

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by BellSouth  
Telecommunications, Inc., pursuant to  
Florida Statutes §364.051(4) to  
Recover 2005 Tropical System  
Related Costs and Expenses

Docket No. 060598-TL  
Filed: November 17, 2006

COMPSOUTH'S WITHDRAWAL OF A PORTION OF THE  
TESTIMONY OF DON J. WOOD

The Competitive Carriers of the South, Inc. (CompSouth) hereby withdraw the  
following portions of the testimony of Don J. Wood, filed on October 20, 2006:

- Page 3, l. 4-5 ("and Ronald L. Hilyer");
- Page 7, l. 13-17<sup>1</sup>;
- Page 22, l. 2-3, 13-15 ("While I have" through "customers");
- Page 23, l. 1- page 27, l. 8.

A revised version of Mr. Wood's testimony is attached hereto, which should  
replace the testimony filed on October 20, 2006.

*Vicki Gordon Kaufman*

Vicki Gordon Kaufman  
Moyle Flanigan Katz Raymond  
White & Krasker, PA  
118 North Gadsden Street  
Tallahassee, Florida 32301  
Telephone: 850.681.3828  
Fax: 850.681.8788  
[vk Kaufman@moyl elaw.com](mailto:vk Kaufman@moyl elaw.com)

Attorneys for CompSouth

CMP  
 COM  
 CTR  
 ECR  
 GCL  
 OPC  
 RCA  
 SCR  
 SGA  
 SEC  
 OTH

06 NOV 17 PM 1:43  
 COMMISSION  
 CLERK

<sup>1</sup> In this section, the succeeding paragraphs have been renumbered.

RECEIVED & FILED

*JMW*  
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER - DATE  
 10554 NOV 17 06  
 FPSC-COMMISSION CLERK

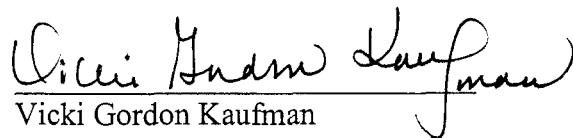
**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing Withdrawal of A Portion of the Testimony of Don J. Wood was furnished by hand delivery this 17<sup>th</sup> day of November, 2006 to:

Adam Teitzman  
Staff Counsel  
Florida Public Service Commission  
Division of Legal Services  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850  
[ateitzma@psc.state.fl.us](mailto:ateitzma@psc.state.fl.us)

James Meza III  
Manuel A. Gurdian  
c/o Nancy Sims  
150 South Monroe Street, Suite 400  
Tallahassee, FL 32301  
[james.meza@bellsouth.com](mailto:james.meza@bellsouth.com)  
[manuel.gurdian@bellsouth.com](mailto:manuel.gurdian@bellsouth.com)  
[nancy.sims@bellsouth.com](mailto:nancy.sims@bellsouth.com)

Charles J. Beck  
Deputy Public Counsel  
Office of Public Counsel  
111 West Madison Street, Room 812  
Tallahassee, FL 32399-1400  
[Beck.Charles@leg.state.fl.us](mailto:Beck.Charles@leg.state.fl.us)

  
Vicki Gordon Kaufman

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition by BellSouth )  
Telecommunications, Inc., pursuant )  
to Florida Statutes §364.051(4) to ) **Docket No. 060598-TL**  
Recover 2005 Tropical System Related ) **Filed: November 17, 2006**  
Costs and Expenses ) **(Revised)**  
)

---

**(REVISED)**

**TESTIMONY AND EXHIBITS**

**OF  
DON J. WOOD**

**ON BEHALF OF**

**THE COMPETITIVE CARRIERS OF THE SOUTH, INC.  
(COMPSOUTH)**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

**INTRODUCTION AND QUALIFICATIONS**

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Don J. Wood. I am a principal in the firm of Wood & Wood, an economic and financial consulting firm. My business address is 30000 Mill Creek Avenue, Suite 395, Alpharetta, Georgia 30022. I provide economic and regulatory analysis of telecommunications and related convergence industries with an emphasis on economic policy, competitive market development, and cost-of-service issues.

**Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE.**

A. I received a BBA in Finance with distinction from Emory University and an MBA with concentrations in Finance and Microeconomics from the College of William and Mary. My telecommunications experience includes employment at both a Regional Bell Operating Company ("RBOC") and an Interexchange Carrier ("IXC").

Specifically, I was employed in the local exchange industry by BellSouth Services, Inc. in its Pricing and Economics, Service Cost Division. My responsibilities included performing cost analyses of new and existing services, preparing documentation for filings with state regulatory commissions and the Federal Communications Commission ("FCC"), developing methodology and computer models for use by other analysts, and performing special assembly cost studies.

1 I was employed in the interexchange industry by MCI  
2 Telecommunications Corporation, as Manager of Regulatory Analysis for the  
3 Southern Division. In this capacity I was responsible for the development and  
4 implementation of regulatory policy for operations in the southern U. S. I  
5 then served as a Manager in MCI's Economic Analysis and Regulatory  
6 Affairs Organization, where I participated in the development of regulatory  
7 policy for national issues.

8

9 Q. **HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE**  
10 **STATE REGULATORS?**

11 A. Yes. I have testified on telecommunications issues before the regulatory  
12 commissions of forty-one states, Puerto Rico, and the District of Columbia. I  
13 have also presented testimony regarding telecommunications issues in state,  
14 federal, and overseas courts, before alternative dispute resolution tribunals,  
15 and at the FCC. A listing of my previous testimony is attached as Exhibit  
16 DJW-1.

17

18 **PURPOSE OF TESTIMONY**

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

20 A. I have been asked by the Competitive Carriers of the South, Inc.

1 (“CompSouth”) to review and respond to the petition<sup>1</sup> of BellSouth  
2 Telecommunications, Inc. (“BellSouth”) to assess a surcharge on wholesale  
3 lines in Florida. In my testimony I will respond to the BellSouth petition (as  
4 amended) and to the direct testimony of Kathy K. Blake (as amended).

5

6 Q. **WHAT IS YOUR UNDERSTANDING OF BELLSOUTH’S REQUEST?**

7 A. According to Ms. Blake’s testimony, BellSouth is seeking to impose a \$0.50  
8 per access line, per month surcharge on customers who purchase certain  
9 services, and to do so for a period of twelve months. Based on my review of  
10 §364.051(4), this is the maximum monthly charge and maximum number of  
11 months permitted by the statute.

12 BellSouth further proposes to apply the surcharge to customers of  
13 retail basic and non-basic services and to wholesale customers who purchase  
14 unbundled loops.<sup>2</sup>

15 As I will explain in my testimony, what BellSouth is actually  
16 proposing is (1) to impose a surcharge on some access lines that is much  
17 greater than the permitted \$0.50/line/month (\$12/month of \$336/month, per  
18 line) permitted by the statute, (2) to apply the surcharge in a way that is not

---

<sup>1</sup> Petition by BellSouth Telecommunications, Inc., pursuant to Florida Statutes 364.051(4) to Recover 2005 Tropical System Related Costs and Expenses, September 1, 2006, as amended September 20, 2006.

<sup>2</sup> According to Ms. Blake’s amended testimony (p. 3), BellSouth now seeks to apply the surcharge to stand-alone UNE loops, ISDN loops, DS1 and DS3 loops (stand-alone and as part of an enhanced extended loop, and xDSL loops).

1 competitively neutral by assessing wholesale lines but not retail lines based on  
2 the same kind of local loop, (3) to apply a surcharge to wholesale unbundled  
3 network element (“UNE”) loops that is not permitted by the Federal  
4 Telecommunications Act and FCC pricing rules, and (4) may be proposing to  
5 impose the surcharge on access lines purchased pursuant to a commercial  
6 agreement, something not permitted by the statute.

7

8 **Q. WHAT IS YOUR UNDERSTANDING OF THE REQUIREMENTS OF**  
9 **§364.051(4)?**

10 A. Like Ms. Blake (and the other BellSouth witness who address the  
11 requirements of the statute) I am not an attorney, but I have carefully reviewed  
12 the language of the statute and the requirements set forth therein.

13 Three aspects of the statute are particularly important in this  
14 proceeding:

15 **1. The application of a surcharge to wholesale access lines is**  
16 **explicitly subject to a Commission finding that such an application is**  
17 **appropriate, and is further constrained by applicable federal law.**

18 §364.051(4)(b)(6) states that the surcharge may be applied to wholesale  
19 unbundled loop customers only “to the extent that the commission determines  
20 appropriate.” As I will explain in detail, BellSouth’s proposal to apply the  
21 surcharge to unbundled loops is not “appropriate” for several reasons, nor is  
22 its proposed method of applying the surcharge “appropriate.” The definition

1 of appropriateness must also include an analysis of whether BellSouth's  
2 proposal is inconsistent with the federal rules for the pricing of unbundled  
3 network elements, including UNE loops, and whether BellSouth's proposal  
4 would require the Commission to change the terms of a commercial  
5 agreement between carriers (including the question of whether the  
6 Commission has the authority to order such a change). BellSouth's proposal  
7 fails the "appropriateness" test in both of these areas.

8 **2. The application of the surcharge to wholesale lines is explicitly**  
9 **limited to "wholesale loop unbundled network element" lines.** The statute  
10 does not provide BellSouth with the opportunity to impose the surcharge on  
11 any other types of wholesale access lines, including those purchased pursuant  
12 to a tariff (such a special access) or those access lines being provided pursuant  
13 to a commercial agreement. Of course, even the application of the surcharge  
14 to "wholesale loop unbundled network element" loops can only be made if the  
15 Commission determines such an application to be "appropriate."<sup>3</sup>

16 **3. Constraints built into the statute create a definite set of**  
17 **incentives for BellSouth, and its response to these incentives needs to be**  
18 **carefully examined.** The statute requires that the Commission "verify the  
19 intrastate costs and expenses submitted by the company in support of its

---

<sup>3</sup> As explained below, the application of the surcharge to UNE loops represents an end run around the FCC's UNE pricing rules. This kind of *post hoc* adjustment to TELRIC-based prices is in direct conflict with the requirements of 47 CFR §51.505 through §51.511.



1 petition”<sup>4</sup> and that the “the company must show and the commission shall  
2 determine whether the intrastate costs and expenses are reasonable under the  
3 circumstances for the named tropical system.”<sup>5</sup> Investigations into both of  
4 these areas are obviously very important. It is equally important to note,  
5 however, that the amount that BellSouth can collect through such a surcharge  
6 is ultimately capped at \$6.00 (\$0.50/month x 12 months) times the number of  
7 access lines to which the surcharge is applied. This constraint causes  
8 BellSouth to (1) have little incentive or reason to attempt to justify costs in  
9 excess of this *de facto* cap,<sup>6</sup> and (2) to be highly motivated to seek to apply the  
10 surcharge to as many types of access lines as possible (and equally highly  
11 motivated to find creative ways of defining and counting “access lines” that  
12 will yield the highest number possible). As I will explain in detail later in my  
13 testimony, BellSouth’s efforts to maximize the amount that it can collect have  
14 caused it to overreach with regard to both the types of lines to which the  
15 surcharge is applied and way in which it has chosen to define and count  
16 “access lines.”

17

---

<sup>4</sup> §364.051(4)(b)(2).

<sup>5</sup> §364.051(4)(b)(3).

<sup>6</sup> In light of this constraint, the testimony of the BellSouth witnesses that the company has not sought recovery of all possible categories of costs potentially related to storm damage is not the goodwill gesture that BellSouth makes it out to be. In reality, BellSouth had little incentive or reason to find creative ways to add costs once the total exceeded the \$6.00/access line cap.

1  
2 **BELLSOUTH'S PROPOSAL TO APPLY THE SURCHARGE TO**  
3 **UNBUNDLED LOOPS IS INAPPROPRIATE AND CONFLICTS WITH**  
4 **FEDERAL LAW**  
5

6 Q. **YOU STATED THAT THE COMMISSION SHOULD NOT FIND THE**  
7 **APPLICATION OF A SURCHARGE TO WHOLESALE LOOPS**  
8 **“APPROPRIATE” PURSUANT TO §364.051(2)(b)(6). WHY WOULD**  
9 **THE APPLICATION OF THE SURCHARGE TO WHOLESALE**  
10 **LOOPS NOT BE APPROPRIATE?**

11 A. Any surcharge that the Commission may ultimately permit should not apply to  
12 wholesale loops for several reasons.

13 First, unlike BellSouth, CLECs have no practical market mechanism to  
14 impose such a surcharge on their own end user customers. By definition,  
15 every customer served by a CLEC has at least one viable competitive option  
16 available to it. The converse is not true; not every customer served by  
17 BellSouth has a competitive option available. It is interesting that BellSouth's  
18 petition and supporting testimony never address the question of how, in  
19 markets that it argues are fully competitive, BellSouth believes that it can  
20 impose a surcharge (of up to \$336/month, or \$4032 in total, per line) with no  
21 competitive market repercussions whatsoever.

22 Second, BellSouth is asking the Commission to endorse a creative  
23 interpretation of the plain language of the statute in order to permit BellSouth  
24 to impose a much higher surcharge on some customer lines. While

1       364.051(4)(b)(5) limits the surcharge to “50 cents per month per customer line  
2       for a period of not more than 12 months,” BellSouth is proposing to apply the  
3       surcharge on a “per-DS0” rather than on a per access line or per-customer line  
4       basis. This change significantly increases the amount of total dollars that  
5       BellSouth would be able to collect from CLECs, and renders the “50 cents per  
6       month per customer line” cap meaningless. If the customer line in question is  
7       a DS1, BellSouth is proposing to impose a monthly surcharge of \$12/month  
8       (effectively increasing the statutory cap by 2300%), and if the customer line is  
9       a DS3, BellSouth is proposing to impose a monthly surcharge of \$336/month  
10      (effectively increasing the statutory cap by 67,100%).

