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BELLSOUTH TELECOMMUNICATIONS, INC.
DIRECT TESTIMONY OF D. DAONNE CALDWELL
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 040301-TP
SEPTEMBER 8, 2004

Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is D. Daonne Caldwell. My business address is 675 W. Peachtree St., N.E., Atlanta, Georgia. I am a Director in the Finance Department of BellSouth Telecommunications, Inc. (hereinafter referred to as "BellSouth"). My area of responsibility relates to the development of economic costs.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE.

A. I attended the University of Mississippi, graduating with a Master of Science Degree in mathematics. I have attended numerous Bell Communications Research, Inc. ("Bellcore") courses and outside seminars relating to service cost studies and economic principles.

My initial employment was with South Central Bell in 1976, in the Tupelo, Mississippi, Engineering Department, where I was responsible for Outside Plant Planning. In 1983, I transferred to BellSouth Services, Inc. in Birmingham, Alabama, and was responsible for the Centralized Results System Database. I moved to the Pricing and Economics

1 Department in 1984, where I developed methodology for service cost studies until 1986,
2 when I accepted a rotational assignment with Bellcore. While at Bellcore, I was
3 responsible for development and instruction of the Service Cost Studies Curriculum
4 including courses, such as “Concepts of Service Cost Studies,” “Network Service
5 Costs,” “Nonrecurring Costs,” and “Cost Studies for New Technologies.” In 1990, I
6 returned to BellSouth and was appointed to a position in the cost organization, now a
7 part of the Finance Department, with the responsibility of managing the development of
8 cost studies for transport facilities, both loop and interoffice. My current responsibilities
9 encompass cost methodology development and the overall coordination of cost study
10 filings.

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12 **Q. HAVE YOU HAD ANY PREVIOUS EXPERIENCE IN TESTIFYING?**

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14 A. Yes. I have provided testimony on cost issues in arbitration hearings, generic cost
15 dockets, and Universal Service Fund proceedings. I have testified before the state
16 public service commissions in Alabama, Florida, Georgia, Kentucky, Louisiana,
17 Mississippi, and South Carolina, the Tennessee Regulatory Authority, and the Utilities
18 Commission in North Carolina. Most importantly, with respect to the matters at issue in
19 this proceeding, I testified in Docket No. 990649-TP, the generic cost docket,
20 supporting BellSouth’s recurring and nonrecurring cost studies which were used by the
21 Florida Public Service Commission (“Commission”) to set the rates for unbundled
22 network elements and interconnection.

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25 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

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2 A. The purpose of my testimony is to respond to the issues set forth in the procedural order
3 (Order No. PSC-04-0809-PCO-TP) dated August 19, 2004. In doing so, I explain
4 how the nonrecurring costs that support the rates associated with the hot-cut process
5 were determined and why they are the appropriate charges for this service.

6

7 **Q. WHAT IS BELL SOUTH'S POSITION IN RESPONSE TO THE ISSUES IN**
8 **THIS PROCEEDING?**

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10 A. It is BellSouth's position that cost-based rates, which were set by the Commission,
11 already exist that reflect the activities necessary to convert either a retail loop or a UNE-
12 P loop to an unbundled loop (UNE-L). The rates that are applicable to the hot-cut
13 process are the nonrecurring charges for the unbundled loop, the service order
14 processing charge and the nonrecurring cross connect rate¹. Assuming that Supra would
15 be converting to either an SL1 (2-wire analog loop, service level 1) or an SL2 loop (2-
16 wire analog loop, service level 2), the commission-established charges would be as
17 follows:

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Element	SL1 Loop	SL2 Loop
Loop	\$49.57	\$135.75

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¹ In reviewing the transcript of my August 16, 2004 deposition, there appears to be some confusion over the term "cross connect". In general, outside plant facilities have to be "cross connected" to the equipment in the central office. That connection may take place at the main distribution frame ("MDF") or at a digital cross connect system ("DSX"), but it has to occur somewhere for every loop. However, in the generic cost dockets, the term cross connect element is a specific rate element that refers to the connection from BellSouth's frame to the collocation space.

Cross Connect	\$ 8.22	\$ 8.22
Service Order (Electronic)	\$ 1.52	\$ 1.52
Total	\$59.31	\$145.49

Thus, it is unnecessary to “create” new rates solely to facilitate Supra’s desire to seek a lower overall rate for the hot-cut process. Specifically, in Docket No. 990649-TP the Commission set nonrecurring rates associated with the provisioning of unbundled loops and also for processing a Local Service Request (“LSR”). In Docket No. 001797-TP, the Covad Section 252 arbitration proceeding, the Commission established rates for the provisioning of cross connects. Since these are the elements --- i.e., an unbundled loop and a cross connect --- that Supra is purchasing when it requests a conversion of a UNE-P (or retail) loop to an unbundled loop, these are the rates (both recurring and nonrecurring) that are applicable. Indeed, the hot-cut process, i.e., the process of moving a UNE-P (or retail) loop from BellSouth’s switch to Supra’s switch, is comprised of the same work activities necessary to provision the unbundled loop and cross connect. The testimony of BellSouth witness Ken Ainsworth discusses the hot-cut process in detail.

