period, Apollo agreed to pay a rental payment based on estimated construction costs. Both parties agreed that the monthly payment would be revised "...to incorporate the actual costs of construction upon completion of the System." *Id.* In accordance with these provisions, the underlying investment of the Cerritos network was split between the two lessees and monthly charges for both Apollo and Service Corp. were computed using a 18.9% rate amortized over 15 years.[50] The 18.9% factor represented a below-the-line, pre-tax cost of capital, which would ensure a reasonable return on GTECA's investment.

Beginning in May, 1991, Apollo remitted to GTECA monthly payments in accordance with the Lease Agreement.[51] In January, 1992, as permitted by the Lease Agreements, Apollo prepaid the remainder of its 15 year lease by remitting to GTECA the amount of the *principal balance* (*i.e.*, unrecovered investment) as of January 1, 1992.[52] GTECA continues to amortize this prepaid amount on its books until the expiration of the 15 year term.

The expiration of the waiver in July, 1994 required GTECA to convert the Lease Agreements of Apollo and Service Corp. to a tariffed arrangement.[53] In conjunction with the filing of the tariffs, GTECA requested permission to move the remaining book investment associated with the Cerritos coaxial network, excluding CPE, into regulated

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[50] *See* Amendment No. 3 to the Lease Agreement, May 3, 1991.

[51] As shown in the Supplemental Direct Case (at Exhibit A), Apollo's original monthly payment was calculated as $95,265. If CPE-related investment is excluded, Apollo's monthly charge applicable to the transport network itself would be $81,764.

[52] This prepayment also included a prorated portion of one month's interest expense.

[53] Direct Case of GTE, August 15, 1994, at 1-5.

accounts to reflect the tariffed status of the video channel service offering. The manner in which tariffed charges were to be established and investment amounts were to be transferred to regulated accounts, was guided by two primary objectives: (1) avoid increasing charges to Apollo and Service Corp. over and above those contained in the original lease agreements; and (2) establish cost-based charges for Service Corp. on an equitable basis with respect to charges originally levied upon Apollo.

Under current Commission rules and policies, the GTE Telephone Operating Companies calculate monthly charges for regulated services by applying a set of uniform loading factors (reflecting depreciation, tax, return, administration and maintenance expenses) to the underlying investment associated with the service provided. This pricing methodology insures appropriate recovery of investment as well as ongoing expenses of the company's operations in support of services provided to customers.

Concurrent with the execution of the lease agreement in 1987, GTECA contracted with Apollo to perform all ongoing maintenance on the Cerritos system. GTECA paid Apollo for this service. Expiration of the Commission's five-year waiver also required GTECA to cancel this maintenance agreement with Apollo, since that agreement constituted an impermissible affiliation with a cable television operator in violation of Commission rules. Upon the effective date of the tariff GTECA began assuming all responsibilities for maintenance of the Cerritos system, which had previously been performed by Apollo. However, since the original charges contained in the lease agreements with Apollo and Service Corp. assumed only a pre-tax cost of capital factor (18.9%), GTECA did not have an established mechanism to recover the new expenses it would incur in maintaining the network after the cancellation of the

Apollo maintenance agreement. In addition, the lease charges did not contain any pricing component designed to recover ongoing operating and administrative expenses incurred by GTECA in relation to the Cerritos operations.

Because the bulk of the Cerritos operation's costs (both investment and expense) would be booked to regulated accounts under the tariffed arrangement, failure to assign the maintenance and administrative costs to the two users of the system could result in ratepayers of other regulated services absorbing these costs. Thus, GTECA was faced with the option of assessing additional charges in order to recover maintenance and administrative expenses from both Apollo and Service Corp. or effectuating a write-down of the assets it proposed to bring above-the-line to subsume the additional expenses. It did the latter.

