

1 **Q. IS IT POSSIBLE TO “TURN OFF” THE C. A. TURNER AND**
2 **CALIBRATION ADJUSTMENTS IN ICM-FL AS MR. FISCHER**
3 **RECOMMENDS AT PAGES 20 AND 22 OF HIS REBUTTAL**
4 **TESTIMONY?**

5 A. Yes. The option to select or not select the calibration adjustment is made
6 via ICM-FL’s run-time options screen for expenses. The C. A. Turner
7 adjustment can easily be “turned off” by modifying the inputs found in the
8 FLGTEEXP.db table. Specifically, the “Adjust 1” value needs to be set
9 equal to one for each of the 2xxx accounts.

10

11 **Q. WHAT IS THE RESULT OF THESE CHANGES?**

12 A. The TELRIC for the two-wire loop decreases by 71 cents to \$22.23 per
13 month. Additionally, the total direct costs modeled by ICM-FL decrease
14 by \$18.2 million, total common costs decrease by \$2.5 million, and the
15 shortfall between modeled expenses and the sum of the numerators in
16 the expense-to-investment ratios equals \$59.9 million. Recognizing these
17 changes, including an adjustment for the \$59.9 million shortfall, results in
18 an increase in the fixed allocator from 14.09 to 20.17 percent. Surrebuttal
19 Exhibit DGT-6 summarizes the calculation of the shortfall in modeled
20 expenses, the change in direct and common costs, and the impact on the
21 fixed allocator. The net impact on the average 2-wire loop UNE rate is an
22 increase of 48 cents, to \$26.65 per month.

23

24 **Q. IS MR. FISCHER’S ASSERTION THAT THE COMMON COST**
25 **ALLOCATORS FOR VERIZON AND BELLSOUTH BE WITHIN A FEW**

Impact of C. A. Turner and Calibration on Fixed Allocator

FILED FIXED ALLOCATOR CALCULATION

(Attachment DBT-1, Trimble Direct)

$$\text{Fixed Allocator} = \frac{\text{Common Costs}}{\text{Direct Costs}} = \frac{\$169,821,794}{\$1,205,040,469} = 14.09\%$$

FIXED ALLOCATOR WITH ADJUSTMENT FOR

CALIBRATION SHORTFALL OF (\$11,752,844)

(Based on Filed Costs -- See Page 2)

$$\begin{array}{l} \text{Adjusted Common Costs} \\ \text{Adjusted Direct Costs} \end{array} = \frac{\$181,574,638}{\$1,193,287,625} = 15.22\%$$

FIXED ALLOCATOR WITH ADJUSTMENT FOR

CALIBRATION SHORTFALL OF (\$79,108,406)

(With No Calibration -- See Page 2)

$$\begin{array}{l} \text{Adjusted Common Costs} \\ \text{Adjusted Direct Costs} \end{array} = \frac{\$248,930,200}{\$1,125,932,062} = 22.11\%$$

FIXED ALLOCATOR WITH ADJUSTMENT FOR

CALIBRATION SHORTFALL OF (\$59,940,281)

CHANGE IN DIRECT COSTS OF (\$18,164,124)

CHANGE IN COMMON COSTS OF (\$2,465,947)

(With No Calibration and No C. A. Turner Adjustment-- See Page 2)

$$\begin{array}{l} \\ \\ \end{array} = \frac{\$227,296,128}{\$1,126,936,064} = 20.17\%$$

Original version reduced denominator for change in common costs instead of direct.

Note: The calibration shortfall increases the numerator and decreases the denominator of the allocator.
 The change in direct costs decreases the denominator of the allocator.
 The change in common costs decreases the numerator of the allocator.

Impact of C. A. Turner and Calibration on Fixed Allocator

Calculation of Calibration Shortfall and Change in Direct and Common Cost:

Account	Cost Pool	Modeled Investment	Filed			With No Calibration			With No Calibration and No C. A. Turner Adjustment		
			Numerator (Expenses)	Denominator (Investment)	E / I Ratio	Numerator (Expenses)	Denominator (Investment)	E / I Ratio	Numerator (Expenses)	Denominator (Investment)	E / I Ratio
242120	Aerial Non-Metallic	1,982,472	12,950	671,084	0.019297	12,950	1,078,498	0.012007	12,869	1,052,707	0.012225
242110	Aerial Metallic	216,821,324	13,158,664	197,155,077	0.066743	13,158,664	316,847,831	0.041530	13,076,129	222,674,752	0.058723
242320	Buried Non-Metallic	33,801,722	221,221	7,061,615	0.031327	221,221	11,348,718	0.019493	219,834	11,012,540	0.019962
242310	Buried Metallic	981,811,200	57,327,496	1,090,940,784	0.052549	57,327,496	1,753,250,413	0.032698	56,967,919	1,353,340,863	0.042094
242220	Underground Non-Metallic	10,750,259	460,934	66,010,248	0.006983	460,934	106,085,038	0.004345	458,043	100,203,115	0.004571
242210	Underground Metallic	312,102,793	2,295,337	318,132,434	0.007215	2,295,337	511,270,483	0.004489	2,280,940	349,586,655	0.006525
241100	Poles	22,695,697	18,997,772	38,409,854	0.494607	18,997,772	61,728,458	0.307764	19,493,745	29,177,755	0.668103
244100	Conduit	476,435,131	269,448	338,018,669	0.000797	269,448	543,229,642	0.000496	277,677	301,191,862	0.000922
223200	Transmission	496,618,041	26,922,294	498,514,265	0.054005	26,922,294	846,771,815	0.031794	20,421,714	882,497,000	0.023141
221200 & 269030	Switch	503,361,922	71,515,355	503,362,208	0.142075	71,515,355	785,571,812	0.091036	59,808,480	1,033,230,501	0.057885
		3,056,380,561	191,181,472	3,058,276,238		191,181,472	4,937,182,708		173,017,348	4,283,967,750	
	Sum of Modeled Investment x E / I Ratio		179,428,628			112,073,065			113,077,067		
	Calibration Shortfall		(11,752,844) [1]			(79,108,406) [2]			(59,940,281) [2]		
	Change in Direct Costs		0			0			(18,164,124)		
	Common Costs		169,821,793			169,821,793			167,355,846		
	Change in Common Costs		0			0			(2,465,947)		

[1] "Calibration Shortfall" is Inherent in the methodology.

[2] "Calibration Shortfall" arises from failure to select calibration option.