Q. THE ISSUES APPEAR TO CONTEMPLATE A NEW RATE STRUCTURE BASED ON WHETHER OR NOT THE LOOP IS SERVED BY COPPER OR UNIVERSAL DIGITAL LOOP CARRIER (“UDLC”). IS THIS CONSISTENT WITH THE WAY IN WHICH THE COSTS WERE DEVELOPED?

A. No. BellSouth’s rate structure, which was approved by the Commission and thus, the costs that support that structure, anticipate the provisioning of an “average” loop. In other words, the loop’s nonrecurring cost reflects the probabilities of how the loop is

1 deployed – copper, UDLC, or integrated digital loop carrier (“IDLC”)². Thus, the work
2 time estimates provided by Network subject matter experts considered the fact that the
3 loop could potentially be served by copper, UDLC, or IDLC. Indeed, this fact was
4 articulated in the Commission’s Order No. PSC-01-1181-FOF-TP (Docket No.
5 990649-TP), dated May 25, 2001 (“*Cost Order*”): “Witness Greer explains that the
6 ALEC circuits have a unique identity, some of which have been identified by BellSouth
7 as being copper only. An ALEC using an SL-1 loop to provide DSL services risks the
8 [copper] loop being rolled over to fiber. Witness Greer explains that the SL-1 loop is
9 defined as a simple POTS-like service and, therefore, can be served on DLC; it has a
10 circuit ID that implies an intention of providing POTS service. Only by purchasing a
11 designed DSL loop will BellSouth guarantee that the loop will not be rolled over to
12 fiber.” (Page 48)

13
14 One area where the loop’s facility make-up is reflected in the cost study is in the
15 probability of dispatch. In its discussion of nonrecurring costs for loops, the Commission
16 explicitly recognized that BellSouth had used probabilities to assign dispatch and non-
17 dispatch provisioning for SL1 loops; “one of the changes to the SL1 loop nonrecurring
18 study was an increase in the filed dispatch rate from 20 percent to 38 percent...” (*Cost*
19 *Order*, page 335) Later in the *Cost Order* the Commission compared the 100 percent
20 dispatch rate used for the xDSL loops with the 38 percent dispatch rate for SL1 loops.
21 (*Cost Order*, page 348) While the Commission modified work times, the Commission
22 did not alter either the 100 percent dispatch for xDSL loops or the 38 percent dispatch
23 probability for SL1 loops (*Cost Order*, pages 349-350) Thus, the Commission

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² It is the facilities associated with the loop that is being converted (the UNE-P loop, which can be served either by copper, UDLC, or IDLC) that is relevant.

1 recognized that BellSouth's cost methodology was based on an average loop which
2 resulted in a "melded" dispatch probability and set rates consistent with this approach.
3 Indeed in the *Cost Order*, the Commission states: "We believe that determining the
4 work activities, work times **and probabilities that the work will occur** is an
5 appropriate way to determine nonrecurring costs...." (Emphasis added, page 333)

6
7 For an unbundled loop, the amount of integrated digital loop carrier ("IDLC") directly
8 impacts the dispatch probability. Even though other conditions may require dispatch, if
9 the loop is served by IDLC, dispatch will likely be required to unbundle that loop. In
10 Florida, over 34.5%³ of the loops are served by IDLC, supporting the commission-
11 approved BellSouth's cost study input of 38% dispatch.

12
13 Additionally, the fact that unbundling a loop that is served by digital loop carrier involves
14 additional work activities was discussed in the generic cost docket:

15
16 Before a voice grade circuit can go to an ALEC switch, this loop must
17 be removed from the DLC digital DS1, converted to voice grade, and
18 terminated on the main distribution frame ("MDF"). (*Cost Order*, page
19 125)

20 Furthermore, BellSouth's decision to utilize an "average" loop rate structure treats all
21 CLECs equitably (*i.e.*, one CLEC is not advantaged over another solely because of the
22 type of loop facilities used to provision the loop that is being converted to an unbundled
23 SL1 loop). If this Commission should adopt Supra's proposal, one CLEC would be
24 charged one nonrecurring rate if the loop that is to be unbundled is served via copper,

25 ³ In response to AT&T's 1st Interrogatories, in Docket No. 030851-TP, Item #20, BellSouth provided the percent of analog loops served by IDLC arrangements for 2000-3Q2003. The 34.5% corresponds to the 3Q2003 statewide average.