Rather than increasing the existing lease charges or establishing a new maintenance and administrative charge applicable to both Apollo and Service Corp., GTE chose to take an additional write-down of investment so that the tariff filed would subsume the provision of maintenance and ongoing administrative functions by GTECA. The investment write-down would be such that the computation of charges for Service Corp., based on the net book value of the investment to be transferred to regulated accounts, would be adequate to recover direct and overhead expenses applicable to the Cerritos operation (including return, tax, depreciation, administration and maintenance).[54] This adjustment was also specifically designed to result in monthly

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[54] GTE will also write-off a number of impaired assets before transferring the net book value of the investments to regulated accounts. These impaired assets total $95,198. The total amount of all adjustments to net book investment values (including the write-down associated with the assumption of maintenance expenses) was $904,543 as of July 1, 1994. See Attachment A, Schedule 1.

charges for Service Corp. which would be no less that the amount Apollo paid under the original contract (calculated based on an 18.9% pre-tax cost of capital component) for the regulated portion of the network.

Schedule 1 of Attachment A to this Supplemental Rebuttal displays the calculation of charges to Service Corp., including the investment adjustments, which is identical to the rate computation filed under Transmittal No. 874/909/918. The "single payment option" amount filed under Transmittal No. 873 for Apollo, or $4,710,128, is simply the unamortized portion of Apollo's investment prepayment at the time of the tariff filing (excluding any investment related to CPE). Under the approach taken in both tariff submissions, GTECA has insured that (1) no new charges would be assessed to Apollo, (2) maintenance and administrative costs associated with the Cerritos network and booked to regulated expense accounts would be adequately recovered, and (3) that any additional reduction in regulated asset balances associated with the assumption of maintenance and administrative costs by GTECA would be recovered from GTECA shareholders, not ratepayers. In addition, GTECA would insure that the charges assessed to Service Corp. under the tariff would reflect full cost levels but would be no less than the monthly charge that would have been assessed to Apollo had it not prepaid its lease in 1992 (for regulated functions of the service). Tariff material submitted under Transmittal Nos. 873, 874 and 909 achieves these goals.

B. Analysis of the Montgomery Study.

Initially, the Montgomery study analysis is predicated on two erroneous assumptions: (1) that tariff pricing principles should be *selectively* applied to Apollo's Lease Agreement charges on a retroactive basis; and (2) that Apollo's prepayment reflected not only its share of the direct costs, but some unrevealed "economic value" of its unsubstantiated claim to the immediate use of Service Corp.'s 39 channels. Both of these assumptions are erroneous. Indeed, if tariff pricing principles were *properly* applied to Apollo's Lease Agreement charges on a retroactive basis, *Apollo would owe GTECA additional monthly charges of $9,791* through the term of the tariff. Each of these fallacious assumptions will be dealt with in turn.

1. Lease charges would have been substantially different had the initial service offerings to Apollo and Service Corp. been provided under tariff.

Proper application of tariff pricing principles (retroactively) to Apollo's Lease Agreement charges actually results in Apollo *owing* GTECA additional monthly charges of $9,791, not any refund as the Montgomery study claims. Had the services provided under contract to Apollo and Service Corp. been tariffed from the outset, the lease charges would have differed substantially from those set forth in Apollo's Lease Agreement. Specifically, charges under a tariffed arrangement would have been higher than those computed under the non-regulated, contractual arrangements.

In compliance with Commission cost support and pricing policies, GTECA would have separately calculated a return, based on the Commission's authorized rate of return for interstate access and applicable federal and state tax expense, which essentially achieves the same result as the pre-tax 18.9% cost of capital rate used in the determination of the lease charges.[55] However, GTECA would also have included a factor which would allow reasonable recovery of overhead (*i.e.*, administrative costs),

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[55] Apollo appears to suggest that GTECA treated Apollo differently than Service Corp. with respect to the 18.9% cost of capital. Supplemental Opposition, at 18 ¶ Attachment 3. Of course, no matter what was considered during the planning stages of the Cerritos Project, GTECA actually charged both customers the 18.9% cost of capital in their respective lease agreements.

expenses which were never reflected in the charges computed under the Lease Agreement. Finally, the assignment of maintenance responsibilities to Apollo would have constituted an impermissible affiliation under the Commission's Rules; therefore, the tariffed lease charge would have incorporated a maintenance factor or there would have been a separate maintenance charge.