11               Third, BellSouth has not demonstrated that its proposed application of  
12      the surcharge will be competitively neutral. While it intends to apply the  
13      surcharge to a wide range of wholesale lines (DS0, ISDN, DS1, xDSL, and  
14      DS3 loops),<sup>7</sup> BellSouth has not indicated that it intends to apply the surcharge  
15      on the same basis to its retail customers. In her testimony, Ms. Blake lists (at  
16      p. 3) what she calls BellSouth’s proposed “subject access lines” to which the  
17      surcharge would apply. Her list of “retail basic and nonbasic local exchange  
18      service lines” includes residential and business lines, payphone lines, PBX  
19      trunks, Network Access Registers lines, ... [and] B channels of both Basic  
20      ISDN and ISDN PRI. She does *not* say, however, that BellSouth will impose

---

<sup>7</sup> See BellSouth’s Response to CompSouth’s 1<sup>st</sup> Interrogatories, Item No. 2.

1 a surcharge of \$12/month (\$144 total) on the customers of its *retail* DS1-  
2 based services, or of \$336/month, (\$4032 total) on the *retail* customers of its  
3 DS3-based services.

4 Fourth, BellSouth's proposal to effectively re-price UNE loops is  
5 directly at odds with the requirements of the Federal Telecommunications Act  
6 and FCC rules. BellSouth is taking network elements that are already priced  
7 to permit full recovery of forward-looking economic costs (as those costs  
8 were calculated when the UNE rates were approved by the Commission) and  
9 is attempting to adjust the rates upward to reflect the level of embedded costs  
10 incurred in a particular year.

11 Fifth, it appears that BellSouth is proposing to impose the surcharge on  
12 wholesale lines that are covered by commercial agreements between  
13 BellSouth and other carriers. Absent an explicit provision in these agreements  
14 permitting BellSouth to unilaterally change rates, it is my understanding that  
15 the proposed surcharge cannot be applied and the Commission does not have  
16 the authority to order changes to existing commercial agreements.

17

18 **Q. YOU STATED THAT BELLSOUTH HAS IMPROPERLY COUNTED**  
19 **CUSTOMER LINES WHEN SEEKING TO IMPOSE THE**  
20 **SURCHARGE ON UNES. PLEASE EXPLAIN.**

21 **A.** It appears that BellSouth amended its petition and Ms. Blake's testimony, in

1 order to change its proposal from a surcharge of \$6.00<sup>8</sup> per customer line (per  
2 §364.051(4)(b)(5)) or \$6.00 per access line (per §364.051(4)(b)(6)) to a  
3 surcharge of \$6.00 per “DS0 equivalent.” This proposal must be rejected for  
4 several reasons.

5 First, BellSouth appears to have re-written the statute in this regard.  
6 The phrase “DS0 equivalent” appears nowhere in the section. The phrase  
7 “access line” is used in §364.051(4)(b)(6), however, and is used in exactly the  
8 same way when referring to basic retail local exchange customers, retail  
9 nonbasic telecommunications service customers, or wholesale loop unbundled  
10 network element customers. In its attempt to broaden the language of the  
11 statute, BellSouth ascribes different meanings to the term “access line” in this  
12 section: BellSouth equates “access line” with a single customer line for basic  
13 retail local exchange service (and apparently does the same for nonbasic retail  
14 local telecommunications services), but when addressing wholesale loop  
15 unbundled network elements, BellSouth seeks to define “access line” not as a  
16 single “customer line” but as multiple customer lines based on the bandwidth  
17 of the local loop in question. While such an interpretation certainly increases  
18 the size of the surcharge applied to wholesale lines (BellSouth would impose  
19 \$12/month for a customer line if it is a DS1, and \$336 per customer line of it  
20 is a DS3), it is completely at odds with a plain reading of the statute.

---

<sup>8</sup> \$0.50/month x 12 months = \$6.00.

1           Second, BellSouth's proposal is at odds with the way in which costs  
2           are incurred. The FCC's TELRIC rules require the application of the  
3           principle of cost causation in two different ways. The rate of an unbundled  
4           element must be based on the costs that are incurred *because* that network  
5           element is being used, and the rate structure must be consistent with the way  
6           in which costs are incurred (nonrecurring costs cannot be recovered through  
7           recurring charges, for example).

8           BellSouth's costs to restore facilities damaged by storms are not  
9           incurred on a "per DS0" basis. The restoration of a DS1 (4-wire) loop is  
10          unlikely to cost anything different than the restoration of a DS0 (2-wire loop),  
11          for example. At most, BellSouth could argue that a 4 wire loop costs twice as  
12          much to restore as a 2-wire loop,<sup>9</sup> but BellSouth is now proposing to assess a  
13          surcharge that is *twenty-four times higher* for the 4-wire loop than the 2-wire  
14          loop. BellSouth has not demonstrated that it costs twenty-four times as much  
15          to restore a DS1 loop than a DS0 loop, and certainly has not demonstrated that  
16          it costs *six hundred and seventy-two times as much* to restore a DS3 loop as a  
17          DS0 loop.

18          BellSouth's own language is inconsistent on this issue. In her original  
19          (September 1, 2006) testimony, Ms. Blake stated that there are approximately  
20          406,000 unbundled loops in service in Florida. In her amended (September

---

<sup>9</sup> Though if they made such an argument, they would almost certainly be wrong.

1           20, 2006) testimony, Ms. Blake asserts that there are approximately 797,300  
2           unbundled loops in service in Florida. BellSouth did not add 391,300  
3           unbundled loops between September 1 and September 20, so the difference  
4           must be a result of a change in how BellSouth defines the term “unbundled  
5           loops.” On September 1, BellSouth appears to have defined the term  
6           “unbundled loop” to mean the same thing as the terms “access line” or  
7           “customer line” as used in the statute; i.e. the line or loop used to provide  
8           service to a customer is a “customer line.” Between September 1 and  
9           September 20, BellSouth apparently decided that the terms unbundled loop,  
10          access line, and customer line don’t mean “the line or loop used to provide  
11          service to a customer,” but instead all actually mean “DS0 equivalent.”

12  
13    **Q.    WHY WOULD BELLSOUTH SEEK TO CHANGE THE MEANING**  
14    **OF THE TERMS “UNBUNDLED LOOP,” “ACCESS LINE,” AND**  
15    **“CUSTOMER LINE” IN THIS PROCEEDING?**

16    **A.**    The statute creates an incentive for BellSouth to redefine these terms, even if  
17           its redefinition strains credibility a bit. Because the statute caps the surcharge  
18           at an amount not to exceed “50 cents per month per customer line for a period  
19           of not more than 12 months,” BellSouth is highly motivated to define the term  
20           “customer line” as broadly as possible in order to collect more money from  
21           CLECs.

22           In this case, BellSouth’s redefinition of terms goes well beyond the

1           accepted industry meaning of the terms “unbundled loop,” “access line,” and  
2           “customer line,” in order to artificially expand the number of “access lines”  
3           upon which a surcharge can be imposed.

4  
5    **Q.    DOES BELLSOUTH’S REDEFINITION OF THE TERMS**  
6           **“UNBUNDLED LOOP,” “ACCESS LINE,” AND “CUSTOMER LINE”**  
7           **HAVE ANTICOMPETITIVE IMPLICATIONS?**

8    **A.**    Absolutely. By redefining “access line,” “customer line,” and “unbundled  
9           loop” to all mean “DS0 equivalent,” BellSouth is seeking to artificially  
10           increase the costs of its competitors. If BellSouth does not impose the  
11           surcharge – also on a DS0 equivalent basis – on its retail customers that  
12           purchase DS0- and DS1-based services, the anticompetitive effect will be  
13           compounded.

14  
15   **Q.    YOU STATED THAT BEFORE DETERMINING THAT IT WOULD**  
16           **BE “APPROPRIATE” FOR BELLSOUTH TO IMPOSE THE**  
17           **SURCHARGE ON UNE LOOPS, THE COMMISSION SHOULD**  
18           **CONSIDER WHETHER PERMITTING BELLSOUTH TO DO SO IS**  
19           **CONSISTENT WITH THE FEDERAL PRICING REQUIREMENTS.**  
20           **PLEASE EXPLAIN.**

21   **A.**    Through its proposed surcharge, BellSouth is seeking to effectively re-price  
22           UNE loops in order to recover additional costs beyond those that were



1 included in its calculation of forward-looking cost when those elements were  
2 priced.<sup>10</sup> In effect, BellSouth is seeking to “true up” its forward-looking costs  
3 (calculated pursuant to the FCC’s TELRIC requirements and approved by the  
4 Commission) to a higher level based on the embedded costs recorded for a  
5 specific year. The ability to make any such “true up” – the practical effect of  
6 the imposition of BellSouth’s proposed surcharge – would render the  
7 calculation of forward-looking costs meaningless: prices established based on  
8 forward-looking economic costs could be retroactively adjusted by the  
9 company to a higher level in order to recover costs that could not, pursuant to  
10 federal law, be included in the forward-looking cost calculation.

11

12 **Q. IS THE APPLICATION OF THE SURCHARGE TO UNE LOOPS**  
13 **CONSISTENT WITH THE FCC’S PRICING RULES?**

14 **A.** No.<sup>11</sup> 47 CFR §51.505 sets forth the FCC’s definition of forward-looking  
15 economic cost. §51.505(b) describes the calculation of direct costs:

16 the total element long-run incremental cost of an  
17 element is the *forward-looking cost over the long run* of  
18 the total quantity of the facilities and functions that are

---

<sup>10</sup> As explained below, BellSouth *included* its forward-looking projection of the average annual costs associated with the restoration of its network due to storm-related damage in these rates.

<sup>11</sup> The FCC has established TELRIC as the pricing methodology for UNEs, and this methodology has been affirmed by the United States Supreme Court. The TELRIC methodology explicitly precludes the inclusion of the kind of booked costs that BellSouth is seeking to recover through the storm surcharge. It is my understanding that the Commission is, therefore, pre-empted under federal law from applying the proposed surcharge to UNEs.

1 directly attributable, or reasonably identifiable as  
2 incremental to, such element, calculated taken as a  
3 given the incumbent LEC's provision of other elements  
4 (emphasis added).  
5

6 §51.505(c) describes the constraints on adding common costs to the  
7 cost of a network element, and similarly requires any such allocation of  
8 common costs to be "forward-looking"

9 §51.505(d) lists four types of costs that *may not be considered* when  
10 developing the rate for an unbundled element. At the top of this list,  
11 §51.505(d)(1) explicitly states that embedded costs – costs that the incumbent  
12 LEC incurred in the past and that are recorded in the incumbent LEC's books  
13 of accounts" – may not be considered when pricing unbundled network  
14 elements.

15 Finally, §51.505(e) places the burden on BellSouth to prove that any  
16 costs that it proposes to include in the rate for an unbundled element "do not  
17 exceed the forward-looking economic cost per unit of providing the element."  
18

19 **Q. DO THE FCC'S RULES APPLY WHEN INITIALLY DEVELOPING**  
20 **THE PRICES FOR UNBUNDLED NETWORK ELEMENTS,**  
21 **INCLUDING UNBUNDLED LOOPS?**

22 **A.** Yes. The Commission applied these rules in its UNE pricing docket.<sup>12</sup>

---

<sup>12</sup> In re: Investigation into pricing of unbundled network elements. (BellSouth Track),  
Docket No. 990649A-TP, Order No. PSC-01-1181-FOF-TP (May 25, 2001), Order

1 Q. DO THE FCC RULES APPLY TO ANY PROPOSAL TO CHANGE  
2 THE PRICE CHARGED FOR AN UNBUNDLED NETWORK  
3 ELEMENT?

4 A. Of course. Any time that an ILEC seeks to change its UNE prices, these rules  
5 are applicable. A failure to apply these requirements in a re-pricing scenario  
6 would strip the FCC's pricing rules of any meaning.

7  
8 Q. IS THE RECOVERY OF COSTS RELATED TO STORM DAMAGE  
9 ALREADY INCLUDED IN BELL SOUTH'S TELRIC COST STUDIES  
10 THE COMMISSION USED TO SET RATES FOR UNES?

11 A. Yes. When conducting its TELRIC study to support the current unbundled  
12 loop prices, BellSouth first calculated the forward-looking investment that  
13 would be required and then determined the amount that it needed to recover  
14 annually in order to recover all of the costs associated with that investment.  
15 Mechanically, BellSouth used an "annual cost factor" ("ACF") to make this  
16 conversion.

17 According to the attachment to BellSouth's Response to CompSouth  
18 Interrogatory No. 12, "annual cost factors are translators used to determine the  
19 amount of recurring cost for one year associated with acquiring and using a  
20 particular investment."<sup>13</sup> The costs recovered through the use of ACFs

---

No. PSC-02-1311-FOF-TP (Sept. 27, 2002).

<sup>13</sup> Capital Cost Calculator (attachment to Item No. 12b), p. 2. BellSouth's response is

1 include capital-related costs (depreciation, cost of money, income tax) and  
2 operating-related costs (including several types of plant-specific expenses and  
3 ad valorem taxes).<sup>14</sup>

4 BellSouth's document goes on to explain how plant-specific expenses  
5 are calculated: "the plant specific expense factor, which includes the cost of  
6 material used and direct labor, is a ratio that reflects the relationship between  
7 the expenses for [a] plant category and the respective investment. The factor  
8 also includes maintenance-type expenses for existing plant that cannot be  
9 directly assigned to a given plant category ... The maintenance expenses  
10 incorporated in the Plant Specific Expense factors include those associated  
11 with the following types of operations:

- 12 *1. Inspecting and reporting on the condition of plant investment to*  
13 *determine the need for repairs, replacements, rearrangements and*  
14 *changes,*
- 15
- 16 2. Performing routine work to prevent trouble,
- 17
- 18 3. Replacing items of plant other than retirement units,
- 19
- 20 4. Rearranging and changing the location of plant not retired,
- 21
- 22 5. Repairing material for reuse,
- 23
- 24 *6. Restoring the condition of plant damaged by storms, floods, fire,*  
25 *and other casualties (other than the cost of replacing retirement units),*  
26
- 27 7. Inspecting after repairs have been made,
- 28
- 29 8. Salaries, wages, and expenses associated with plant craft work and

---

attached as Exhibit DJW-2.