1 another rate if the loop is served via IDLC, and potentially another rate if the loop were
2 served via UDLC. Finally, this approach is inconsistent with the manner in which
3 BellSouth charges its retail customers for a service that contains a basic loop.

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5 **Q. CAN THE EXISTING NONRECURRING COST STUDY BE USED TO**
6 **SUPPORT THE RATE STRUCTURE SUPRA ENVISIONS?**

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8 A. No. One cannot simply dissect the cost study in order to reverse engineer the
9 provisioning process as Supra has attempted to do. Again, the cost study inputs were
10 provided based on the premise that an average loop would be considered. Thus, it is
11 impossible to merely partition the existing study into dispatch and non-dispatch activities
12 and eliminate work times since many of the steps are required regardless of the loop's
13 facilities and certain activities are interdependent (*e.g.*, coordination efforts).
14 Furthermore, several of the work centers are included as a result of the small percentage
15 of orders that fall-out and require manual handling during the provisioning process.

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17 **Q. PAGE 11 OF SUPRA'S RESPONSE TO BELLSOUTH'S ANSWER AND**
18 **RESPONSE TO SUPRA'S PETITION, DATED MAY 5, 2004 ("SUPRA**
19 **RESPONSE") LISTS "SEVERAL WORK TASKS THAT WOULD NOT BE**
20 **PERFORMED WHEN BELLSOUTH COMPLETED A UNE-P TO UNE-L**
21 **CONVERSION." PLEASE COMMENT.**

22
23 A. While I am not the expert on the work times or the tasks that are necessary in
24 provisioning unbundled loops and cross connects, I feel compelled to respond to
25 Supra's depiction of BellSouth's cost study as riddled with errors. As I have explained

1 previously, the study was conducted under the assumption that an “average” loop would
2 be considered. Thus, Supra’s allegations that the cost study assumption that (1)
3 “Outside Plant personnel are involved and need travel time” is an error and that (2)
4 “treat[ment] [of] nonrecurring UDLC costs as the same as IDLC costs” is wrong are
5 incorrect and invalid. Frankly, Supra should have raised these concerns in the
6 Commission’s generic cost docket.

7
8 Regardless, the study assumptions are based on the probabilities of how the loop is
9 provisioned (*i.e.*, the study reflects an “average” loop as accepted by the Commission).
10 Thus, travel will be required a certain percent of the time and the work times and tasks
11 consider a mix of UDLC/IDLC deployment. The Supra Response also states that the
12 study “assumes that a truck roll is required on 100% of the conversions.” Again, Supra
13 is wrong. While the study reflects 100% dispatch for designed loops, non-designed (e.g.
14 the SL1) loops reflect a 38% dispatch rate.

15
16 This Commission reviewed and approved BellSouth’s nonrecurring cost development
17 approach based on an “average” loop, made input (not methodology) changes, and
18 established cost-based rates. Nothing in Supra’s arguments should alter the
19 Commission’s previous findings.

20
21 **Q. ARE THERE ANY RATES ASSOCIATED WITH THE HOT-CUT PROCESS**
22 **CURRENTLY UNDER REVIEW BY THIS COMMISSION?**

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24 A. Yes. Collocation was not addressed in the generic cost docket (Docket No. 990649-
25 TP). Instead, the Commission initiated separate dockets (Docket Nos. 981834-TP and

1 990321-TP) to handle provisioning issues associated with collocation and to establish
2 collocation rates for all of the incumbents in Florida; BellSouth, Sprint, and Verizon. An
3 order is still pending which will set the final rates for collocation elements including cross
4 connects.

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6 **Q. PLEASE SUMMARIZE YOUR POSITION.**

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8 A. The main point is that the Commission established cost-based rates for provisioning the
9 elements that constitute the hot-cut process: the unbundled loop, the cross-connect, and
10 the service order processing, based on the extensive evidence presented in two dockets
11 – the generic cost docket (Docket No. 990649-TP) and the Covad Section 252
12 arbitration docket (Docket No. 001797-TP). In the generic cost docket, the
13 Commission accepted BellSouth’s approach that reflected unbundling an “average” loop.
14 The Commission recognized that the cost study inputs considered a loop that could be
15 served by copper, UDLC, or IDLC. The existing cost study cannot be dissected to
16 determine a cost for a loop that is not served by IDLC. Supra’s desire to establish a
17 Supra-specific hot cut rate, in order to reduce the nonrecurring loop rate, and thus, the
18 cost of a hot-cut, is no justification to enter into such an exercise in a complaint case.
19 The cost study that resulted in the current cross connect rate reflects activities
20 incremental to the loop provisioning process. The order in the Covad Section 252
21 arbitration set rates for provisioning cross connects in October 2001. If Supra had
22 concerns with any of these rates, it should have raised those concerns at that point in
23 time the Commission ruled, not some three years later.

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25 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

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2 A. Yes.

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