GTECA estimates that had the service rendered to Apollo been tariffed from the outset, Apollo's monthly obligation, excluding charges for CPE-related functions, would have been $91,555, rather than the $81,764 as reflected in the Lease Agreement.[56] Similarly, had GTECA not taken the additional investment write-down associated with the assumption of maintenance and responsibilities and administrative costs, Apollo would have been assessed an additional $9791 per month, either in the basic lease charge or as a separate monthly recurring charge. Thus, were Apollo to retroactively apply tariff pricing principles to its Lease Agreement charges, Apollo would now be liable for an *additional* monthly charge of $9,791, beyond its pre-payment.[57]

It is only through the *selective* use of tariff pricing principles and GTECA information that Montgomery has been able advance its extraordinary refund argument. According to Montgomery, as the basis for its estimate of supposed "economic value", Apollo's refund should equal the difference in the amount Apollo would have paid if the

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[56] This calculation is shown in Attachment A, Schedule 2.

[57] It is doubtful that a right of first refusal and non-complete clause (included in the private contracts) would have be permitted in a tariffed service filed under Title II of the Act. In essence, these clauses favor Apollo above all other would-be customers. The Commission would have likely rejected these provisions as discrimination on behalf of one entity, particularly when it could prevent other customers from obtaining service under a common carrier tariffed arrangement, as they would violate Section 202 of the Act.

service was tariffed from the outset. To calculate this "difference", Montgomery selectively uses GTECA's support information, arguing that because certain factors are purportedly "excessive", a disallowance of such factors should be extended to reduce Apollo's charge.[58] This analysis is specious on its face.

2. Tariffed charges established for both Apollo and Service Corp. adequately insure recovery of all underlying investment.

Apollo's prepayment of its principal balance in January, 1992, coupled with the per monthly charges tariffed for Service Corp., will insure that GTECA will recover its initial investment in Cerritos by the end of the tariff's twelve year term (or the lease agreements' original fifteen year term). The "single payment option" filed for Apollo represents the unamortized portion of Apollo's remaining balance of its prepayment as of July 1, 1994. Apollo's prepayment reflects the portion of the original investment attributable to facilities used by Apollo that had not been recovered from the monthly lease charges Apollo paid to GTECA over the 9 month period from the time the lease began until the date of the prepayment. Therefore, the "single payment option" amount of $4,710,128, is simply the value of this investment prepayment at the time of the tariff filing. Because Apollo's prepayment, and the associated "single payment option" represents investment only, GTECA has effectively recovered all of its investment associated with the portion of the Cerritos network used by Apollo.

Despite these facts, Montgomery claims that the "nonrecoverable cost" component incorporated in the pricing calculation for Service Corp. somehow excuses Apollo from paying for a portion of the investment it utilizes. Offering no economic or

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[58] Montgomery study, at 7-10.

legal rationale, Montgomery claims that although Apollo would be responsible for compensating GTECA for the underlying investment over the service period in a nonregulated environment, Apollo has no equal obligation under tariff regulation and is, therefore, due a refund of a portion of its original prepayment.[59] To the contrary, carriers have the legal right to recover the investment they incur as a direct result of a customer's service request. In the case of Cerritos, GTECA invested more than $12 million in the construction of the coaxial network specifically for the purpose of allowing Apollo and Service Corp. to provide cable television and other video services to local subscribers. This investment was made solely at the request of Apollo and Service Corp, and rightfully should be fully recoverable from these entities, irrespective of whether the service is ultimately provided on a regulated or non-regulated basis. Apollo, through its prepayment of its principal balance as of January, 1992, has done exactly that.

