAYLOR AND TIMM RANCH LOCATIONS IN
6 PARTICULAR?

7 A. Mr. Shirley first quotes from a Verizon data request response to a general
8 question about winter access, and he then “contrasts” it to a Sprint rulemaking
9 comment to the effect that Sprint is usually able to get down private roads in
10 winter if it has to. Our data request response and Sprint’s comment are
11 consistent: in general, companies do not have to deal with unplowed roads in
12 winter for maintenance purposes (because most customers do not reside in such
13 conditions), but when necessary, the companies’ personnel are usually able to
14 persevere until they reach the trouble site and access the facility. That is not
15 always possible, however. For example, in the winter of 1998 deep snow
16 prevented us from repairing facilities at two locations, one in the Tonasket
17 Exchange and one in the Molson Exchange, for several weeks. Repairs were
18 finally done in the spring of 1999.

19
20 In contrast, the point I make at pages 13 and 14 of my Direct Testimony is that
21 these difficult winter access conditions would be encountered on at least 18 miles
22 of the proposed Timm Ranch extension, which means that over time the

1 maintenance costs and diversion of personnel from other tasks would likely be
2 much higher than the norm.

3

4 **The Pontiac Ridge Project; Mount Hull-Swanson Mill Road**

5 **Q. AT PAGES 6 AND 7 OF HIS TESTIMONY STAFF WITNESS SHIRLEY**
6 **DISCUSSES THE PONTIAC RIDGE LINE EXTENSION PROJECT AS PART**
7 **OF HIS DESCRIPTION OF THE BACKGROUND OF THE COMMISSION'S**
8 **NEW SERVICE EXTENSION RULE. IS THERE CLARIFYING OR**
9 **ADDITIONAL INFORMATION THE COMMISSION SHOULD CONSIDER?**

10 A. Yes. It should consider more details about the tariff situation, the basis on which
11 Verizon (then "GTE Northwest") built the project, the number of applicants and
12 eventual customers, and the costs.

13

14 **Q. WHEN DID THE PONTIAC RIDGE SITUATION OCCUR?**

15 A. In 1998-1999.

16

17 **Q. WHAT WAS THE TARIFF SITUATION AT THE TIME?**

18 A. The structure of GTE's line extension tariff at the time was that an applicant
19 received a half-mile construction allowance and then paid \$440 for each
20 additional tenth mile.

21

22 **Q. MR. SHIRLEY IMPLIES THAT THE COMPANY IGNORED ITS OWN TARIFFS**
23 **AND TRIED TO AVOID PROVIDING SERVICE TO PEOPLE AT PONTIAC**

1 **RIDGE, WHICH WAS PREVENTED BY “CONSIDERABLE ARM WRESTLING**
2 **BETWEEN COMMISSION STAFF AND GTE.” WHAT WAS THE SITUATION**
3 **FROM THE COMPANY’S POINT OF VIEW?**

4 A. The Company never ignored its tariffs in dealing with Pontiac Ridge. The
5 Company had a good faith disagreement with Staff about the meaning of the
6 existing line extension tariff. The Staff claimed that applicants were entitled to
7 “pool” the half-mile construction allowances under GTE’s tariff, which had very
8 severe cost implications for the Company and its other ratepayers. The
9 Company did not agree with this interpretation. GTE’s tariff was different from U
10 S WEST’s tariff, for example, which specifically provided for group applications
11 and a type of “pooling,” but had only a tenth mile allowance and charged \$740 for
12 each additional tenth mile of construction on group projects. Mr. Shirley’s
13 testimony notwithstanding, we did have some concerns for our employees’ safety
14 (they had an encounter with a man with a pistol during construction), property
15 ownership and rights of way, and other details, but the Company was not
16 attempting to use them to avoid any obligations under the tariff.

17
18 In view of Staff’s statements about bringing a complaint and seeking large
19 penalties, and its indication it would be supportive of some helpful changes to the
20 tariff, we built the project on an ad hoc “group” basis, with “pooling” of the
21 construction allowances.

22
23

1 **Q. HOW MANY MILES OF FACILITIES WERE BUILT?**

2 A. A little less than 17 miles.

3

4 **Q. HOW MANY APPLICANTS DID THE PROJECT COVER?**

5 A. At the time the Company commenced the project, 44 people had said they would
6 take service.

7

8 **Q. HOW MUCH DID EACH APPLICANT PAY IN LINE EXTENSION CHARGES?**

9 A. Since 44 times 0.5 mile exceeded the length of the project, the applicants paid no
10 line extension charges.

11

12 **Q. WHAT WAS THE CONSTRUCTION COST OF THE PROJECT?**

13 A. The total construction cost was \$421,000.

14

15 **Q. HOW MANY CUSTOMERS ARE SERVED BY THE PONTIAC RIDGE
16 EXTENSION FACILITIES?**

17 A. Today there are 37 customers in the area. Three of the original 44 did not follow
18 through with orders, and there have been 11 disconnections.

