

ORIGINAL

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BELLSOUTH TELECOMMUNICATIONS, INC.
REVISED DIRECT TESTIMONY OF WALTER S. REID
BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 990649-TP
(PHASE II)
AUGUST 18, 2000

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND POSITION WITH BELLSOUTH TELECOMMUNICATIONS, INC.

A. My name is Walter S. Reid and my business address is 675 West Peachtree Street N. E., Atlanta, Georgia. My position is Senior Director for the Finance Department of BellSouth Telecommunications, Inc. (hereinafter referred to as "BellSouth", or "the Company").

Q. ARE YOU THE SAME WALTER S. REID WHO FILED DIRECT TESTIMONY IN THIS PROCEEDING?

A. Yes. I filed direct testimony in this proceeding on behalf of BellSouth on May 1, 2000.

Q. WHAT IS THE PURPOSE OF YOUR REVISED DIRECT TESTIMONY?

1

2 A. The purpose of my revised direct testimony is to
3 introduce revised shared and common cost factors
4 included as part of the data that the Company filed
5 with its updated cost studies on August 16, 2000.

6

7 Q. WHAT WAS THE REASON FOR THE REVISION?

8

9 A. As explained in my direct testimony filed in this
10 proceeding on May 1, 2000, costs related to "other
11 wholesale" transactions, such as non-recurring (e.g.,
12 service order activities) are identified and excluded
13 from the shared and common cost factors. Subsequent
14 to the filing of the original cost studies on April
15 17, 2000, it was discovered that several of the
16 service order ratios used in the determination of
17 these non-recurring costs were incorrect and did not
18 recognize the capitalization of right to use fees.

19

20 Q. WHAT IMPACT DID THE CORRECTIONS HAVE ON THE SHARED
21 COST FACTORS?

22

23 A. Please see Revised Exhibit WSR-3 for the revised
24 shared costs factors. The impacts of the revisions
25 are minor with the shared cost factors for Accounts

1 2211 and 2212 decreasing while the majority of the
2 other factors increased slightly. The total impact
3 of the change is to decrease total shared costs by
4 \$376,000 or .03%.

5

6 Q. IS THE COMMON COST FACTOR IMPACTED BY THESE
7 REVISIONS?

8

9 A. No. The common cost factor did not change from the
10 6.24% filed in my direct testimony. While the
11 underlying numbers changed slightly, the cost factor
12 remained unchanged. Please see Revised Exhibit WSR-4
13 for the mathematical calculation of the common cost
14 factor.

15

16 Q. DOES THIS COMPLETE YOUR REVISED DIRECT TESTIMONY?

17

18 A. Yes, it does.

19

20

21

22

23

24

25

Shared Costs Factors

<u>Account</u>	<u>Description</u>	<u>Attributed Shared Cost</u>	<u>Projected Average Investment</u>	<u>Shared Cost Factors</u>
2121	Buildings	326,941	3,061,372,473	0.0001
2211	Analog Electronic Switching	85,236,847	1,348,225,722	0.0632
2212	Digital Electronic Switching	184,546,142	10,089,987,979	0.0183
2220	Operator Systems	3,679,495	165,279,934	0.0223
2231	Radio Systems	1,548,350	82,075,994	0.0189
2232	Circuit Equipment Analog Other	8,969,452	432,414,834	0.0207
2232	Circuit Equipment Analog Pair Gain	9,728	41,294	0.2356
2232	Circuit Equipment Digital Data Systems	1,993,949	97,269,967	0.0205
2232	Circuit Equipment Digital Pair Gain	132,842,375	7,092,128,655	0.0187
2232	Circuit Equipment Digital Other	91,500,007	5,115,127,863	0.0179
2311	Station Apparatus	470,547	1,759,000	0.2675
2341	Large PBX	3,694,901	66,065,994	0.0559
2362	Other Terminal Equipment	73,107,930	390,006,924	0.1875
2411	Poles	33,355,424	2,429,174,194	0.0137
2421	Aerial Cable Metallic	216,485,198	7,820,868,107	0.0277
2421	Aerial Cable Non-Metallic	8,344,292	381,855,095	0.0219
2422	Underground Cable Metallic	72,179,280	3,782,127,112	0.0191
2422	Underground Cable Non-Metallic	10,884,621	616,675,853	0.0177
2423	Buried Cable Metallic	358,899,959	14,615,506,650	0.0246
2423	Buried Cable Non-Metallic	18,207,921	1,203,108,692	0.0151
2424	Submarine Cable Metallic	365,667	30,938,996	0.0118
2424	Submarine Cable Non-Metallic	89,997	7,504,999	0.0120
2426	Intrabuilding Cable Metallic	3,630,430	269,276,999	0.0135
2426	Intrabuilding Cable Non-Metallic	78,343	1,804,000	0.0434
2441	Conduit Systems	38,154,903	3,891,514,696	0.0098