Service Corp., by contrast, will compensate GTECA for the full amount of the investment made by GTECA on Service Corp.'s behalf by the end the tariff's twelve year service term. This is accomplished by the inclusion of both depreciation expense and the nonrecoverable cost component in the tariff calculation. Montgomery's observation is correct in that the nonrecoverable cost component allows GTECA to recover investment that has not been fully depreciated by the end of the service term.[60] However, contrary to Montgomery's contention, the assessment of cost elements that are reflective of facilities dedicated to the use of a single customer is appropriate in

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[59] Montgomery study, at 8.

[60] Montgomery study, at 7.

tariff ratemaking practices. The GTE Telephone Operating Companies have consistently used this method to recover costs that are directly tied to a particular customer's service request when the underlying facilities are dedicated solely to that customer.[61] Pricing in this manner ensures that if the customer abandons the service after the specified term, the carrier, and other ratepayers, are not saddled with the cost of stranded investment, since the total cost of the investment is essentially recovered in the monthly charges assessed during the term of the tariff.

3. Administrative and maintenance expense amounts recovered are consistent with standard pricing practices and the Commission's cost recovery principles.

Equally spurious is Montgomery's claim that "inappropriate" (and wholly unrelated) expense amounts should be subtracted from Apollo's payment and transferred to Service Corp.[62] As with the nonrecoverable cost component, the level of these expense factors as used in the calculation of the Service Corp. charge are reasonable.

GTECA consistently applies an administrative overhead factor in all its interstate pricing based on results of historical annual charge studies. Administrative factors typically employed in interstate tariff filings include plant nonspecific, corporate operations, customer operations, and miscellaneous and support assets expenses. During late 1993 and early 1994, including the period in which the Cerritos tariffs were filed, GTECA employed an administrative factor of over 13% in other interstate tariff

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[61] *See, e.g.*, GTOC Transmittal No. 886, June 16, 1994.

[62] Montgomery study, at 8-9.

submissions.[63] However, this factor was reduced for the Cerritos filings to reflect the fact that many customer operations activities performed in relation to GTECA's telephone services would not be replicated in Cerritos (*e.g.*, marketing, sales, and end user billing expense).

In its analysis, Montgomery has selectively chosen specific expense items from GTECA's ARMIS reports in order to arrive at a even lower loading factor. The ARMIS factors computed by Montgomery are generally consistent with those incorporated in GTECA's 9.33% factor for plant non-specific and corporate operations expense. However, Montgomery's adjusted factor ignores other pertinent administrative expenses that GTECA categorizes as "miscellaneous support" expenses, such as motor vehicles and general purpose computers, a portion of which should rightfully be recovered from users of the Cerritos system.

As Montgomery observes, cable customer installation activities are covered by a separate charge assessed equally to both Apollo and Service Corp.[64] However, costs associated with the installation of new drop facilities at subscriber locations are not embedded in historical administrative expense factors and were not reflected in the calculation of the basic lease tariff charges. Therefore, no adjustments to overhead factors to reflect costs of future subscriber installations are warranted.

Montgomery also relies on GTECA's ARMIS data to derive maintenance expense factors that it claims should be applied to the Cerritos operations. Although expenses derived from annual charge studies are generally relevant in approximating

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[63] *See* GTOC Tariff FCC No. 1, Transmittal No. 831, September 30, 1993.

[64] Montgomery study, at 6.

expense levels for pricing purposes, the maintenance amounts contained in ARMIS are, for the most part, based on the total costs of maintaining telephony networks in the entire GTECA study area. Because of this, in its Cerritos tariff submissions, GTECA used a more accurate estimate of expenses that are expected to be incurred in maintaining a coaxial video network. Annual maintenance expenses were estimated based on existing network characteristics, repair and maintenance resources, and material and labor costs.[65] Because this estimate is based on the actual results of maintaining the Cerritos operation, it is therefore more appropriate, and accurate, than using total company maintenance expenses contained in ARMIS as Montgomery suggests.