<sup>14</sup> Id., pp. 3-4.

1 work reporting engineers, as well as their immediate supervision and  
2 office support.”<sup>15</sup>  
3  
4

5 As this list shows, BellSouth has already included – in the TELRIC  
6 study the Commission accepted and used to establish unbundled loop rates –  
7 tasks associated with “inspecting and reporting on the condition of plant  
8 investment to determine the need for repairs” and with “restoring the  
9 condition of plant damaged by storms, floods, fire, and other casualties.” The  
10 levels of expenses BellSouth included in its ACFs represent the company’s  
11 estimate of the forward-looking levels of these expenses over the long run.

12 BellSouth’s proposed re-pricing of unbundled loops is in conflict with  
13 the FCC’s pricing requirements (and with basic principles of equity and  
14 fairness) for at least three reasons. First, the expenses used by BellSouth in its  
15 TELRIC studies are long-run projections; there is no reason to believe that the  
16 level of these expenses will not vary from year to year. To the contrary, it is  
17 reasonable to expect that in some years BellSouth will incur “actual” costs  
18 that are more than the long-run average, and in some years it will incur  
19 “actual” costs that are less than the long-run average. There is absolutely no  
20 justification for BellSouth to now try to true-up prices to reflect one year of  
21 above-average expenses, just as there would be no basis to require BellSouth  
22 to “true-down” prices to reflect one year of below-average expenses.

---

<sup>15</sup> Id., p. 5, emphasis added.

1           Second, BellSouth's proposal to adjust prices based on embedded  
2 costs is directly at odds with §51.505(d)(1), which explicitly states that  
3 "embedded costs – costs that the incumbent LEC incurred in the past and that  
4 are recorded in the incumbent LEC's books of accounts" – *may not be*  
5 *considered* when pricing unbundled network elements. This rule does *not* say  
6 that the prohibition against considering embedded costs applies only when  
7 initially setting a price for an unbundled element, so that embedded costs can  
8 be used later in order to make an adjustment to bring long run forward-  
9 looking costs more in line with a single year's booked costs. Rather, the rule  
10 explicitly says that embedded costs *may not be considered*.

11           Finally, BellSouth's existing Commission-approved TELRIC study is  
12 based on the company's estimate of long-run average costs, projected based  
13 on a base year of 1998. If BellSouth now believes that its previous projection  
14 of the long-run level of these expenses was incorrect, its proper recourse is to  
15 produce an updated cost study with new ACFs reflecting its revised long-run  
16 projection and to petition the Commission to change its UNE rates. At that  
17 time, BellSouth will be required, pursuant to §51.505(e), to prove that any  
18 costs that it proposes to include in the rate for an unbundled element "do not  
19 exceed the forward-looking economic cost per unit of providing the element."

20           Of course, other costs have certainly changed since the 1999-vintage  
21 factors used to set current UNE rates were developed, and it is impossible to  
22 determine the net impact that these changes would have on the result of a cost

1 study. Even if an adjustment based on embedded costs were permitted,  
2 BellSouth has certainly not demonstrated that such an adjustment would  
3 increase rather than decrease the monthly rate for unbundled loops.  
4

5 **Q. YOU STATED THAT BELLSOUTH MAY BE SEEKING TO IMPOSE**  
6 **THE SURCHARGE ON ACCESS LINES THAT ARE NOT §251**  
7 **UNBUNDLED LOOPS, BUT INSTEAD ARE PROVISIONED**  
8 **PURSUANT TO COMMERCIAL AGREEMENTS BETWEEN**  
9 **CARRIERS. WHY WOULD THE IMPOSITION OF A SURCHARGE**  
10 **BE INAPPROPRIATE UNDER THESE CIRCUMSTANCES?**

11 A. It is my understanding that these agreements are contracts entered into by  
12 BellSouth and a CLEC. Absent an explicit provision to the contrary, the  
13 parties are bound by the terms and conditions of these agreements, unless and  
14 until these contracts are amended with the consent of both parties to the  
15 agreement. BellSouth cannot unilaterally increase the prices contained in  
16 these agreements, and characterizing a price increase as a “surcharge” does  
17 not create such an ability. While I (like Ms. Blake) am not an attorney, it is  
18 my understanding that the Commission cannot require the parties to amend  
19 these agreements.

20 Any imposition of a surcharge to commercial agreements also appears  
21 to be at odds with the plain language of §364.051(4)(b)(6). This section states  
22 that “to the extent the Commission determines appropriate,” BellSouth can

1 apply the surcharge to “its wholesale loop unbundled network element  
2 customers.” The services purchased pursuant to these commercial agreements  
3 are not “unbundled network elements,” so the statute contains no provision for  
4 imposing the surcharge on them. §364.051(4)(b)(6) does not say that  
5 BellSouth can impose the surcharge on any wholesale service (with or without  
6 a Commission determination of appropriateness), but is instead limited  
7 specifically to “unbundled network elements.”  
8

9 **Q. AT P. 17 OF HER AMENDED TESTIMONY, MS. BLAKE SUGGESTS**  
10 **THAT IF THE COMMISSION DOES NOT PERMIT BELLSOUTH TO**  
11 **IMPOSE THE SURCHARGE ON UNE LOOPS, BELLSOUTH’S**  
12 **RETAIL CUSTOMERS WILL BE REQUIRED TO SOMEHOW MAKE**  
13 **UP THE SHORTFALL. IS SUCH A SCENARIO POSSIBLE?**

14 **A.** No. As BellSouth admits in its response to CompSouth’s 1<sup>st</sup> Set of  
15 Interrogatories, Item No. 10, the amount of the surcharge imposed on  
16 BellSouth’s retail customers will be the same whether or not BellSouth is  
17 permitted to assess a surcharge on unbundled loops.  
18

19 **Q. YOU STATED THAT §364.051(4) REQUIRES THE COMMISSION TO**  
20 **“VERIFY THE INTRASTATE COSTS AND EXPENSES SUBMITTED**  
21 **BY THE COMPANY IN SUPPORT OF ITS PETITION” AND**  
22 **REQUIRES BELLSOUTH TO SHOW THAT THE INTRASTATE**



1           **COSTS AND “EXPENSES ARE REASONABLE UNDER THE**  
2           **CIRCUMSTANCES FOR THE NAMED TROPICAL SYSTEM.” DOES**  
3           **YOUR TESTIMONY FOCUS ON THESE ISSUES?**

4    A.    No. It is my understanding that the Commission Staff is currently conducting  
5           a review of the validity and reasonableness of BellSouth’s claims. The focus  
6           of my testimony is on the scope of the services to which the surcharge would  
7           be applied and the way in which BellSouth has chosen to count “access lines”  
8           in order to circumvent the \$0.50/access line/month cap in §364.051(4)(b)(5).

9  
10   Q.    **PLEASE SUMMARIZE YOUR TESTIMONY.**

11   A.    BellSouth is seeking to impose a surcharge on a wide range of wholesale  
12           access lines. Both the application of the surcharge to these lines, and the way  
13           in which BellSouth proposes to define the term “access line” in order to  
14           artificially increase the amount of money collected from its competitors, fails  
15           the §364.051(4)(b)(6) requirement that the Commission find BellSouth’s  
16           proposal “appropriate.” Further, the application of the proposed surcharge to  
17           UNEs violates TELRIC pricing methodologies. For the reasons set forth in  
18           my testimony, CompSouth asks the Commission to reject BellSouth’s petition  
19           to impose a surcharge on wholesale loops.

20  
21   Q.    **DOES THIS CONCLUDE YOUR TESTIMONY?**

22   A.    Yes.



*Vita of Don J. Wood*

30000 Mill Creek Avenue, Suite 395, Alpharetta, Georgia 30022  
Voice 770.475.9971, Facsimile 770.475.9972

---

**CURRENT EMPLOYMENT**

Don J. Wood is a principal in the firm of Wood & Wood. He provides economic, financial, and regulatory analysis services in telecommunications and related convergence industries, specializing in economic policy related to the development of competitive markets, inter-carrier compensation, and cost of service issues. In addition, Mr. Wood advises industry associations on regulatory and economic policy and assists investors in their evaluation of investment opportunities in the telecommunications industry. The scope of his work has included wireline and wireless communications, data services, and emerging technologies.

As a consultant, Mr. Wood has assisted his clients in responding to the challenges and business opportunities of the industry both before and subsequent to the Telecommunications Act of 1996. Prior to his work as a consultant, Mr. Wood was employed in a management capacity at a major Local Exchange Company and an Interexchange Carrier. He has been directly involved in both the development and implementation of regulatory policy and business strategy.

In the area of administrative law, Mr. Wood has presented testimony before the regulatory bodies of forty-one states, the District of Columbia, and Puerto Rico, and has prepared comments and testimony for filing with the Federal Communications Commission. The subject matter of his testimony has ranged from broad policy issues to detailed cost and rate analysis.

Mr. Wood has also presented testimony in state, federal, and overseas courts regarding business plans and strategies, competition policy, inter-carrier compensation, and cost of service issues. He has presented studies of the damages incurred by plaintiffs and has provided rebuttal testimony to damage calculations performed by others. Mr. Wood has also testified in alternative dispute resolution proceedings conducted pursuant to both AAA and CPR rules.

Mr. Wood is an experienced commercial mediator and is registered as a neutral with the Georgia Office of Dispute Resolution.

**PREVIOUS INDUSTRY EMPLOYMENT**

**Klick, Kent & Allen/FTI Consulting, Inc.**

Regional Director.

**GDS Associates, Inc.**

Senior Project Manager.

**MCI Telecommunications Corporation**

Manager of Regulatory Analysis, Southeast Division.

Manager, Corporate Economic Analysis and Regulatory Affairs.

**BellSouth Services, Inc.**

Staff Manager.

**EDUCATION**

**Emory University, Atlanta, Ga.**

BBA in Finance, with Distinction.

**College of William and Mary, Williamsburg, Va.**

MBA, with concentrations in Finance and Microeconomics.

**TESTIMONY - STATE REGULATORY COMMISSIONS:**

**Alabama Public Service Commission**

Docket No. 19356, Phase III: Alabama Public Service Commission vs. All Telephone Companies Operating in Alabama, and Docket 21455: AT&T Communications of the South Central States, Inc., Applicant, Application for a Certificate of Public Convenience and Necessity to Provide Limited IntraLATA Telecommunications Service in the State of Alabama.

Docket No. 20895: In Re: Petition for Approval to Introduce Business Line Termination for MCI's 800 Service.

Docket No. 21071: In Re: Petition by South Central Bell for Introduction of Bidirectional Measured Service.

Docket No. 21067: In Re: Petition by South Central Bell to Offer Dial Back-Up Service and 2400 BPS Central Office Data Set for Use with PulseLink Public Packet Switching Network Service.

Docket No. 21378: In Re: Petition by South Central Bell for Approval of Tariff Revisions to Restructure ESSX and Digital ESSX Service.

Docket No. 21865: In Re: Petition by South Central Bell for Approval of Tariff Revisions to Introduce Network Services to be Offered as a Part of Open Network Architecture.

Docket No. 25703: In Re: In the Matter of the Interconnection Agreement Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. 25704: In Re: Petition by AT&T Communications of the South Central States, Inc. for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE South Incorporated and CONTEL of the South, Inc. Concerning Interconnection and Resale under the Telecommunications Act of 1996.

Docket No. 25835: In Re: Petition for Approval of a Statement of Generally Available Terms and Conditions Pursuant to §252(f) of the Telecommunications Act of 1996 and Notification of Intention to File a §271 Petition for In-Region InterLATA Authority with the Federal Communications Commission Pursuant to the Telecommunications Act of 1996.

Docket No. 26029: In Re: Generic Proceeding - Consideration of TELRIC Studies.

Docket No. 25980: Implementation of the Universal Support Requirements of Section 254 of the Telecommunications Act of 1996.

Docket No. 27091: Petition for Arbitration by ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 27821: Generic Proceeding to Establish Prices for Interconnection Services and Unbundled Network Elements.

Docket Nos. 27989 and 15957: BellSouth "Full Circle" Promotion and Generic Proceeding Considering the Promulgation of Telephone Rules Governing Promotions.

**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 4 of 25**

Docket No. 28841: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 29075: Petition of CenturyTel to Establish Wholesale Avoidable Cost Discount Rates for Resale of Local Exchange Service.

Docket No. 29054: IN RE: Implementation of the Federal Communications Commission's Triennial Review Order (Phase II – Local Switching for Mass Market Customers).

Docket No. 29172: Southern Public Communication Association, Complainant, and BellSouth Telecommunications, Inc., Defendant.

**The Regulatory Commission of Alaska**

Case No. U-02-039: In the Matter of Request by Alaska Digitel, LLC for Designation as a Carrier Eligible To Receive Federal Universal Service Support Under the Telecommunications Act of 1996.

Case No. U-04-62: In the Matter of the Request by Alaska Wireless Communications, LLC For Designation as a Carrier Eligible to Receive Federal Universal Service Support Under the Telecommunications Act of 1996.

**Arkansas Public Service Commission**

Docket No. 92-337-R: In the Matter of the Application for a Rule Limiting Collocation for Special Access to Virtual or Physical Collocation at the Option of the Local Exchange Carrier.

**Public Utilities Commission of the State of California**

Rulemaking 00-02-005: Order Instituting Rulemaking on the Commission's Own Motion into Reciprocal Compensation for Telephone Traffic Transmitted to Internet Service Provider Modems.

Application Nos. 01-02-024, 01-02-035, 02-02-031, 02-02-032, 02-02-034, 02-03-002: Applications for the Commission to Reexamine the Recurring Costs and Prices of Unbundled Network Element Costs Pursuant to Ordering Paragraph 11 of D.99-11-050.