Shared Costs Factors

<u>Account</u>	<u>Description</u>	<u>Attributed Shared Cost</u>	<u>Projected Average Investment</u>	<u>Shared Cost Factors</u>
2121	Buildings	326,941	3,061,372,473	0.0001
2211	Analog Electronic Switching	85,236,847	1,348,225,722	0.0632
2212	Digital Electronic Switching	184,546,142	10,089,987,979	0.0183
2220	Operator Systems	3,679,495	165,279,934	0.0223
2231	Radio Systems	1,548,350	82,075,994	0.0189
2232	Circuit Equipment Analog Other	8,969,452	432,414,834	0.0207
2232	Circuit Equipment Analog Pair Gain	9,728	41,294	0.2356
2232	Circuit Equipment Digital Data Systems	1,993,949	97,269,967	0.0205
2232	Circuit Equipment Digital Pair Gain	132,842,375	7,092,128,655	0.0187
2232	Circuit Equipment Digital Other	91,500,007	5,115,127,863	0.0179
2311	Station Apparatus	470,547	1,759,000	0.2675
2341	Large PBX	3,694,901	66,065,994	0.0559
2362	Other Terminal Equipment	73,107,930	390,006,924	0.1875
2411	Poles	33,355,424	2,429,174,194	0.0137
2421	Aerial Cable Metallic	216,485,198	7,820,868,107	0.0277
2421	Aerial Cable Non-Metallic	8,344,292	381,855,095	0.0219
2422	Underground Cable Metallic	72,179,280	3,782,127,112	0.0191
2422	Underground Cable Non-Metallic	10,884,621	616,675,853	0.0177
2423	Buried Cable Metallic	358,899,959	14,615,506,650	0.0246
2423	Buried Cable Non-Metallic	18,207,921	1,203,108,692	0.0151
2424	Submarine Cable Metallic	365,667	30,938,996	0.0118
2424	Submarine Cable Non-Metallic	89,997	7,504,999	0.0120
2426	Intrabuilding Cable Metallic	3,630,430	269,276,999	0.0135
2426	Intrabuilding Cable Non-Metallic	78,343	1,804,000	0.0434
2441	Conduit Systems	38,154,903	3,891,514,696	0.0098

WHOLESALE COMMON COST FACTOR CALCULATION

WHOLESALE	RETAIL	COMMON
<u>WHOLESALE (Direct and Shared Costs)</u> Directly Assigned and Attributed Costs (assigned to elements and functions) <p style="text-align: right;">16,326,701,678 A</p>		
<u>WHOLESALE (Common Costs)</u> Directly Assigned and Attributed Costs <p style="text-align: right;">327,931,039 B</p>	<u>RETAIL</u> Directly Assigned and Attributed Costs <p style="text-align: right;">2,101,342,635 G</p>	COMMON (to be allocated) (WHOLESALE & RETAIL OPERATIONS) <p style="text-align: right;">778,429,245 C</p>
<u>WHOLESALE (Common Costs)</u> Allocated Portion of Common Costs (A + B) / (A + B + G) * C <p style="text-align: right;">691,217,222 D</p>	<u>RETAIL (Common COSTS)</u> Allocated Portion of Common Costs G / (A + B + G) * C <p style="text-align: right;">87,212,023 H</p>	
<u>WHOLESALE TOTAL COMMON COSTS</u> (Direct plus Allocated Common Costs) B + D <p style="text-align: right;">1,019,148,261 E</p>	<u>RETAIL TOTAL COMMON COSTS</u> (Direct plus Allocated Common Costs) G + H <p style="text-align: right;">2,188,554,658 I</p>	
<u>WHOLESALE COMMON COSTS FACTOR</u> (Wholesale Total Common / Wholesale Direct and Shared Costs) E / A <p style="text-align: right;">6.24% F</p>		

005124