Montgomery implies that a reduction in the annual return and tax costs calculated under the tariff submitted for Service Corp. might also be appropriate.[66] However, GTECA consistently utilizes the Commission's authorized rate of return for interstate access services in all pricing and economic cost calculations, as well as applicable federal and state tax factors. The Commission has recently rejected arguments that return components other that 11.25% should be used in LEC cost calculations related to video operations.[67] Montgomery presents no reason why the

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[65] GTECA's derivation of expected maintenance expenses in Cerritos was previously explained in GTECA's response to petitions submitted in opposition to Transmittal Nos. 873 and 874. Consolidated Reply to Petitions to Reject or Suspend Tariffs, June 1, 1994, at 16.

[66] Montgomery study, at 6.

[67] *See In the Matter of the Applications of Contel of Virginia, Inc., doing business as GTE Virginia, GTE Florida Incorporated, GTE California Incorporated, GTE Hawaiian Telephone Company, Inc.*, File Nos. W-P-C-6955, 6956, 5957, 6958, Order and Authorization, DA 95-1012, released May 5, 1995, at ¶ 87.

standard authorized rate of return should not be used in setting prices for interstate tariffed services in Cerritos.

Finally, Montgomery attempts to compare expense loading factors to the GTE Telephone Operating Companies' recent tariff filing for Wholesale Video Transport (WVT).[68] However, Montgomery's analysis of the expense amounts in that filing contains mathematical errors - it erroneously determines WVT overhead factor amounts by adding and subtracting percentages, rather than comparing actual expense amounts as a percentage of total investment. A correct comparison reveals that the overhead loadings for WVT and those used under the tariff submitted for Service Corp. are indeed comparable.[69] Nevertheless, the two services are very different from both a service and cost perspective. WVT provides for the transport of video signals (and transport only) over fiber optic facilities from a cable operator's headend to another headend or fiber node. In contrast, the Cerritos video channel service provides for the provision of the actual headend equipment and transport over coaxial cable from the headend to each end user's premises.

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[68] Montgomery study, at 9.

[69] *See* Joint Tariff FCC No. 1, Transmittal No. 1, May 19, 1995. For example, in the transport rate calculation for Kentucky (Investment and Cost Data Summary), the summation of overhead expense amounts from lines 22 through 29, excluding depreciation, when compared to total investment equates to 22.72%, not the 11.66% claimed by Montgomery.

4. Lease charges contained in Apollo's original contracts and the tariffs contain no additional "economic value" other than recovery of GTECA's $12 million investment on behalf of Apollo and Service Corp.

Montgomery maintains that the rate calculations identified under the tariff submitted for Service Corp. can somehow be used to approximate this additional "economic value" of Apollo's contingent right of first refusal.[70] In actuality, Montgomery's analysis completely ignores the facts underlying the lease agreements themselves, and the charges developed for, and paid by, Apollo and Service Corp.

Regurgitating Apollo's assertions, Montgomery contends that under the original Lease Agreement Apollo was *guaranteed* the right to obtain the 39 channels used by Service Corp. at the end of the waiver period. However, as noted above, the Lease Agreements required GTECA to compute, and Apollo to pay, a rental amount based on the actual costs of construction. The original lease charges were designed to directly recover the underlying investment of over $12 million made by GTECA to the direct benefit of Apollo and Service Corp., plus an "economic rate of return." Nothing in the Lease Agreements implied, expressly or otherwise, that Apollo would obtain full use of the network at any specified time in the future. GTECA only granted Apollo a right of first refusal to the remaining bandwidth, if, and when, such bandwidth becomes available. Therefore, nothing in the Lease Agreements impart an additional "economic value" to the original contract price over and above the simple recovery of investment plus a return.

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[70] Montgomery study, at 5.