Application No. 05-02-027: In the Matter of the Joint Application of SBC Communications Inc. ("SBC") and AT&T Corp. ("AT&T") for Authorization to Transfer Control of AT&T Communications of California (U-5002), TCG Los Angeles, Inc. (U-5462), TCG San Diego (U-5389), and TCG San Francisco (U-5454) to SBC, Which Will Occur Indirectly as a Result of AT&T's Merger With a Wholly-Owned Subsidiary of SBC, Tau Merger Sub Corporation.

Application No. 05-04-020: In the Matter of the Joint Application of Verizon Communications Inc. ("Verizon") and MCI, Inc. ("MCI") to Transfer Control of MCI's California Utility Subsidiaries to Verizon, Which Will Occur Indirectly as a Result of Verizon's Acquisition of MCI.

**Public Utilities Commission of the State of Colorado**

Docket No. 96A-345T: In the Matter of the Interconnection Contract Negotiations Between AT&T

**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 5 of 25**

Communications of the Mountain States, Inc., and US West Communications, Inc., Pursuant to 47 U.S.C. Section 252. Docket No. 96A-366T: In the Matter of the Petition of MCIMetro Access Transmission Services, Inc., for Arbitration Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with US West Communications, Inc. (consolidated).

Docket No. 96S-257T: In Re: The Investigation and Suspension of Tariff Sheets Filed by US West Communications, Inc., with Advice Letter No. 2608 Regarding Proposed Rate Changes.

Docket No. 98F-146T: Colorado Payphone Association, Complainant, v. US West Communications, Inc., Respondent.

Docket No. 02A-276T: In the Matter of the Application of Wiggins Telephone Association for Approval of its Disaggregation Plan

Docket No. 02A-444T: In the Matter of NECC's Application to Redefine the Service Area of Eastern Slope Rural Telephone Association, Inc., Great Plains Communications, Inc., Plains Coop Telephone Association, Inc., and Sunflower Telephone Co., Inc.

**State of Connecticut, Department of Utility Control**

Docket 91-12-19: DPUC Review of Intrastate Telecommunications Services Open to Competition (Comments).

Docket No. 94-07-02: Development of the Assumptions, Tests, Analysis, and Review to Govern Telecommunications Service Reclassifications in Light of the Eight Criteria Set Forth in Section 6 of Public Act 94-83 (Comments).

Docket No. 03-11-16: Petition of Tel Comm Technologies, et. al., for Review and Amendment of Southern New England Telephone Company's Charges for Pay Telephone Access Services.

**Delaware Public Service Commission**

Docket No. 93-31T: In the Matter of the Application of The Diamond State Telephone Company for Establishment of Rules and Rates for the Provision of IntelliLinQ-PRI and IntelliLinQ-BRI.

Docket No. 41: In the Matter of the Development of Regulations for the Implementation of the Telecommunications Technology Investment Act.

Docket No. 96-324: In the Matter of the Application of Bell Atlantic-Delaware, Inc. for Approval of its Statement of Terms and Conditions Under Section 252(f) of the Telecommunications Act of 1996 (Phase II).

Docket No. 02-001: In the Matter of the Inquiry into Verizon Delaware Inc.'s Compliance with the Conditions Set Forth in 47 U.S.C. § 271(c).

**Florida Public Service Commission**

Docket No. 881257-TL: In Re: Proposed Tariff by Southern Bell to Introduce New Features for Digital ESSX Service, and to Provide Structural Changes for both ESSX Service and Digital ESSX Service.

**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 6 of 25**

Docket No. 880812-TP: In Re: Investigation into Equal Access Exchange Areas (EAEAs), Toll Monopoly Areas (TMAs), 1+ Restriction to the Local Exchange Companies (LECs), and Elimination of the Access Discount.

Docket No. 890183-TL: In Re: Generic Investigation into the Operations of Alternate Access Vendors.

Docket No. 870347-TI: In Re: Petition of AT&T Communications of the Southern States for Commission Forbearance from Earnings Regulation and Waiver of Rule 25-4.495(1) and 25-24.480 (1) (b), F.A.C., for a trial period.

Docket No. 900708-TL: In Re: Investigation of Methodology to Account for Access Charges in Local Exchange Company (LEC) Toll Pricing.

Docket No. 900633-TL: In Re: Development of Local Exchange Company Cost of Service Study Methodology.

Docket No. 910757-TP: In Re: Investigation into the Regulatory Safeguards Required to Prevent Cross-Subsidization by Telephone Companies.

Docket No. 920260-TL: In Re: Petition of Southern Bell Telephone and Telegraph Company for Rate Stabilization, Implementation Orders, and Other Relief.

Docket No. 950985-TP: In Re: Resolution of Petitions to establish 1995 rates, terms, and conditions for interconnection involving local exchange companies and alternative local exchange companies pursuant to Section 364.162, Florida Statutes.

Docket No. 960846-TP: In Re: Petition by MCI Telecommunications Corporation and MCI Metro Access Transmission Services, Inc. for Arbitration of Certain Terms and Conditions of a proposed agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996 and Docket No. 960833-TP: In Re: Petition by AT&T Communications of the Southern States, Inc. for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996 (consolidated).

Docket No. 960847-TP and 960980-TP: In Re: Petition by AT&T Communications of the Southern States, Inc., MCI Telecommunications Corporation, MCI Metro Access Transmission Service, Inc., for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE Florida Incorporated Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996 (consolidated).

Docket No. 961230-TP: In Re: Petition by MCI Telecommunications Corporation for Arbitration with United Telephone Company of Florida and Central Telephone Company of Florida Concerning Interconnection Rates, Terms, and Conditions, Pursuant to the Federal Telecommunications Act of 1996.

Docket No. 960786-TL: In Re: Consideration of BellSouth Telecommunications, Inc.'s Entry Into InterLATA Services Pursuant to Section 271 of the Federal Telecommunications Act of 1996.

Docket Nos. 960833-TP, 960846-TP, 960757-TP, and 971140-TP: Investigation to develop permanent rates for certain unbundled network elements.

Docket No. 980696-TP: In Re: Determination of the cost of basic local telecommunications service, pursuant to Section 364.025 Florida Statutes.



**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 7 of 25**

Docket No. 990750-TP: Petition by ITC^DeltaCom Communications, Inc., d/b/a/ ITC^DeltaCom, for arbitration of certain unresolved issues in interconnection negotiations between ITC^DeltaCom and BellSouth Telecommunications, Inc.

Docket No. 991605-TP: Petition of BellSouth Telecommunications, Inc. for Arbitration of the Interconnection Agreement Between Time Warner Telecom of Florida, L.P., pursuant to Section 252 (b) of the Telecommunications Act of 1996.

Docket No. 030137-TP: In re: Petition for Arbitration of Unresolved Issues in Negotiation of Interconnection Agreement with BellSouth Telecommunications, Inc. by ITC^DeltaCom Communications, Inc. d/b/a ITC^DeltaCom.

Docket No. 030300-TP: In re: Petition for expedited review of BellSouth Telecommunications, Inc.'s intrastate tariffs for pay telephone access services (PTAS) rate with respect to rates for payphone line access, usage, and features, by Florida Public Telecommunications Association.

Docket No. 030851-TP: In Re: Implementation of Requirements Arising from Federal Communications Commission Triennial UNE Review: Local Circuit Switching for Mass Market Customers.

Docket No. 040353-TP: In Re: Petition of Supra Telecommunications and Information Systems, Inc. to Review and Cancel BellSouth's Promotional Offering Tariffs Offered In Conjunction with its New Flat Rate Service Known as PreferredPack.

Docket No. 040604-TL: In Re: Adoption of the National School Lunch Program and an Income-based Criterion at or Below 135% of the Federal Poverty Guidelines as Eligibility Criteria for the Lifeline and Linkup Programs.

Docket No. 050119-TP: Joint Petition of TDS Telecom d/b/a TDS Telecom/Quincy Telephone, ALLTEL Florida, Inc., Northeast Florida Telephone Company d/b/a NEFCOM, GTC, Inc. d/b/a GT Com, Smart City Telecommunications, LLC d/b/a Smart City Telecom, ITS Telecommunications Systems, Inc., and Frontier Communications of the South, LLC ("Joint Petitioners") objecting to and requesting suspension of Proposed Transit Traffic Service Tariff filed by BellSouth Telecommunications, Inc. and Docket No. 050125-TP: Petition and complaint for suspension and cancellation of Transit Tariff Service No. FL 2004-284 filed by BellSouth Telecommunications, Inc. by AT&T Communications of the Southern States, LLC (consolidated).

**Georgia Public Service Commission**

Docket No. 3882-U: In Re: Investigation into Incentive Telephone Regulation in Georgia.

Docket No. 3883-U: In Re: Investigation into the Level and Structure of Intrastate Access Charges.

Docket No. 3921-U: In Re: Compliance and Implementation of Senate Bill 524.

Docket No. 3905-U: In Re: Southern Bell Rule Nisi.

Docket No. 3995-U: In Re: IntraLATA Toll Competition.

Docket No. 4018-U: In Re: Review of Open Network Architecture (ONA) (Comments).

**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 8 of 25**

Docket No. 5258-U: In Re: Petition of BellSouth Telecommunications for Consideration and Approval of its "Georgians FIRST" (Price Caps) Proposal.

Docket No. 5825-U: In Re: The Creation of a Universal Access Fund as Required by the Telecommunications Competition and Development Act of 1995.

Docket No. 6801-U: In Re: Interconnection Negotiations Between BellSouth Telecommunications, Inc. and AT&T Communications of the Southern States, Inc., Pursuant to Sections 251-252 and 271 of the Telecommunications Act of 1996.

Docket No. 6865-U: In Re: Petition by MCI for Arbitration of Certain Terms and Conditions of Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996.

Docket No. 7253-U: In Re: BellSouth Telecommunications, Inc.'s Statement of Generally Available Terms and Conditions Under Section 252 (f) of the Telecommunications Act of 1996.

Docket No. 7061-U: In Re: Review of Cost Studies and Methodologies for Interconnection and Unbundling of BellSouth Telecommunications Services.

Docket No. 10692-U: In Re: Generic Proceeding to Establish Long-Term Pricing Policies for Unbundled Network Elements.

Docket No. 10854-U: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 16583-U: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 17749-U: In Re: FCC's Triennial Review Order Regarding the Impairment of Local Switching for Mass Market Customers.

Docket No. 22682-U: In Re: Notice of Merger of AT&T, Inc. and BellSouth Corporation together with its Certificated Georgia Subsidiaries.

**Public Utilities Commission of Hawaii**

Docket No. 7702: In the Matter of Instituting a Proceeding on Communications, Including an Investigation of the Communications Infrastructure of the State of Hawaii.

**Idaho Public Utilities Commission**

Case No. GNR-T-03-08: In the Matter of the Petition of IAT Communications, Inc., d/b/a NTCDIdaho, Inc., or ClearTalk, for Designation as an Eligible Telecommunications Carrier, and Case No. GNR-T-03-16: In the Matter of the Application of NCPR, Inc., d/b/a Nextel Partners, seeking designation as an Eligible Telecommunications Carrier.

**Illinois Commerce Commission**

Docket No. 04-0653: USCOC of Illinois RSA #1, LLC., USCOC of Illinois RSA #4 LLC., USCOC of Illinois Rockford, LLC., and USCOC of Central Illinois, LLC. Petition for Designation as an Eligible Telecommunications Carrier Under 47 U.S.C. Section 214(e)(2).

Docket Nos. 05-0644, 05-0649, and 05-0657: Petition of Hamilton County Telephone Co-Op et. al. for Arbitration under the Telecommunications Act to Establish Terms and Conditions for Reciprocal Compensation with Verizon Wireless and its Constituent Companies.

**Indiana Utility Regulatory Commission**

Cause No. 42303: In the Matter of the Complaint of the Indiana Payphone Association for a Commission Determination of Just and Reasonable Rates and Charges and Compliance with Federal Regulations.

Cause No. 41052-ETC-43: In the Matter of the Designation of Eligible Telecommunications Carriers by the Indiana Utility Regulatory Commission Pursuant to the Telecommunications Act of 1996 and Related FCC Orders. In Particular, the Application of NPCR, Inc. d/b/a Nextel Partners to be Designated.

Cause No. 42530: In the Matter of the Indiana Utility Regulatory Commission's Investigation of Matters Related to Competition in the State of Indiana Pursuant to Ind. Code 8-1-2 *et seq.*

**Iowa Utilities Board**

Docket No. RPU-95-10.

Docket No. RPU-95-11.

**State Corporation Commission of the State of Kansas**

Docket No. 00-GIMT-1054-GIT: In the Matter of a General Investigation to Determine Whether Reciprocal Compensation Should Be Paid for Traffic to an Internet Service Provider.

Docket No. 04-RCCT-338-ETC: In the Matter of Petition of RCC Minnesota, Inc. for Designation as an Eligible Telecommunications Carrier under 47 U.S.C. § 214(e)(2).

**Kentucky Public Service Commission**

Administrative Case No. 10321: In the Matter of the Tariff Filing of South Central Bell Telephone Company to Establish and Offer Pulselink Service.

Administrative Case No. 323: In the Matter of An Inquiry into IntraLATA Toll Competition, An Appropriate Compensation Scheme for Completion of IntraLATA Calls by Interexchange Carriers, and WATS Jurisdictionality.

- Phase IA: Determination of whether intraLATA toll competition is in the public interest.
- Phase IB: Determination of a method of implementing intraLATA competition.

- Rehearing on issue of Imputation.

Administrative Case No. 90-256, Phase II: In the Matter of A Review of the Rates and Charges and Incentive Regulation Plan of South Central Bell Telephone Company.

Administrative Case No. 336: In the Matter of an Investigation into the Elimination of Switched Access Service Discounts and Adoption of Time of Day Switch Access Service Rates.