19

20 **Q. ON PAGE 8 OF HIS TESTIMONY, MR. SHIRLEY STATES THAT "GTE
21 WOULD NOT DO SO," MEANING PROVIDE SERVICE TO RESIDENTS OF
22 THE "MOUNT HULL-SWANSON MILL ROAD" AREA. DID GTE REFUSE TO
23 PROVIDE SERVICE?**

1 A. No, it did not. As Mr. Shirley mentions, for this locale most of the residents were
2 in U S WEST's Oroville Exchange, with just a few across the boundary in GTE's
3 Tonasket Exchange. In order for GTE to extend facilities to these sites it would
4 had to build facilities for a distance of several miles on a road that looped into U
5 S WEST's territory and then back into GTE's area. I am aware of GTE receiving
6 one request for a line extension quote, which the Company provided, but the
7 Company did not receive any orders for service. If we had received orders and
8 the line extension tariff's requirements were met, the Company would have filled
9 those orders.

10

11

Line Extension Tariff Background

12 **Q. AFTER AGREEING TO CONSTRUCT THE PONTIAC RIDGE PROJECT,**
13 **WHAT DID THE COMPANY DO ABOUT THE TARIFF SITUATION?**

14 A. In July 1999 the Company filed tariff changes that included a decrease in the free
15 allowance from one-half to one-tenth mile, specifically allowed group projects,
16 reset the charge to \$1,800 per tenth mile for individuals and groups up to 15, set
17 the charge at \$2,043 for groups of from 16 to 30, and specified that groups of
18 over thirty would be treated on an individual case basis. The new rates were
19 based on conservative estimates of current construction costs. My
20 understanding from our Regulatory department is that this approach met some
21 resistance from the Commission Staff. In any event, in September 1999 the
22 Company withdrew that proposal and in November refiled its tariff to copy U S
23 WEST's line extension provisions. The Commission allowed that to become

1 effective in December. That tariff lasted about a year - - until the Commission's
2 new line extension rule required the Company to change it.

3

4 **Q. PRIOR TO THE CHANGES YOU HAVE JUST DESCRIBED, HOW LONG HAD**
5 **THE FREE ALLOWANCE BEEN ONE-HALF MILE AND THE CHARGE \$440**
6 **PER TENTH MILE?**

7 A. I believe the company had had the half mile allowance/tenth mile charge
8 structure since the 1960's. The \$440 charge was put in place as the result of a
9 rate case in the early 1980's. It was intended to recover the company's full
10 actual costs. In that case the Company attempted to reduce the allowance to a
11 tenth mile. The Commission's Staff agreed with the proposal's intent but did not
12 support adopting it at that time due to some concern about the Company's
13 revenue impact analysis. My Exhibit No. _____ (KR-10) and Exhibit No. _____
14 (KR-11) are documents from the Company's Regulatory files: excerpts from the
15 Staff's testimony on the subject, and the Company's Record Requisition
16 response providing its line extension cost study, respectively.

17

18 **Q. ON PAGE 8 OF HIS TESTIMONY, MR. SHIRLEY SAYS THAT PRIOR TO THE**
19 **NEW RULE LINE EXTENSION REQUESTS FOR ANYTHING MORE THAN A**
20 **FEW TENTHS OF A MILE WOULD TURN INTO A "STRUGGLE THAT**
21 **DEVOURED COMMISSION RESOURCES." WAS THAT GTE'S**
22 **EXPERIENCE?**

1 A. Assuming that Mr. Shirley thinks the Pontiac Ridge situation was such a
2 “struggle,” I am not aware of one occurring with the Company prior to Staff taking
3 the position that the GTE tariff required the “pooling” of the half-mile construction
4 allowance. I would not characterize that as a “struggle,” however. It was a good
5 faith disagreement that was resolved. The Company agreed to build that project
6 on Staff’s terms and then moved quickly to revise its tariff.

7

8

Lack of Prior Support or Payment

9

for “Reinforcement” and Line Extensions

10 **Q. ON PAGES 9 OF HIS TESTIMONY, MR. SHIRLEY CLAIMS THAT DURING**
11 **“THESE STRUGGLES” GTE WAS “RECEIVING STATE UNIVERSAL**
12 **SERVICE SUPPORT,” AND ON PAGE 10 HE IMPLIES THAT THIS SUPPORT**
13 **COVERED THE COMPANY’S COSTS OF CONSTRUCTING THE PONTIAC**
14 **RIDGE PROJECT. HOW DID GTE PAY FOR THE PONTIAC RIDGE**
15 **PROJECT?**

16 A. It paid for it out of its normal budgeting process, funded out of its normal
17 revenues. I am not aware of any “universal service support” funds that the
18 Company received for this project from the Commission cases mentioned by Mr.
19 Shirley. It did not, for example, receive “aid to construction” funds that were used
20 to defray any of the project’s costs. The Company simply paid for the project.

21

22 **Q. DOES THIS CONCLUDE YOUR REPLY TESTIMONY?**

23 A. Yes, it does.