Montgomery's claim that Apollo would never agree to the Lease Agreement unless it was guaranteed this valued "option" is specious. If such an option was indeed integral to Apollo's acceptance of the overall operating arrangement in Cerritos so as to assign it some economic value (as Montgomery speculates), Apollo would, and should, have insisted on its inclusion in the original Lease Agreement. However, despite Apollo's contentions, Service Corp. *never* agreed to automatically relinquish its channels at either expiration of the 5-year waiver or at any other specified time.[71]

Any additional value to Apollo of a *future* opportunity to obtain use of any or all of the remaining 39 channels was reflected in the contingent right of first refusal, not the lease charge itself. This right has not been abrogated by the tariff filing; the tariff submitted for Apollo expressly retains Apollo's right of first refusal as provided for in the Lease Agreement. As nothing has changed with respect to this right of first refusal, no additional economic "refund" could be due Apollo, as Montgomery claims. If, and when, the 39 channels currently used by Service Corp. are vacated, Apollo will be offered these channels in accordance with the terms of the tariff.

C. Apollo Is Not Due a Refund as a Result of the Establishment of Reasonable Cost-Based Charges for Service Corp.

As GTECA demonstrated in its Supplemental Direct Case, a monthly charge of $81,764 to Service Corp. will enable GTECA to recover its investment in one-half of the Cerritos system Further, this charge equates to that paid by Apollo for its portion of the network.[72] Montgomery's assertion that Apollo is due a refund of the investment

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[71] *See* discussion *supra*, at Part III.B.

[72] Supplemental Direct Case, Exhibit A.

amounts for which Apollo has rightfully compensated GTECA is tantamount to nothing less than a demand that either GTECA's shareholders or general ratepayers be required to underwrite a portion of Apollo's cable television operations. In addition to being discriminatory, this would also constitute a unlawful rebate of charges, in violation of Section 203(c) of the Act.

Montgomery's claim that much of the cost recovery of the Cerritos video channel service offerings should be shifted from Apollo to Service Corp. is similarly without merit.[73] Even assuming that Montgomery's rate adjustments were legitimate, which they are not, the resulting prices would result in Service Corp. paying almost twice what Apollo would pay *for the identical service* (39 channels). There simple is no justification for reducing the charges of one customer as a result of supposed expense disallowances while shifting such expenses onto the existing charge of another similarly situated customer. Not only does this defy basic economic reasoning, such a result would be patently unlawful in violation of Section 202 which prohibits common carriers from discriminating between customers of the same or like services on the basis of price.[74]

VI. Conclusion.

As demonstrated above, and the reasons more fully set forth in GTECA's Supplemental Direct Case, the charges established under Transmittal 874/909/918 are

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[73] Apollo's claim in this regard is based on its assertion that GTECA's termination of the lease agreements uniquely benefits Service Corp. To the contrary, GTECA has shown that it had not only the legal right, but a regulatory obligation, to terminate the agreements and bring itself into compliance with the Act and the Commission's Rules.

[74] To the extent the Commission was to find that any of the expense loading factors used under Service Corp. tariff were too high, a *reduction* in the rates applicable to Service Corp. would be warranted.

lawful in that they result in appropriate cost-recovery for GTECA and that they do not discriminate between the two customers of the Cerritos video network, Apollo and Service Corp. As such, the Commission should permit GTECA's video channel service tariffs to remain in effect as filed and terminate this investigation as expeditiously as practicable.

Respectfully submitted,

The GTE Telephone Operating Companies, on behalf of GTE California Incorporated and GTE Service Corporation

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SUPPLEMENTAL REBUTTAL OF GTE

ATTACHMENT A

SCHEDULE 1

GTE TELEPHONE OPERATING COMPANIES
INVESTMENT AND COST DATA
SUMMARY
Total System

SERVICE: CERRITOS VIDEO CHANNEL SERVICE
RATE ELEMENT: ANNUAL COSTS

STATE: CALIFORNIA

I. Cost and Salvage Value of Equipment

1. Buildings - 2121 *	$7,232.09	
2. Furniture - 2122 *	$1,285.16	
3. Analog Switching - 2211 *	$20,747.37	
4. Circuit - 2232 *	$809,032.93	
5. Underground Metallic Cable - 2422 *	$2,011,623.27	
6. Conduit - 2441 *	$3,099,062.64	
7. Total Material Cost (L1...L6)	$5,948,983.46	
8. Net Salvage Value (Including Cost of Removal)	$0.00	
9. Net Material Cost (L7 - L8)	$5,948,983.46	

