

GTE NORTHWEST INCORPORATED
WASHINGTON CONSOLIDATED COST DOCKET NOS. UT-960369, -70, -71
BENCH DATA REQUESTS

DATA REQUEST NO. 1

- (A) For the years 1987 through 1997, provide the following information for each newly installed digital switch (that is, provide the data for the year in which the switch was placed-in-service): (1) name of switch (e.g. Moses Lake); (2) type of switch (e.g., 5ESS host); (3) year new digital switch installed; (4) working lines for the year in which the switch was installed; and (5) the first cost of the switch (note the number of lines and the first cost of the new digital switch may be recorded on your depreciation reports). Provide the first cost (investment) for the year in which the switch was placed-in-service.
- (B) To the extent possible, identify the busy-hour usage per line for each switch for the year when the switch was placed-in-service. If this information is not available, provide the current busy-hour usage per line for each of these switches.
- (C) Are there costs that are excluded from the booked investment that should be included in the estimation of the TELRIC of switching and ports (for example, does the investment reported in response to part (a) include the cost of the software that is used to run a switching machine)?
- (D) Assume that all of the historical investments are converted to current investments through the use of telephone plant indexes. Would the following regression provide reasonable estimates of the port [B(2)] and CCS investment [B(3)] (where a regression would be run for each type of switch identified in the second column)? Explain.

$$\text{current investment} = B(1)*\text{fixes cost} + B(2)*\text{lines} + \\ B(3)*\text{lines}*\text{busy_hour_ccs_per_line} + \epsilon$$

Provide this information electronically, as well on paper.

RESPONSE

- (A) & (B) Please see the attached report (diskette and paper) that contains all of the switch installations from 1987 through 1997. The current busy hour information requested in Part B also is provided.

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DATA REQUEST NO. 1 (Continued)

- (C) The reported book investment includes all of the material and labor costs necessary to place the switch in service, including software costs. In order to estimate the TELRIC for unbundled switching and ports, land and building costs would have to be added based on the land and buildings factor.
- (D) No, for a variety of reasons. First, there are other traffic characteristics, such as busy-hour call attempts per line, that are used to size and engineer a switch which must be considered. Second, for some switch types an insufficient number of observations exists to run the proposed regression. For example, there are only two observations relating to a DMS 100/200 base unit, and only five observations for a GTD-5 base unit. Since the equation estimates are dependent on the underlying design of each switch type, it is important that sufficient variation across switch types exists in the data sample. Third, the data sample contains both former-Contel and original-GTE switches. Because the input prices faced by both companies are likely to have differed substantially throughout the study period, the efficacy of using telephone plant indexes to convert the historical investments to current dollars is called into question. Finally, an equation based on data covering such a long period of time would not account for any changes in the switch design or engineering algorithms for individual switch types.

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Confidential Attachment 18A

Response to 1A and 1B

(CONFIDENTIAL PER PROTECTIVE ORDER IN WUTC DOCKET NO. UT-003013)