

In re: Determination of the cost of basic local telecommunications service, pursuant to Section 364.025, Florida Statutes.

DOCKET NO. 980696-TP

FILED: SEPTEMBER 24, 1998

STAFF'S MOTION TO COMPEL GTE FLORIDA, INCORPORATED  
TO RESPOND TO DISCOVERY REQUEST

The Staff of the Florida Public Service Commission hereby requests that the Prehearing Officer compel GTE Florida, Incorporated (GTEFL) to comply with Staff's Interrogatory 39 of Staff's Second Set of Interrogatories to GTEFL. In support of its motion, the Commission staff states as follows:

1. Interrogatory 39 of Staff's Second Set of Interrogatories to GTEFL reads:

Please complete the attached "Schedule A" to show the indicated DCF result, S&P bond rating, market-to-book ratio, price-earnings ratio, equity ratio, times-interest-earned ratio, earned return on equity, BARRA beta, IBES five-year growth rate, Value Line dividend growth rate, Value Line beta, the Value Line safety ranking, and the predominant industry the company is engaged in for GTE Florida, Incorporated (GTE), GTEFL's parent company, and each of the firms in the index used in Witness Vander Weide's analysis to estimate the required return on equity for GTEFL. For purposes of this schedule, use the IBES growth rates relied upon in Witness Vander Weide's testimony. The Value Line data and S&P bond rating should come from the most recent source available for the particular firm. The indicated DCF result is the ROE calculated by the witnesses' DCF analysis. The remaining ratios should be based upon information filed with the Securities and Exchange Commission (SEC) as of December 31, 1997. The equity ratio should be calculated as a percentage of investor capital, i.e., common equity divided by the sum of common equity, preferred stock, long-term debt and short-term debt.

ACK \_\_\_\_\_  
AFA 1 \_\_\_\_\_  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CML 1 \_\_\_\_\_  
CTR \_\_\_\_\_  
EAG \_\_\_\_\_  
LEG 2 \_\_\_\_\_  
LIR 5 \_\_\_\_\_  
OC \_\_\_\_\_  
RCH \_\_\_\_\_  
SEC 1 \_\_\_\_\_  
WAS \_\_\_\_\_  
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DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

STAFF'S MOTION TO COMPEL GTE FLORIDA, INCORPORATED TO RESPOND TO  
DISCOVERY REQUEST  
DOCKET NO. 980696-TP  
PAGE 2

2. The Commission staff served GTEFL with this discovery request on August 20, 1998. GTEFL served its objection to Interrogatory 39 on September 8, 1998.

3. GTEFL objects to Interrogatory 39 on the grounds that the request is not relevant to GTEFL's filing in this proceeding. GTEFL states in its objection that GTEFL witness Vander Weide did not rely on the requested information as a basis for his testimony and that this information is not relevant to witness Vander Weide's testimony or any other filing made by GTEFL in this proceeding.

4. GTEFL's assertion that the completed schedule requested by Staff's Interrogatory 39 is not relevant to Witness Vander Weide's testimony is incorrect. Witness Vander Weide is testifying in this proceeding on the cost of capital input to the cost proxy model for GTEFL. In his testimony, witness Vander Weide assumes that GTE Corporation and the companies in his index of companies are comparable in risk. Only with the schedule completed as requested can the Commission adequately perform an objective analysis of his conclusion.

5. During his deposition, witness Vander Weide discounted the DCF analysis of ATT/MCI's witness Hirshleifer because he believed the range of betas for his index of companies of .55 to 1.11 was too wide to make the analysis reliable. A review of BellSouth's and Sprint's witness Billingsley's DCF analysis shows that the range of betas for witness Billingsley's index of companies is .51 to 1.10. Without this schedule for GTE, staff will not be able to determine the range of betas for witness Vander Weide's index.

6. The generally accepted financial measures for each of the companies in his index requested in this schedule are readily available to him or the staff of GTEFL.

7. The Commission staff has requested and received this information from the witnesses testifying on behalf of BellSouth and ATT/MCI in Docket No. 960833-TP, and from the witnesses testifying on behalf of BellSouth, Sprint, and ATT/MCI in this proceeding.

STAFF'S MOTION TO COMPEL GTE FLORIDA, INCORPORATED TO RESPOND TO  
DISCOVERY REQUEST  
DOCKET NO. 980696-TP  
PAGE 3

8. This information is entirely relevant to the determination of the appropriate cost of capital in this proceeding. Furthermore, the information the staff seeks is reasonably calculated to lead to the discovery of admissible evidence. Rule 1.280(b), Florida Rules of Civil Procedure, Scope of Discovery, provides in pertinent part:

(1) In General. Parties may obtain discovery regarding any matter, not privileged, that is relevant to the subject matter of the pending action. . . It is not ground for objection that the information sought will be inadmissible at the trial if the information sought appears reasonably calculated to lead to the discovery of admissible evidence. . .

WHEREFORE, having shown cause, the staff of the Florida Public Service Commission respectfully requests that the Prehearing Officer issue an order requiring GTE Florida, Incorporated to provide a response to the Commission Staff's Interrogatory 39 contained the Commissions Staff's Second Set of Interrogatories to GTE Florida, Incorporated without further delay.

RESPECTFULLY SUBMITTED, this 24<sup>th</sup> day of September, 1998.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Determination of the  
cost of basic local  
telecommunications service,  
pursuant to Section 364.025,  
Florida Statutes.

DOCKET NO. 980696-TP

FILED: SEPTEMBER 24, 1998

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that one true and correct copy of Staff's Motion To Compel GTE Florida, Incorporated To Respond To Discovery Request has been served **VIA U.S. MAIL and FACSIMILE**, this 24th day of September, 1998, to, the following:

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DOCKET NO. 980696-TP  
CERTIFICATE OF SERVICE  
PAGE 2

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DOCKET NO. 980696-TP  
CERTIFICATE OF SERVICE  
PAGE 3

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