Administrative Case No. 91-250: In the Matter of South Central Bell Telephone Company's Proposed Area Calling Service Tariff.

Administrative Case No. 96-431: In Re: Petition by MCI for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996.

Administrative Case No. 96-478: In Re: The Petition by AT&T Communications of the South Central States, Inc. for Arbitration of Certain Terms and Conditions of a Proposed Agreement with GTE South Incorporated Concerning Interconnection and Resale Under the Telecommunications Act of 1996.

Administrative Case No. 96-482: In Re: The Interconnection Agreement Negotiations Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Administrative Case No. 360: In the Matter of: An Inquiry into Universal Service and Funding Issues.

Administrative Case No. 96-608: In the Matter of: Investigation Concerning the Provision of InterLATA Services by BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Administrative Case No. 382: An Inquiry into the Development of Deaveraged Rates for Unbundled Network Elements.

Case No. 2003-00143: In the matter of: Petition of NCPR, Inc., d/b/a Nextel Partners for Designation as an Eligible Telecommunications Carrier in the Commonwealth of Kentucky.

Case No. 2003-00397: Review of Federal Communications Commission's Triennial Review Order Regarding Unbundling Requirements for Individual Network Elements.

**Louisiana Public Service Commission**

Docket No. 17970: In Re: Investigation of the Revenue Requirements, Rate Structures, Charges, Services, Rate of Return, and Construction Program of AT&T Communications of the South Central States, Inc., in its Louisiana Operations.

Docket No. U-17949: In the Matter of an Investigation of the Revenue Requirements, Rate Structures, Charges, Services, Rate of Return, and Construction Program of South Central Bell Telephone Company, Its Louisiana Intrastate Operations, The Appropriate Level of Access Charges, and All Matters Relevant to the Rates and Service Rendered by the Company.

- Subdocket A (SCB Earnings Phase)

**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 11 of 25**

- Subdocket B (Generic Competition Phase)

Docket No. 18913-U: In Re: South Central Bell's Request for Approval of Tariff Revisions to Restructure ESSX and Digital ESSX Service.

Docket No. U-18851: In Re: Petition for Elimination of Disparity in Access Tariff Rates.

Docket No. U-22022: In Re: Review and Consideration of BellSouth Telecommunications, Inc.'s TSLRIC and LRIC Cost Studies Submitted Pursuant to Sections 901(C) and 1001(E) of the Regulations for Competition in the Local Telecommunications Market as Adopted by General Order Dated March 15, 1996 in Order to Determine the Cost of Interconnection Services and Unbundled Network Components to Establish Reasonable, Non-Discriminatory, Cost Based Tariffed Rates and Docket No. U-22093: In Re: Review and Consideration of BellSouth Telecommunications, Inc.'s Tariff Filing of April 1, 1996, Filed Pursuant to Section 901 and 1001 of the Regulations for Competition in the Local Telecommunications Market Which Tariff Introduces Interconnection and Unbundled Services and Establishes the Rates, Terms and Conditions for Such Service Offerings (consolidated).

Docket No. U-22145: In the Matter of Interconnection Agreement Negotiations Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. U-22252: In Re: Consideration and Review of BST's Preapplication Compliance with Section 271 of the Telecommunications Act of 1996, including but not limited to the fourteen requirements set forth in Section 271 (c) (2) (b) in order to verify compliance with section 271 and provide a recommendation to the FCC regarding BST's application to provide interLATA services originating in-region.

Docket No. U-20883 Subdocket A: In Re: Submission of the Louisiana Public Service Commission's Forward Looking Cost Study to the FCC for Purposes of Calculating Federal Universal Service Support.

Docket No. U-24206: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. U-22632: In Re: BellSouth Telecommunications, Inc. Filing of New Cost Studies for Providing Access Line Service for Customer Provided Public Telephones and Smartline Service for Public Telephone Access.

Docket No. Docket No. U-24714-A: In Re: Final Deaveraging of BellSouth Telecommunications, Inc. UNE Rates Pursuant to FCC 96-45 Ninth Report and Order and Order on Eighteenth Order on Reconsideration Released November 2, 1999.

Docket No. U-27571: In Re: Louisiana Public Service Commission Implementation of the Requirements Arising from The Federal Communications Commission's Triennial Review Order, Order 03-36: Unbundled Local Circuit Switching for Mass Market Customers and Establishment of a Batch Cut Migration Process.

**Public Service Commission of Maryland**

Case 8584, Phase II: In the Matter of the Application of MFS Intelenet of Maryland, Inc. for Authority to Provide and Resell Local Exchange and Intrastate Telecommunications Services in Areas Served by C&P Telephone Company of Maryland.

Case 8715: In the Matter of the Inquiry into Alternative Forms of Regulating Telephone Companies.

Case 8731: In the Matter of the Petitions for Approval of Agreements and Arbitration of Unresolved Issues Arising Under Section 252 of the Telecommunications Act of 1996.

**Massachusetts Department of Telecommunications and Energy**

D.P.U./D.T.E. 97088/97-18 (Phase II): Investigation by the Department of Telecommunications & Energy on its own motion regarding (1) implementation of section 276 of the Telecommunications Act of 1996 relative to public interest payphones, (2) Entry and Exit Barriers for the Payphone Marketplace, (3) New England Telephone and Telegraph Company d/b/a NYNEX's Public Access Smart-Pay Service, and (4) the rate policy for operator service providers.

**Minnesota Public Utilities Commission**

PUC Docket No. PT6153/AM-02-686, OAH Docket No. 3-2500-14980-2: In the Matter of Petition of Midwest Wireless Communications, LLC for Designation as an Eligible Communications carrier under 47 U.S.C. § 214(e)(2).

PUC Docket No. PT-6182, 6181/M-02-1503: In the Matter of RCC Minnesota, Inc. and Wireless Alliance, LLC for Designation as an Eligible Telecommunications Carrier under 47 U.S.C. § 214(e)(2).

**Mississippi Public Service Commission**

Docket No. U-5086: In Re: MCI Telecommunications Corporation's Metered Use Service Option D (Prism I) and Option E (Prism II).

Docket No. U-5112: In Re: MCI Telecommunications Corporation's Metered Use Option H (800 Service).

Docket No. U-5318: In Re: Petition of MCI for Approval of MCI's Provision of Service to a Specific Commercial Banking Customers for Intrastate Interexchange Telecommunications Service.

Docket 89-UN-5453: In Re: Notice and Application of South Central Bell Telephone Company for Adoption and Implementation of a Rate Stabilization Plan for its Mississippi Operations.

Docket No. 90-UA-0280: In Re: Order of the Mississippi Public Service Commission Initiating Hearings Concerning (1) IntraLATA Competition in the Telecommunications Industry and (2) Payment of Compensation by Interexchange Carriers and Resellers to Local Exchange Companies in Addition to Access Charges.

Docket No. 92-UA-0227: In Re: Order Implementing IntraLATA Competition.

Docket No. 96-AD-0559: In Re: In the Matter of the Interconnection Agreement Negotiations Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. 98-AD-035: Universal Service.

Docket No. 97-AD-544: In Re: Generic Proceeding to Establish Permanent Prices for BellSouth Interconnection and Unbundled Network Elements.

Docket No. 2003-AD-714: Generic Proceeding to Review the Federal Communications Commission's Triennial Review Order.

**Public Service Commission of the State of Missouri**

Case No. TO-2004-0527: In the Matter of the Application of WWC License, LLC, d/b/a CellularOne, for Designation as an Eligible Telecommunications Carrier, and Petition for Redefinition of Rural Telephone Company Areas.

Case No. to-2005-0384: Application of USCOC of Greater Missouri, LLC For Designation as an Eligible Telecommunications Carrier Pursuant to the Telecommunications Act of 1996.

**Public Service Commission of the State of Montana**

Docket No. D2000.8.124: In the Matter of Touch America, Inc.'s Petition for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 of the Terms and Conditions of Interconnection with Qwest Corporation, f/k/a US West Communications, Inc.

Docket No. D2000.6.89: In the Matter of Qwest Corporation's Application to Establish Rates for Interconnection, Unbundled Network Elements, Transport and Termination, and Resale Services.

Docket No. D2003.1.14: In the Matter of WWC Holding Co. Application for Designation as an Eligible Telecommunications Carrier in Montana Areas Served by Qwest Corporation.

**Nebraska Public Service Commission**

Docket No. C-1385: In the Matter of a Petition for Arbitration of an Interconnection Agreement Between AT&T Communications of the Midwest, Inc., and US West Communications, Inc.

**Public Utilities Commission of Nevada**

Docket No. 04-3030: In re: Application of WWD License LLC, d/b/a CellularOne, for redefinition of its service area as a designated Eligible Telecommunications Carrier.

**New Jersey Board of Public Utilities**

Docket No. TM0530189: In the Matter of the Joint Petition of Verizon Communications Inc., and MCI, Inc. for Approval of Merger.

**New York Public Service Commission**

Case No. 28425: Proceeding on Motion of the Commission as to the Impact of the Modification of Final Judgement and the Federal Communications Commission's Docket 78-72 on the Provision of Toll Service in New York State.

**North Carolina Public Utilities Commission**

Docket No. P-100, Sub 72: In the Matter of the Petition of AT&T to Amend Commission Rules Governing Regulation of Interexchange Carriers (Comments).

Docket No. P-141, Sub 19: In the Matter of the Application of MCI Telecommunications Corporation to Provide InterLATA Facilities-Based Telecommunications Services (Comments).

Docket No. P-55, Sub 1013: In the Matter of Application of BellSouth Telecommunications, Inc. for, and Election of, Price Regulation.

Docket Nos. P-7, Sub 825 and P-10, Sub 479: In the Matter of Petition of Carolina Telephone and Telegraph and Central Telephone Company for Approval of a Price Regulation Plan Pursuant to G.S. 62-133.5.

Docket No. P-19, Sub 277: In the Matter of Application of GTE South Incorporated for and Election of, Price Regulation.

Docket No. P-141, Sub 29: In the Matter of: Petition of MCI Telecommunications Corporation for Arbitration of Interconnection with BellSouth Telecommunications, Inc., Petition of AT&T Communications of the Southern States, Inc. for Arbitration of Interconnection with BellSouth Telecommunications, Inc. (consolidated).

Docket No. P-141, Sub 30: In the Matter of: Petition of MCI Telecommunications Corporation for Arbitration of Interconnection with General Telephone Company of North Carolina, Inc., Petition of AT&T Communications of the Southern States, Inc. for Arbitration of Interconnection with General Telephone Company of North Carolina, Inc. (consolidated).

Docket No. P-100, Sub 133b: Re: In the Matter of Establishment of Universal Support Mechanisms Pursuant to Section 254 of the Telecommunications Act of 1996.

Docket No. P-100, Sub 133d: Re: Proceeding to Determine Permanent Pricing for Unbundled Network Elements.

Docket No. P-100, Sub 84b: Re: In the Matter of Petition of North Carolina Payphone Association for Review of Local Exchange Company Tariffs for Basic Payphone Services (Comments).

Docket No. P-561, Sub 10: BellSouth Telecommunications, Inc., Complainant, v. US LEC of North Carolina, LLC, and Metacomm, LLC, Respondents.

Docket No. P-472, Sub 15: In the Matter of the Interconnection Agreement Between BellSouth Telecommunications, Inc. and Time Warner Telecom of North Carolina, L.P. Pursuant to Section 252(b) of the Telecommunications Act of 1996.



**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 15 of 25**

Docket Nos. P-7, Sub 995; P-10, Sub 633: ALEC., Inc. v. Carolina Telephone and Telegraph Company and Central Telephone Company.

Docket No. P-500, Sub 18: In the Matter of: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. P-118, Sub 30: In the matter of: Petition of Celco Partnership d/b/a Verizon Wireless for Arbitration Pursuant to Section 252 of the Telecommunications Act of 1996.

Docket No. P-100, Sub 133q: In Re: Implementation of Requirements Arising from Federal Communications Commission Triennial UNE Review: Local Circuit Switching for Mass Market Customers.

**Public Utilities Commission of Ohio**

Case No. 93-487-TP-ALT: In the Matter of the Application of The Ohio Bell Telephone Company for Approval of an Alternative Form of Regulation.

Case No. 05-0269-TP-ACO: In the matter of the Joint Application of SBC Communications, Inc. and AT&T Corp. for Consent and Approval of a Change of Control.

**Oklahoma Corporation Commission**

Cause No. PUD 01448: In the Matter of the Application for an Order Limiting Collocation for Special Access to Virtual or Physical Collocation at the Option of the Local Exchange Carrier.

Cause No. PUD 200300195: Application of United States Cellular Corporation for Designation as an Eligible Telecommunications Carrier Pursuant to the Telecommunications Act of 1996.

Cause No. PUD 200300239: Application of Dobson Cellular Systems, Inc. for Designation as an Eligible Telecommunications Carrier Pursuant to the Telecommunications Act of 1996.

Cause No. PUD 200500122: In the matter of Dobson Cellular Systems, Inc., and American Cellular Corporation application for designation as a competitive eligible telecommunications carrier and redefinition of the service area requirement pursuant to Section 214(e) of the Telecommunications Act of 1996.

**Public Utility Commission of Oregon**

Docket No. UT 119: In the Matter of an Investigation into Tariffs Filed by US West Communications, Inc., United Telephone of the Northwest, Pacific Telecom, Inc., and GTE Northwest, Inc. in Accordance with ORS 759.185(4).

Docket No. ARB 3: In the Matter of the Petition of AT&T Communications of the Pacific Northwest, Inc., for Arbitration of Interconnection Rates, Terms, and Conditions Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996. Docket No. ARB 6: In the Matter of the Petition of MCIMetro Access Transmission Services, Inc. for Arbitration of Interconnection Rates, Terms, and Conditions Pursuant to 47 U.S.C. § 252(b) of the Telecommunications Act of 1996 (consolidated).

