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BELLSOUTH TELECOMMUNICATIONS, INC.
REBUTTAL TESTIMONY OF D. DAONNE CALDWELL
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 981052-TP
DECEMBER 21, 1998

Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

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

Q. ARE YOU THE SAME D. DAONNE CALDWELL WHO FILED DIRECT TESTIMONY IN THIS DOCKET?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to several issues contained in the direct testimony of Andrea Welch filed on behalf of the Telephone Company of Central Florida (TCCF).

Q. ON PAGE 16 OF HER TESTIMONY, MS. WELCH POSES THE

1 **QUESTION, “WHAT IS THE FORMULA FOR RECOVERY?” CAN YOU**
2 **EXPLAIN HOW THE COSTS WERE DEVELOPED FOR RECOVERY?**

3
4 A. Yes. First, let me explain that a “formula for recovery” is only an issue with the
5 Electronic Interface elements because some components of the cost are not volume
6 sensitive with respect to the number of orders processed. However, the cost
7 associated with the Manual Processing element is developed on a “per local
8 service request (LSR)” basis and thus, is applied per LSR.

9
10 Attached to the direct testimony I filed on December 3, 1998, was an exhibit,
11 DDC-1, that described the process and assumptions underlying the cost study. On
12 page 4 under the Electronic Interfaces heading, I state “the resulting total labor
13 hours, investments and other expenses are divided by the projected cumulative
14 number of local service requests.” On page 5 of that same document I state that
15 the “cost is valid from 1999 through 2001 for the Electronic Interface elements.”
16 Ms. Welch’s question can be answered using these two pieces of information. The
17 total cost for the element is divided by the 1999-2001 demand. The vintage of the
18 cost differs since costs also occurred prior to orders being placed. For the
19 Electronic Interface – Development & Implementation element, the costs
20 appropriately include costs incurred in the 1996-1998 time frame because
21 development will necessarily occur prior to deployment. Also, for the Electronic
22 Interface – Ongoing Processing element, equipment had to be purchased prior to
23 the deployment. The costs associated with investments made in 1996 -1998 have
24 been included. Let me point out that the depreciation life of computer equipment is
25 4.4 years. Thus, equipment placed in 1998-2001 has capital costs extending

1 beyond the study period. Additionally, BellSouth incurs on-going operating
2 expenses beyond the year 2001 for all equipment placed.

3

4 The demand reflects orders from all Alternative Local Exchange Carriers
5 (ALECs), not just TCCF. Additionally, both resale and Unbundled Network
6 Element (UNE) orders have been considered in the forecast provided by
7 BellSouth's Interconnection organization.

8

9 **Q. MS. WELCH ALSO QUESTIONS THE INCLUSION OF**
10 **DEVELOPMENTAL COSTS IN THE RECOVERY. CAN YOU**
11 **COMMENT?**

12

13 A. Yes, in part. I can only address the cost issues in this docket. BellSouth witness,
14 Ms. Arrington, discusses rate structure and pricing issues. However, I can state
15 that the costs were developed in a manner that segments the Electronic Interface
16 between costs associated with Development & Implementation and those
17 associated with Ongoing Processing. This bifurcation of costs can be seen on
18 Exhibit DDC-2 to my direct testimony. The Development & Implementation cost
19 per LSR is \$2.46 and the Ongoing Processing cost per LSR is \$4.32.

20

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

22

23 A. Yes.

24

25