II. Total Annual Cost

		% of Total Investment
10. Depreciation - Buildings - 2121	$212.71	0.00%
11. Depreciation - Furniture - 2122	$91.80	0.00%
12. Depreciation - Analog Switching - 2211	$1,595.95	0.03%
13. Depreciation - Circuit - 2232	$80,903.29	1.36%
14. Depreciation - Underground Metallic Cable - 2422	$143,687.38	2.42%
15. Depreciation - Conduit - 2441	$61,981.25	1.04%
16. Return	$334,630.32	5.62%
17. Federal and State Income Tax	$214,498.03	3.61%
18. Annual Nonrecoverable Cost	$303,764.03	5.11%
19. Administration	$555,239.80	9.33%
20. Other	$0.00	0.00%
21. Property Tax	$30,711.41	0.52%
22. Maintenance	$235,000.09	3.95%
23. Total Annual Cost less Operating Cost (L10...L22)	$1,962,336.07	32.99%
24. Monthly Cost for 39 Channels (L23 / 12 / 2)	$81,764.00	
25. Write Off by GTE for Maintenance and Administration,	$809,345.54	
26. Write Off by GTE of Impaired equipment,	$95,198.00	

* Estimated July 1, 1994 Netbook including Material, Installation and Engineering

SCHEDULE 2

GTE TELEPHONE OPERATING COMPANIES
INVESTMENT AND COST DATA
SUMMARY
Total System

SERVICE: CERRITOS VIDEO CHANNEL SERVICE
RATE ELEMENT: ANNUAL COSTS

STATE: CALIFORNIA

I. Cost and Salvage Value of Equipment

1. Buildings - 2121 *	$8,216.00	
2. Furniture - 2122 *	$1,460.00	
3. Analog Switching - 2211 *	$23,570.00	
4. Circuit - 2232 *	$919,100.00	
5. Underground Metallic Cable - 2422 *	$2,285,300.00	
6. Conduit - 2441 *	$3,520,683.00	
7. Total Material Cost (L1...L6)	$6,758,329.00	
8. Net Salvage Value (Including Cost of Removal)	$0.00	
9. Net Material Cost (L7 - L8)	$6,758,329.00	

II. Total Annual Cost

		% of Total Investment
10. Depreciation - Buildings - 2121	$241.65	0.00%
11. Depreciation - Furniture - 2122	$104.29	0.00%
12. Depreciation - Analog Switching - 2211	$1,813.08	0.03%
13. Depreciation - Circuit - 2232	$91,910.00	1.36%
14. Depreciation - Underground Metallic Cable - 2422	$163,235.71	2.42%
15. Depreciation - Conduit - 2441	$70,413.86	1.04%
16. Return	$380,166.01	5.63%
17. Federal and State Income Tax	$243,680.00	3.61%
18. Annual Nonrecoverable Cost	$345,113.15	5.11%
19. Administration	$630,778.91	9.33%
20. Other	$0.00	0.00%
21. Property Tax	$34,869.63	0.52%
22. Maintenance	$235,000.04	3.48%
23. Total Annual Cost less Operating Cost (L10...L22)	$2,197,336.12	32.51%
24. Monthly Cost for 39 Channels (L23 / 12 / 2)	$91,555.67	
25. Write Off by GTE for Maintenance and Administration,	$0.00	
26. Write Off by GTE of impaired equipment,	$96,198.00	

* Estimated July 1, 1994 Netbook including Material, Installation and Engineering

Certificate of Service

I, Judy R. Quinlan, hereby certify that copies of the foregoing "Supplemental Rebuttal of GTE" have been mailed by first class United States mail, postage prepaid, on the 21st day of September, 1995 to the parties on the enclosed list.

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