Docket No. ARB 9: In the Matter of the Petition of an Interconnection Agreement Between MCIMetro

**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 16 of 25**

Access Transportation Services, Inc. and GTE Northwest Incorporated, Pursuant to 47 U.S.C. Section 252.

Docket No. UT-125: In the Matter of the Application of US West Communications, Inc. for an Increase in Revenues.

Docket No. UM 1083: RCC Minnesota, Inc. Application for Designation as an Eligible Telecommunications Carrier, Pursuant to the Telecommunications Act of 1996.

Docket No. UM 1084: United States Cellular Corporation Application for Designation as an Eligible Telecommunications Carrier, Pursuant to the Telecommunications Act of 1996.

Docket No. UM 1217: Staff Investigation to Establish Requirements for Initial Designation and Recertification of Telecommunications Carriers Eligible to Receive Federal Universal Service Support.

**Pennsylvania Public Utilities Commission**

Docket No. I-00910010: In Re: Generic Investigation into the Current Provision of InterLATA Toll Service.

Docket No. P-00930715: In Re: The Bell Telephone Company of Pennsylvania's Petition and Plan for Alternative Form of Regulation under Chapter 30.

Docket No. R-00943008: In Re: Pennsylvania Public Utility Commission v. Bell Atlantic-Pennsylvania, Inc. (Investigation of Proposed Promotional Offerings Tariff).

Docket No. M-00940587: In Re: Investigation pursuant to Section 3005 of the Public Utility Code, 66 Pa. C. S. §3005, and the Commission's Opinion and Order at Docket No. P-930715, to establish standards and safeguards for competitive services, with particular emphasis in the areas of cost allocations, cost studies, unbundling, and imputation, and to consider generic issues for future rulemaking.

Docket No. A-310489F7004: Petition of Cellco Partnership d/b/a Verizon Wireless for Arbitration Pursuant to Section 252 of the telecommunications Act of 1996.

Docket Nos. A-310580F9, A-310401F6, A-310407F3, A-312025F5, A-310752F6, A-310364F3: Joint Application of Verizon Communications Inc. and MCI, Inc. For Approval of Agreement and Plan of Merger.

**South Carolina Public Service Commission**

Docket No. 90-626-C: In Re: Generic Proceeding to Consider Intrastate Incentive Regulation.

Docket No. 90-321-C: In Re: Petition of Southern Bell Telephone and Telegraph Company for Revisions to its Access Service Tariff Nos. E2 and E16.

Docket No. 88-472-C: In Re: Petition of AT&T of the Southern States, Inc., Requesting the Commission to Initiate an Investigation Concerning the Level and Structure of Intrastate Carrier Common Line (CCL) Access Charges.

Docket No. 92-163-C: In Re: Position of Certain Participating South Carolina Local Exchange Companies for Approval of an Expanded Area Calling (EAC) Plan.

**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 17 of 25**

Docket No. 92-182-C: In Re: Application of MCI Telecommunications Corporation, AT&T Communications of the Southern States, Inc., and Sprint Communications Company, L.P., to Provide IntraLATA Telecommunications Services.

Docket No. 95-720-C: In Re: Application of BellSouth Telecommunications, Inc. d/b/a Southern Bell Telephone and Telegraph Company for Approval of an Alternative Regulation Plan.

Docket No. 96-358-C: In Re: Interconnection Agreement Negotiations Between AT&T Communications of the Southern States, Inc. and BellSouth Telecommunications, Inc., Pursuant to 47 U.S.C. § 252.

Docket No. 96-375-C: In Re: Interconnection Agreement Negotiations Between AT&T Communications of the Southern States, Inc. and GTE South Incorporated Pursuant to 47 U.S.C. § 252.

Docket No. 97-101-C: In Re: Entry of BellSouth Telecommunications, Inc. into the InterLATA Toll Market.

Docket No. 97-374-C: In Re: Proceeding to Review BellSouth Telecommunications, Inc. Cost for Unbundled Network Elements.

Docket No. 97-239-C: Intrastate Universal Service Fund.

Docket No. 97-124-C: BellSouth Telecommunications, Inc. Revisions to its General Subscriber Services Tariff and Access Service Tariff to Comply with the FCC's Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996.

Docket No. 1999-268-C: Petition of Myrtle Beach Telephone, LLC, for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Horry Telephone Cooperative, Inc.

Docket No. 1999-259-C: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996.

Docket No. 2001-65-C: Generic Proceeding to Establish Prices for BellSouth's Interconnection Services, Unbundled Network Elements and Other Related Elements and Services.

Docket No. 2003-326-C: In Re: Implementation of Requirements Arising from Federal Communications Commission Triennial UNE Review: Local Circuit Switching for Mass Market Customers.

**South Dakota Public Utilities Commission**

Docket No. TC03-191: In the Matter of the Filing by WWC License, LLC d/b/a CellularOne for Designation as an Eligible Telecommunications Carrier in Other Rural Areas.

Docket No. TC03-193: In the Matter of the Petition of RCC Minnesota, Inc., and Wireless Alliance, L.L.C., for Designation as an Eligible Telecommunications Carrier under 47 U.S.C. §214(e)(2).

**Tennessee Public Service Commission**

Docket No. 90-05953: In Re: Earnings Investigation of South Central Bell Telephone Company.

**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 18 of 25**

Docket Nos. 89-11065, 89-11735, 89-12677: AT&T Communications of the South Central States, MCI Telecommunications Corporation, US Sprint Communications Company -- Application for Limited IntraLATA Telecommunications Certificate of Public Convenience and Necessity.

Docket No. 91-07501: South Central Bell Telephone Company's Application to Reflect Changes in its Switched Access Service Tariff to Limit Use of the 700 Access Code.

**Tennessee Regulatory Authority**

Docket No. 96-01152: In Re: Petition by AT&T Communications of the South Central States, Inc. for Arbitration under the Telecommunications Act of 1996 and Docket No. 96-01271: In Re: Petition by MCI Telecommunications Corporation for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996 (consolidated).

Docket No. 96-01262: In Re: Interconnection Agreement Negotiations Between AT&T of the South Central States, Inc. and BellSouth Telecommunications, Inc. Pursuant to 47 U.S.C. § 252.

Docket No. 97-01262: Proceeding to Establish Permanent Prices for Interconnection and Unbundled Network Elements.

Docket No. 97-00888: Universal Service Generic Contested Case.

Docket No. 99-00430: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. pursuant to the Telecommunications Act of 1996.

Docket No. 97-00409: In Re: All Telephone Companies Tariff Filings Regarding Reclassification of Pay Telephone Service as Required by Federal Communications Commission Docket No. 96-128.

Docket No. 03-00119: In Re: Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc.

Docket No. 03-00491: In Re: Implementation of Requirements Arising from Federal Communications Commission Triennial UNE Review: Local Circuit Switching for Mass Market Customers.

Docket No. 06-00093: In Re: Joint Filing of AT&T, Inc., BellSouth Corporation, and BellSouth's Certified Tennessee Subsidiaries Regarding Change of Control.

**Public Utility Commission of Texas**

Docket No. 12879: Application of Southwestern Bell Telephone Company for Expanded Interconnection for Special Access Services and Switched Transport Services and Unbundling of Special Access DS1 and DS3 Services Pursuant to P. U. C. Subst. R. 23.26.

Docket No. 18082: Complaint of Time Warner Communications against Southwestern Bell Telephone Company.

Docket No. 21982: Proceeding to Examine Reciprocal Compensation Pursuant to Section 252 of the Federal Telecommunications Act of 1996.

**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 19 of 25**

Docket No. 23396: Joint Petition of CoServ, LLC d/b/a CoServ Communications and Multitechnology Services, LP d/b/a CoServ Broadband Services for Arbitration of Interconnection Rates, Terms, Conditions, and Related Arrangements with Southwestern Bell Telephone Company.

Docket No. 24015: Consolidated Complaints and Requests of Post-Interconnection Dispute Resolution Regarding Inter-Carrier Compensation for FX-Type Traffic Against Southwestern Bell Telephone Company.

PUC Docket No. 27709: Application of NPCR, Inc., dba Nextel Partners for Eligible Telecommunications Carrier Designation (ETC).

PUC Docket No. 28744: Impairment Analysis for Dedicated Transport.

PUC Docket No. 28745: Impairment Analysis for Enterprise Loops.

PUC Docket No. 29144: Application of Dobson Cellular Systems, Inc., for Designation as an Eligible Telecommunications Carrier (ETC) pursuant to 47 U.S.C. 241 (e) and P.U. C. Subst. Rule 26.418.

**State of Vermont Public Service Board**

Docket No. 6533: Application of Verizon New England Inc. d/b/a Verizon Vermont for a Favorable Recommendation to Offer InterLATA Services Under 47 U.S.C. 271.

Docket No. 6882: Investigation into Public Access Line Rates of Verizon New England, Inc., d/b/a Verizon Vermont.

Docket No. 6934: Petition of RCC Atlantic Inc. for designation as an Eligible Telecommunications Carrier in areas served by rural telephone companies under the Telecommunications Act of 1996.

**Virginia State Corporation Commission**

Case No. PUC920043: Application of Virginia Metrotel, Inc. for a Certificate of Public Convenience and Necessity to Provide InterLATA Interexchange Telecommunications Services.

Case No. PUC920029: Ex Parte: In the Matter of Evaluating the Experimental Plan for Alternative Regulation of Virginia Telephone Companies.

Case No. PUC930035: Application of Contel of Virginia, Inc. d/b/a GTE Virginia to implement community calling plans in various GTE Virginia exchanges within the Richmond and Lynchburg LATAs.

Case No. PUC930036: Ex Parte: In the Matter of Investigating Telephone Regulatory Methods Pursuant to Virginia Code § 56-235.5, & Etc.

Case No. PUC-200540051: Application of Verizon Communications Inc. and MCI, Inc. for approval of Agreement and Plan of Merger resulting in the indirect transfer of control of MCImetro Access Transmission Services of Virginia, Inc., to Verizon Communications Inc.

**Washington Utilities and Transportation Commission**

Docket Nos. UT-941464, UT-941465, UT-950146, and UT-950265 (Consolidated): Washington Utilities and Transportation Commission, Complainant, vs. US West Communications, Inc., Respondent; TCG Seattle and Digital Direct of Seattle, Inc., Complainant, vs. US West Communications, Inc., Respondent; TCG Seattle, Complainant, vs. GTE Northwest Inc., Respondent; Electric Lightwave, Inc., vs. GTE Northwest, Inc., Respondent.

Docket No. UT-950200: In the Matter of the Request of US West Communications, Inc. for an Increase in its Rates and Charges.

Docket No. UT-000883: In the Matter of the Petition of U S West Communications, Inc. for Competitive Classification.

Docket No. UT-050814: In the Matter of the Joint Petition of Verizon Communications Inc., and MCI, Inc. for a Declaratory Order Disclaiming Jurisdiction Over or, in the Alternative a Joint Application for Approval of, Agreement and Plan of Merger.

**Public Service Commission of West Virginia**

Case No. 02-1453-T-PC: Highland Cellular, Inc. Petition for consent and approval to be designated as an eligible telecommunications carrier in the areas served by Citizens Telecommunications Company of West Virginia.

Case No. 03-0935-T-PC: Easterbrooke Cellular Corporation Petition for consent and approval to be designated as an eligible telecommunications carrier in the area served by Citizens Telecommunications Company of West Virginia d/b/a Frontier Communications of West Virginia.

**Public Service Commission of Wyoming**

Docket No. 70000-TR-95-238: In the Matter of the General Rate/Price Case Application of US West Communications, Inc. (Phase I).

Docket No. PSC-96-32: In the Matter of Proposed Rule Regarding Total Service Long Run Incremental Cost (TSLRIC) Studies.

Docket No. 70000-TR-98-420: In the Matter of the Application of US West Communications, Inc. for authority to implement price ceilings in conjunction with its proposed Wyoming Price Regulation Plan for essential and noncompetitive telecommunications services (Phase III).

Docket No. 70000-TR-99-480: In the Matter of the Application of US West Communications, Inc. for authority to implement price ceilings in conjunction with its proposed Wyoming Price Regulation Plan for essential and noncompetitive telecommunications services (Phase IV).

Docket No. 70000-TR-00-556: In the Matter of the Filing by US West Communications, Inc. for Authority to File its TSLRIC 2000 Annual Input Filing and Docket No. 70000-TR-00-570: In the Matter of the Application of US West Communications, Inc. for Authority to File its 2000 Annual TSLRIC Study Filing.

Docket No. 70042-AT-04-4: In the Matter of the Petition of WWC Holding Co., Inc., d/b/a CellularOne for Designation as an Eligible Telecommunications Carrier in Areas Served by Qwest Corporation, and Docket

**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 21 of 25**

No. 70042-AT-04-5: In the Matter of the Petition of WWC Holding Co., Inc., d/b/a CellularOne for Designation as an Eligible Telecommunications Carrier in Clark, Basin, Frannie, Greybull, Lovell, Meeteetse, Burlington, Hyattville, and Tensleep (consolidated).

**Public Service Commission of the District of Columbia**

Formal Case No. 814, Phase IV: In the Matter of the Investigation into the Impact of the AT&T Divestiture and Decisions of the Federal Communications Commission on Bell Atlantic - Washington, D. C. Inc.'s Jurisdictional Rates.

**Puerto Rico Telecommunications Regulatory Board**

Case No. 98-Q-0001: In Re: Payphone Tariffs.

Case No. JRT-2001-AR-0002: In the Matter of Interconnection Rates, Terms and Conditions between WorldNet Telecommunications, Inc. and Puerto Rico Telephone Company.

Case No. JRT-2003-AR-0001: Re: Petition for Arbitration pursuant to Section 252(b) of the Federal Communications Act, and Section 5(b), Chapter II of the Puerto Rico Telecommunications Act, regarding interconnection rates, terms, and conditions.

Case No. JRT-2004-Q-0068: Telefónica Larga Distancia de Puerto Rico, Inc., Complainant, v. Puerto Rico Telephone Company, Defendant.

Case Nos. JRT-2005-Q-0121 and JRT-2005-Q-0218: Telefónica Larga Distancia de Puerto Rico, Inc., and WorldNet Telecommunications, Inc., Plaintiffs, v. Puerto Rico Telephone Company, Inc., Defendant.

**COMMENTS/DECLARATIONS - FEDERAL COMMUNICATIONS COMMISSION**

CC Docket No. 92-91: In the Matter of Open Network Architecture Tariffs of Bell Operating Companies.

CC Docket No. 93-162: Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection for Special Access.

CC Docket No. 91-141: Common Carrier Bureau Inquiry into Local Exchange Company Term and Volume Discount Plans for Special Access.

CC Docket No. 94-97: Review of Virtual Expanded Interconnection Service Tariffs.

CC Docket No. 94-128: Open Network Architecture Tariffs of US West Communications, Inc.

CC Docket No. 94-97, Phase II: Investigation of Cost Issues, Virtual Expanded Interconnection Service Tariffs.

CC Docket No. 96-98: In the Matter of Implementation of the Local Competition Provisions in the Telecommunications Act of 1996.

CC Docket No. 97-231: Application by BellSouth to Provide In-Region InterLATA Services.

CC Docket No. 98-121: Application by BellSouth to Provide In-Region InterLATA Services.

CCB/CPD No. 99-27: In the Matter of Petition of North Carolina Payphone Association for Expedited Review of, and/or Declaratory Ruling Concerning, Local Exchange Company Tariffs for Basic Payphone Services.

CC Docket No. 96-128: In the Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CCB/CPD No. 99-31: Oklahoma Independent Telephone Companies Petition for Declaratory Ruling (consolidated).

CCB/CPD No. 00-1: In the Matter of the Wisconsin Public Service Commission Order Directing Filings.

CC Docket No. 99-68: In the Matter of Inter-Carrier Compensation for ISP-Bound Traffic.

File No. EB-01-MD-020: In the Matter of Sprint Communications Company, L.P., Complainant v. Time Warner Telecom, Inc. Defendant.

Request by the American Public Communications Council that the Commission Issue a Notice of Proposed Rulemaking to Update the Dial-Around Compensation Rate.

File Nos. EB-02-MD-018-030: In the Matter of Communications Vending Corp. of Arizona, et. al., Complainants, v. Citizens Communications Co. f/k/a Citizens Utilities Co. and Citizens Telecommunications Co., et. al., Defendants.

CC Docket No. 96-45: In the Matter of Federal-State Joint Board on Universal Service, Cellular South License, Inc., RCC Holdings, Inc., Petitions for designation as an Eligible Telecommunications Carrier in the State of Alabama.



**Docket No. 060598-TL**  
**Resume of Don J. Wood**  
**Exhibit DJW-1, Page 23 of 25**

CC Docket No. 96-45: In the Matter of Federal-State Joint Board on Universal Service, Declaration in Support of the Comments to the Federal-State Joint Board of the Rural Cellular Association and the Alliance of Rural CMRS Carriers.

**REPRESENTATIVE TESTIMONY – STATE, FEDERAL, AND OVERSEAS COURTS**

**Court of Common Pleas, Philadelphia County, Pennsylvania**

Shared Communications Services of 1800-80 JFK Boulevard, Inc., Plaintiff, v. Bell Atlantic Properties, Inc., Defendant.

**Texas State Office of Administrative Hearings**

SOAH Docket No. 473-00-0731: Office of Customer Protection (OCP) Investigation of Axces, Inc. for Continuing Violations of PUC Substantive Rule §26.130, Selection of Telecommunications Utilities, Pursuant to Procedural Rules 22.246 Administrative Penalties.

SOAH Docket No. 473-03-3673: Application of NPCR, Inc., dba Nextel Partners for Eligible Telecommunications Carrier Designation (ETC).

SOAH Docket No. 473-04-4450: Application of Dobson Cellular Systems, Inc., for Designation as an Eligible Telecommunications Carrier (ETC) pursuant to 47 U.S.C. 241 (e) and P.U. C. Subst. Rule 26.418.

**Superior Court for the State of Alaska, First Judicial District**

Richard R. Watson, David K. Brown and Ketchikan Internet Services, a partnership of Richard R. Watson and David K. Brown, Plaintiffs, v. Karl Amylon and the City of Ketchikan, Defendants.

**Superior Court for the State of Alaska, Third Judicial District**

Dobson Cellular Systems, Inc., Plaintiff, v. Frontline Hospital, LLC, Defendant.

**United States District Court for the District of South Carolina, Columbia Division**

Brian Wesley Jeffcoat, on behalf of himself and others similarly situated, Plaintiffs, v. Time Warner Entertainment - Advance/Newhouse Partnership, Defendant.

**United States District Court for the Northern District of Texas, Fort Worth Division**

Multitechnology Services, L. P. d/b/a CoServ Broadband Services, Plaintiffs, v. Southwestern Bell Telephone Company, Defendant.

Multitechnology Services, L. P. d/b/a CoServ Broadband Services, Plaintiffs, v. Verizon Southwest f/k/a GTE Southwest Incorporated, Defendant.

**United States District Court for the District of Oregon**

Time Warner Telecom of Oregon, LLC, and Qwest Communications Corporation, Plaintiffs, v. The City of Portland, Defendant.

**High Court of the Hong Kong Special Administrative Region, Court of First Instance**

Commercial List No. 229 of 1999: Cable and Wireless HKT International Limited, Plaintiff v. New World Telephone Limited, Defendant.

**REPRESENTATIVE TESTIMONY – PRIVATE COMMERCIAL ARBITRATION TRIBUNALS**

**American Arbitration Association**

Southwestern Bell Telephone Company, Claimant vs. Time Warner Telecom, Respondent.

New Access Communications LLC, Choicetel LLC and Emergent Communications LLC, Claimants vs. Qwest Corporation, Respondent (Case No. 77 Y 1818 0031603).

**CPR Institute for Dispute Resolution**

Supra Telecommunications and Information Systems, Inc., Claimant vs. BellSouth Telecommunications, Inc., Respondent.

### Capital Cost Calculator

The Capital Cost Calculator calculates the three annual capital cost factors - depreciation, cost of money and income tax for each class of physical plant. Depreciation (book) is a function of the Gompertz-Makeham survival curve for the respective classes of plant, and is defined in the calculator by the c, G and S parameters. Cost of Money is the return on investment needed to satisfy both the debt and equity investors in the enterprise. Income tax calculations are a function of the return on equity (that portion of the Cost of Money not directed toward debt retirement) and debt service requirements.

User adjustable inputs to the calculator include financial data, tax data, tax depreciation information, and book depreciation data. The calculator also allows the user to input the Gompertz-Makeham curve shapes, the lives, and the future net salvage (FNS) of each plant account.

Survival data for each class of plant is based on the Gompertz-Makeham survival curve defined by the c, G, and S parameters describing the attrition of plant over its useful life. The curve is adjusted to match the respective economic lives. The G-M survival curves are the standard approach used in the telecom industry and approved by most state and federal regulatory bodies. While the curve represents the pattern of retirements, the area under the curve represents the average life of the plant. Thus, as the user adjusts the average life, the area under the curve must also be adjusted to match the input average life.

The calculator contains survival data for both beginning of year (BOY) convention and end of year (EOY) convention. Yearly retirements are obtained by subtracting current year survival proportions from previous year survival proportions.

In calculating annual depreciation amounts, the Calculator methodology uses the standard Midyear Equal Life Group (ELG) approach. Since midyear convention is used, the first year values recognize that capital is only on the books for ½ of a year.

Average Capital per year is used as the basis against which Cost of Money calculations are made. Beginning of Year Capital and End of Year Capital are averaged together to develop the Average Capital per year.

The EOY capital balance is calculated as:

$$(\text{BOY Capital}) - (\text{Book Depreciation}) - (\text{Deferred Tax})$$

This balance recognizes the deferred tax balance that is available to the company from "normalizing" its deferred taxes. However, this balance is

assumed to have a 0% rate of return (therefore, it can be removed from the capital amount the company has invested).

Annual Deferred Tax is calculated as:

$$(\text{Tax Depreciation}) - (\text{Book Depreciation}) * (\text{Combined Income Tax Rate})$$

Data inputs for income tax data calculations include a MACRS (Modified Accelerated Cost Recovery System) table. This table provides the yearly tax depreciation rates for each Recovery Class as specified by MACRS tax depreciation rules.

Grossed-up Income Tax is calculated as:

$$\frac{(\text{Return on Equity} * \text{Combined Income Tax Rate})}{(1 - \text{the Combined Income Tax Rate})}$$

This formula recognizes that most states do not allow Federal Income Taxes to be deducted from income.

Tax depreciation is included in Federal Income Tax calculations and serves to reduce the effective tax on the Return on Equity portion of Cost of Money.

When the initial operations of the Calculator are completed, the total capital cost factors for each year that plant survives is determined. In order to develop a set of levelized annual cost factors, two steps are necessary. First, the net present value (NPV) of the annual factor streams is calculated using a discount rate equal to the Cost of Money. Second, the NPV is spread over the economic life of the plant account using a midyear convention to arrive at a set of levelized annual cost factors for book depreciation, cost of money, and combined income taxes.

## ANNUAL COST FACTORS

### GENERAL

Annual cost factors are translators used to determine the amount of recurring cost for one year associated with acquiring and using a particular investment. Annual cost factors were developed for each category of plant investment. When the dollar amount for a particular investment is multiplied by the annual cost factor for that particular category of plant investment, the product reflects the annual recurring cost incurred by BellSouth with respect to that particular investment. There are basically two types of cost associated with investment: capital-related costs and operating-related costs.

The initial purchase price of plant equipment and any installation costs are paid with a combination of investor supplied funds and retained earnings. The investors who provide the "loan" may be either bondholders or stockholders. The plant placed must be able to generate enough revenues to cover capital costs associated with its placement and usage. Capital-related costs consist of three major categories: depreciation, cost of money, and income tax. The capital-related cost factors are developed using a PC based spreadsheet, the Capital Cost Calculator, which uses various financial data and plant investment characteristics to compute the annual capital costs by category of plant.

Plant investments must also be maintained to provide for continuing operations. Ordinary repairs and maintenance, as well as rearrangements and changes, are necessary costs for all categories of plant (except land) in order to provide proper service. These maintenance costs, as well as ad valorem taxes and other taxes must be covered by the revenues received from the use of the asset. The operating-related cost factors are developed using various spreadsheets, which basically compute the annual operating-related costs by category of plant, and divide that amount by the investment in that category of plant.

#### **CAPITAL-RELATED COSTS**

**DEPRECIATION (book)** - the allocation of the initial plant investment over the years of service provided by the plant. Depreciation is determined by analysis of survivor curve data. Survivor curves represent the survival pattern of plant investment. Specifically, for any year, depreciation is defined as the difference in the plant surviving at the beginning of the year less the amount of that same plant surviving at the end of the year. Survivor curve shapes for different classes of plant are determined by the respective Gompertz-Makeham c, G, and S parameters.

**COST OF MONEY** - the annual cost to the firm of the debt and equity on capital invested in the business. This annual cost is determined in the financial market as it represents the investors' expected return on their investment.

**INCOME TAX** - the composite of income taxes paid to the Federal and State governments based on the taxable net income of the company.

#### **OPERATING-RELATED COSTS**

**PLANT SPECIFIC EXPENSE** - the expense required to keep existing telephone plant, circuits, and service up to standards, as well as rents paid for facilities. This includes trouble clearing, rearrangements, and replacing defective elements.

AD VALOREM AND OTHER TAX - taxes levied by city and county governments based on the assessed value of property. This includes property taxes, capital stock taxes, and other taxes.

#### FACTOR DEVELOPMENT - CAPITAL COST

Depreciation is the allocation of the initial plant investment over the years of service provided by the plant. The method employed in these studies employs survivor curves as defined by the Gompertz-Makeham c, G, S parameters. The general form of the survivor curves, in log form, is:

$$P_x = P_0 + xS + G [(c^x) - 1],$$

where:

$P_x$  = Proportion surviving at age x,  
 $P_0$  = Proportion surviving at age zero, and  
 $x$  = Age.

The curve shape parameters describe a particular curve shape, along with an associated life. In practice, the parameters are determined by actuarial-type studies of classes of telephone plant.

The curves for specific classes of plant are rendered as tables of proportions surviving versus years in service. Depreciation ratios for specific years of service are determined by subtracting proportions surviving at the beginning and end of the years in question. Where the half-year convention is employed, proportions surviving may be expressed at intervals such as 0.5, 1.5, 2.5, etc. years.

Cost of Money is the amount of money that must be paid to investors for the use of investor-supplied funds. This amount to be paid investors is the annual cost to the company of the debt and equity capital invested in the company. Cost of money is determined in part by the financial market and, as it represents the investors' expected return on their investment, may differ considerably from the actual earnings a company generates. The overall cost of money rate provided by BellSouth Treasury depends on the cost of equity financing, the cost of debt financing, and the debt to equity ratio of the capital structure of the company. The overall cost of money rate is equivalent to the rate of return currently authorized by the Federal Communications Commission (FCC) and the rate of return referred to by the FCC in its First Report and Order, CC Docket 96-98.

Income tax expense is the federal and state taxes levied on "taxable income." For income tax purposes, what is considered gross income and what expenses are deductible are defined by laws and codes. The income tax factor is developed to reflect the income tax in two situations: 1) payment of dividends to stockholders, which are neither tax deductions nor accounting expenses; and 2)

and the existence of a tax-timing difference between book depreciation and tax depreciation. While interest to bondholders is book expense and deductible for income tax purposes, the federal government and most state governments levy a tax on the revenues, which are earned to compensate stockholders for the use of their money. A company must pay income taxes on the equity portion of return, but the debt portion is tax exempt. The timing differences for depreciation are the result of both different depreciable lives and different depreciation methods. In addition, the basis for tax depreciation may be different from the basis for accounting depreciation.

### **FACTOR DEVELOPMENT - OPERATING RELATED**

#### **PLANT SPECIFIC EXPENSE**

The plant specific expense factor, which includes the cost of material used and direct labor, is a ratio that reflects the relationship between the expenses for plant category and the respective investment. The factor also includes maintenance-type expenses for existing plant that cannot be directly assigned to a given plant category, such as, transmission power. Certain expenses, such as service order activity, have been excluded from the appropriate categories. These costs are excluded because: 1) they should be separately identified for each service, or 2) they should be included in nonrecurring cost studies. The maintenance expenses incorporated in the Plant Specific Expense Factors include those associated with the following types of operations:

1. Inspecting and reporting on the condition of plant investment to determine the need for repairs, replacements, rearrangements and changes
2. Performing routine work to prevent trouble
3. Replacing items of plant other than retirement units
4. Rearranging and changing the location of plant not retired
5. Repairing material for reuse
6. Restoring the condition of plant damaged by storms, floods, fire and other casualties (other than the cost of replacing retirement units)
7. Inspecting after repairs have been made
8. Salaries, wages and expense associated with plant craft and work reporting engineers, as well as their immediate supervision and office support.



The plant specific expense factors are based on three years of projected expense and investment data. The 1998 expenses used in the study were pulled from the Cost Separations System (CSS). Rent expense is excluded from building expense; net rent (rent revenue less rent expense) is included in pole and conduit expenses. Projected view data was obtained from the Finance Regulatory Accounting Group for the 1999 through 2000 expenses and spread based on actual expenses. Service order-related expenses were excluded from the study because such expenses are recovered in a direct manner rather than through the use of a factor. The 2000 through 2002 projected expense amounts are added together and averaged to represent the average annual expenses for the projected period.

The investment dollars are derived from actual EOY 1997 and 1998 levels plus 1999 through 2002 projected net additions from the Network Budgets Group. The investment projections are based on plant additions less retirements added to the cumulative historical year. The actual EOY 1997 and EOY 1998 dollars were extracted from BellSouth financial systems. EOY 1997 and EOY 1998 investments are averaged to develop average 1998 amounts, current cost factors are applied, and then 1999 through 2002 net additions are added together to represent the projected period. The expenses are then divided by the investments, resulting in the unloaded plant specific expense factors. Power expense loadings are then added to the factors for central office equipment investment. These plant specific expense factor calculations result in a factor for each category of plant representative of the average expense per investment expected in the future for each plant category.

#### AD VALOREM AND OTHER TAXES

The ad valorem and other tax factor is an effective tax factor furnished by the BellSouth Tax Department. The BellSouth Tax Department develops the factor by calculating the ratio of certain tax expenses to the telephone plant in service, as follows:

$$\frac{\text{Accounts 7240.1000} + \text{7240.3000} + \text{7240.9000}}{\text{Telephone Plant In Service}}$$

Account 7240.1000 includes taxes levied upon the assessed value of property.

Account 7240.3000 includes taxes levied upon the value or number of shares of outstanding capital stock, upon invested capital, upon rate of dividends paid, etc.

Account 7240.9000 includes other nonincome, nonrevenue taxes such as municipal license taxes, state privilege taxes, state self-insurer's tax, etc.

## **SHARED FACTORS AND COMMON FACTOR DEVELOPMENT AND APPLICATION**

### **Process Overview**

In order to develop factors that reflect a distribution of a) shared costs to distinct network elements or facilities and b) common costs that span the activities of the business, BellSouth designed a process which complies with FCC pronouncements. This process employs cost assignments, where possible, based on the cost attribution principles underlying the Cost Allocation Manual (CAM) approved by the FCC. These principles provide a structural "cost causative" basis for assigning costs to network related plant or to non-network related groupings (Common, Non-Recurring Costs, Retail, etc.).

### **Base Period Data**

Base period cost profile data for regulated 1998 expenses and 1998 average investment amounts were extracted from BellSouth's financial records. In addition, the related salary and wage amounts were retrieved for use in the apportionment processes. The data was retrieved by Account, Field Reporting Code/Subsidiary Record Category (FRC/SRC), Cost Pool, Cost Sub-Pool, Expense Matrix Indicator (EMI), and Account Type as appropriate.

### **STEP 1. Development of 2000-2002 Average Annual Costs**

Projection factors were applied to the base period data at a cost pool/sub-pool level to develop average annual forward-looking costs for the 2000-2002 period. As a first step in this process, the 1998 expenses and salary and wage amounts were multiplied by the 2000-2002 Expense/Salary & Wage Development Factors to develop the related average annual expenses and salary and wage amounts for the 2000-2002 period. Next, 1998 averaged investment amounts were multiplied by the 2000-2002 Investment Development Factors to develop the average 2000-2002 investment levels. Next, the 2000-2002 average investment levels were converted to average annual capital related costs by applying the Capital Cost and Ad Valorem Factors. The final process in this step was the identification and segregation of all nonrecurring costs to prevent them from being impacted by any recurring costs.

After the expenses and investments have been converted into forward-looking costs in Step 1, the next steps assigned these costs to cost objectives such as wholesale network investments, retail, nonrecurring, etc.

### **STEP 2. Reclassification**

The next operation identified those accounts where there were direct, cost causative relationships between expense accounts and related investment accounts, and performed a reclassification process to combine the expenses and capital costs of the related accounts. As an example, Account 6112 Motor Vehicle maintenance expense was combined with Account 2112 Motor Vehicle capital related costs. Most of the plant specific expenses have a direct, cost-causative relationship with either a general support or network investment account.

### **STEP 3. Primary Attribution of Cost**

After the above-referenced reclassifications, the remaining expenses and support asset costs (Accounts 61XX, 65XX, 66XX, 67XX, 1220, 21XX, and 26XX) were assigned by applying factors based on the cost attribution principles underlying the CAM. Apportionment factors were developed on a cost pool/sub-pool basis reflecting salary and wage relationships, investment relationships, or expense relationships.

### **STEP 4. Secondary Reclassification**

Following the first iteration of cost assignments, a reclassification of assigned costs was made to associate costs which, by their nature, were assignable to related accounts or to final non-network related groupings.

During the first iteration of cost assignments, some apportionments were made to support type accounts; and therefore, a second iteration of cost assignment was required to appropriately distribute support type costs on a cost causative basis. The second iteration of cost assignment began in this step and included only computer costs (Account 6124).

### **STEP 5. Secondary Attribution of Costs**

This step continued the distribution of support type costs referred to in Step 4 above. It included the assignment of provisioning expenses (Account 6512), and network operations expenses (Accounts 653X).

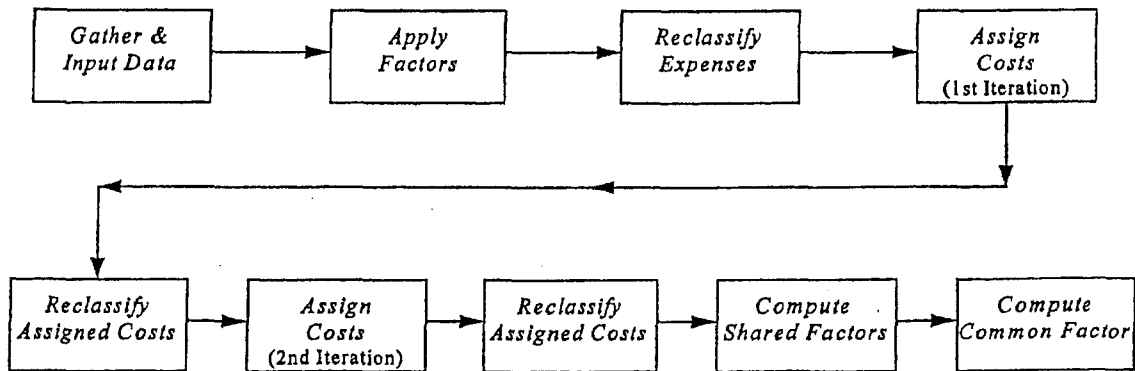
### **STEP 6. Reclassification and Factors Development**

After the second iteration of cost assignment, a final reclassification was required to associate the remaining costs with either a network related account or with a nonnetwork related grouping. The cost assignments that were associated with network related accounts were then divided by the related 2000-2002 investment amounts in order to develop the shared factors

In the steps of the process outlined above, some costs, though common in nature, have wholesale/retail attributions that facilitate an assignment to the wholesale or retail category. These costs are referred to as directly assigned common costs. Other common costs, having no reasonable cost causation basis, were allocated to the wholesale and retail categories on the basis of the relationship between total wholesale costs and total retail costs.

Total wholesale common costs were developed by summing the directly assigned wholesale common costs and the allocated wholesale common costs. The common cost factor was developed by dividing the total wholesale common costs by the total wholesale costs excluding the common portion (Nonrecurring costs were included with the total wholesale costs to form the denominator).

### Flow Diagram of the Calculation of the Shared Cost Factors and the Common Cost Factor



**CALCULATION OF COMMON COST FACTOR**

Note: The amounts and percentages on this diagram are illustrative in nature and may or may not reflect the amounts or results incorporated in this filing.

**WHOLESALE**  
Directly Assigned and  
Attributed Costs Assigned to  
Elements and Functions  
 \$16,326,981,305  
 A

**RETAIL**  
Directly Assigned and Attributed  
COMMON COSTS  
 \$2,101,175,176  
 G

**WHOLESALE**  
Directly Assigned and Attributed  
COMMON COSTS  
 \$327,911,923  
 B

**COSTS COMMON TO BOTH**  
WHOLESALE & RETAIL OPERATIONS  
 \$778,336,192  
 C

**WHOLESALE**  
Allocated Portion of  
COMMON COSTS  
 \$691,141,976  
 $((A+B)/(A+B+G))*C$  D

**RETAIL**  
Allocated Portion of  
COMMON COSTS  
 \$87,194,216  
 $(G / (A+B+G ))*C$  H

**WHOLESALE**  
TOTAL  
COMMON COSTS  
 \$1,019,053,899  
 B+D E

**RETAIL**  
TOTAL  
COSTS  
 \$2,188,369,392  
 G+H I

**WHOLESALE**  
COMMON COST FACTOR  
 6.24%  
 E / A F

### Inputs To The Application

The inputs to the Shared and Common Cost Application consist of the following:

- 1998 regulated expenses
- 1998 averaged regulated investment amounts
- 1998 regulated salary and wage amounts
- 2000-2002 Expense/S&W Development Factors
- Capital Cost Factors
- Ad Valorem Factors
- 2000-2002 Investment Development Factors
- Service Order Proportion Factors
- Wholesale/Retail Factors for A/C 661X Marketing
- Wholesale/Retail Factors for A/C 6623 Customer Services

The 1998 expense and investment data provides a foundation or template to drive the 2000-2002 projected expenses and investment to appropriate cost pool/sub pool assignments. The salary and wage (S&W) amounts are used in the apportionment processes performed by the application. The 1998 salary and wage amounts were input into the application and were utilized in appropriate salary and wage attribution bases for assigning attributable costs.

The 2000-2002 Expense/S&W Development factors that were input to the shared and common application are a reflection of the relationships of projected average annual expense for the 2000-2002 period to the actual 1998 expense amounts on an account level basis. Estimates of expenses for each of the three years in the 2000-2002 period were developed to reflect BellSouth's projected operations. These expenses were averaged and utilized in the 2000-2002 Expense/S&W factors described above.

The 2000-2002 Investment Development factors were calculated by restating the 1998 investment based on historical cost to investment based on current prices. In addition, any planned additions and retirements were considered in arriving at an investment reflecting the forward-looking costs required by the FCC. Once the investment was calculated for each year, it was averaged for the period 2000-2002. The 2000-2002 averaged investment by account was divided by the 1998 investment by account to produce the 2000-2002 Investment Development factors.

Capital Cost and Ad Valorem Factors include calculations for Depreciation, Cost of Money, Income Taxes, and Ad Valorem Taxes. The Capital Cost Calculator computes the Capital Cost factors used in the Shared and Common Cost Application. For details concerning the calculations of these factors, see the Capital Cost Calculator and Ad Valorem Costs.

The Service Order Proportion factors are used to derive the non-recurring costs associated with Central Office Equipment Expenses (62XX accounts), Terminal Equipment Expenses (63XX accounts), and Cable and Wire Expenses (64XX accounts). Actual service order work hours by network related plant were retrieved and a relationship to total work hours was developed for each type of plant. The hours were extracted on a study basis.

The Wholesale/Retail Factors relating to Accounts 6611, 6612, 6613, and 6623 reflected an analysis of each account by cost pool/sub pool to determine the nature of the expenses and how they would be reflected in a wholesale versus retail company. The study was often carried out at a Work ID level. Based on the analysis, an assignment to wholesale or retail was specified for each cost pool/sub pool. At the conclusion of the analysis, the total wholesale portion was divided by the account total to arrive at a wholesale percentage. A similar calculation was done for determining the retail percentage.

#### **BellSouth Shared and Common Cost Application**

The BellSouth Shared and Common Cost Application is a menu driven application used in calculating the Common Cost Factor and the Shared Cost Factors. Users are guided through the process by selecting from easy to understand choices.

The user interface for the Shared and Common Cost Application allows for editing inputs, viewing reports of the outputs, examining the underlying methodology of the Application, and saving and loading edits as scenarios. The Application provides help screens and descriptions of processes to guide the user in understanding the process, creating new scenarios and reviewing the results/outputs of the process. The application processes in either of two modes. By selecting SETTINGS on the user interface main screen, the user may process the application in steps or all at once. The Batch mode processes the data without allowing the user to view results at various stages of the process. The Interactive mode allows the user to access data at various stages of the process and provides a description of the step being performed.