DRIGINAL

Messer, Caparello & SelfRECEIVED-FPSC

A PROFESSIONAL ASSOCIATION

02 FEB 11 PM 4: 45

215 SOUTH MONROE STREET, SUITE 701 POST OFFICE BOX 1876

TALLAHASSEE, FLORIDA 32302-1876

TELEPHONE: (850) 222-0720 TELECOPIER: (850) 224-4359 INTERNET: www.lawfla.com

February 11, 2002

COMMISSION

BY HAND DELIVERY

Ms. Blanca Bayó, Director Division of Records and Reporting Room 110, Easley Building Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, Florida 32399-0850

> Re: FPSC Docket No. 990649A-TP - Testimony and Exhibit Filings

Dear Ms. Bayó:

Enclosed for filing on behalf of AT&T Communications of the Southern States, Inc. and MCI WorldCom, Inc. are an original and fifteen copies of the following documents in the abovereferenced docket:

- Supplemental Rebuttal Testimony of John C. Donovan with Exhibits JCD-10.1, JCD-10.2, JCD-10.3, and JCD-10.4; 01622-02
- Interim Revised Supplemental Rebuttal Testimony of Joseph Gillan with Exhibits' JPG-1, JPG-2, JPC-3, and JPC-4; and 01623-02
 - Supplemental Rebuttal Testimony of Brian F. Pitkin with Exhibits BFP-14. 3. 01624-02

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely.

Tracy W. Hatch

TWH/amb Enclosure

\US

3CL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SUPPLEMENTAL REBUTTAL TESTIMONY OF

JOHN C. DONOVAN

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

And

MCI WORLDCOM, INC.

Docket No. 990649A-TP

February 11, 2002

PUBLIC VERSION

O 1622 FEB 118

FPSC-COMMISSION CLERK

I.	Introduction	1	
II.	BellSouth Still Incorrectly Calculates Engineering Costs		
III.	BellSouth's Model Still Fails to Appropriately Capture Manhole Costs7		
IV.	BellSouth's use of a 40 Percent Additional Factor for Underground Manholes,		
	Conduit,	and Excavation Costs Are Completely Inappropriate. 12	
V.	Summary		
	Attachments:		
	JCD-9	Engineering Factors (Proprietary).	
	JCD-10	Manhole Drawings.	

1 I. <u>INTRODUCTION</u>

18

2	Q.	PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.
3	A.	My name is John C. Donovan. I am President of Telecom Visions,
4		Inc., a telecommunications consulting company. My business address
5		is 11 Osborne Road, Garden City, NY 11530.
	~	•
6	Q.	ARE YOU THE SAME JOHN C. DONOVAN THAT
7		PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?
8	A.	Yes.
Ü		1 03.
9	Q.	WHAT IS THE PURPOSE OF YOUR TESTIMONY?
10	A.	The purpose of my testimony is to comment on BellSouth's January
11		28, 2002 revised cost studies and direct testimony. As such, this
12		testimony should be taken together with my December 10, 2001
13		rebuttal testimony to identify all of the changes I support to
14		BellSouth's original filing. Second, I have withheld from commenting
15		on BellSouth's surrebuttal testimony because I understand it is outside
16		the scope of this additional testimony. However, my silence on those
17		issues should not imply agreement with anything stated in the

surrebuttal testimony of BellSouth's witnesses. Third, since BellSouth

still continues to provide information requested in discovery, I would
like to reserve the opportunity to comment on that information as it is
supplied between now and the time of the hearing.

Q. HOW IS YOUR TESTIMONY ORGANIZED?

- 15

A.

In Section II, I address the fact that although BellSouth made a mistake in claiming that BSTLM estimated engineering costs in the same manner as its Outside Plant Construction Management Program ("OSPCM"), the error discovered has not been adequately repaired, despite BellSouth's alteration of model code to use a new factor, and that the engineering factors submitted are unreasonable for a TELRIC model. In Section III, I discuss the fact that although BellSouth's new cost study alleges to have fixed some admitted shortcomings in calculating manhole investments, BellSouth still has failed to appropriately capture forward looking costs. In Section IV, I address BellSouth's application of a 40-percent factor that is inappropriate and should be rejected. In Section V, I summarize this testimony.

II. BELLSOUTH STILL INCORRECTLY CALCULATES

ENGINEERING COSTS AND FAILS TO ADHERE TO TELRIC

REQUIREMENTS.

Q. DID BELLSOUTH ADMIT THERE WAS AN ERROR IN ITS ENGINEERING FACTOR?

Yes. In my rebuttal testimony, I pointed out the three ways that
engineering costs are related to direct labor costs: 1) by sheath feet of
cable placed by technicians, 2) by number of splice locations created
by technicians, and, 3) by the number of pairs spliced by technicians.
In its January 24, 2002 letter to the Commission, BellSouth admitted
-that "the engineering factors BellSouth used in its original cost study
are the same factors used in BellSouth's internal cost estimating
system, OSPCM." In the letter, BellSouth also admitted: "In
gathering information for a Staff-requested late-filed deposition
exhibit, BellSouth learned of a discrepancy in the way the OSPCM
system applies the factors and the way the BSTLM applies the
factors." Not surprisingly, BellSouth discovered that its own internal
cost estimating system calculated engineering costs following the
philosophy that, "The engineering factors in the OSPCM are applied to
Telco labor plus contractor costs." (January 24, 2002 BST letter).

	1	Q.	DID BELLSOUTH ALTER THE BSTLM MODEL CODE
	2		APPROPRIATELY TO CALCULATE ENGINEERING COSTS
	3 -		CONSISTENT WITH GENERALLY ACCEPTED OUTSIDE
	4	,	PLANT ENGINEERING PRACTICE?
	5	A.	No. Although BellSouth revised its BSTLM model code, it amazingly
	6		failed to do it consistent with the OSPCM practice described in its
	7		January 24, 2002 letter. As expressed in my rebuttal testimony, and as
	8	ŕ	revealed by its own internal outside plant engineering practices,
	9		BellSouth should have created an engineering cost that correlates with
	10		technician labor. BellSouth has muddied the waters by creating a
	11		factor that treats engineering cost to be proportional to labor costs plus
	12		material costs. This inappropriately includes the cost of materials in
	13		the allocation of engineering costs. Engineers create Engineering
•	14		Work Orders to instruct technicians what to do. They do not create
	15		Engineering Work Orders to instruct materials. Engineering Work
	16		Orders are the "how to build it" documents that BellSouth and the
	17		industry recognize as the work product of the outside plant engineer.
	18	Q.	WHAT DO YOU RECOMMEND BELLSOUTH BE REQUIRED
	19		TO ALTER IN ITS MODEL LOGIC?
	20	A.	BellSouth has already modified the logic of BSTLM to change the
	21		way it handles engineering costs; however, it has done so incorrectly.
	22		The Commission should require BellSouth to modify the logic of

BSTLM to have engineering costs reflect a correlation to internal direct labor plus contract direct labor, and to eliminate material cost as a driver of engineering allocations.

Q. WHAT SHOULD THE RATIO OF ENGINEERING TO TECHNICIAN LABOR BE?

A.

I believe a ratio should be based on a realistic "span of control" of engineers to technicians. I have analyzed BellSouth's embedded base data for the years 1997 through 2000, and note that the "span of control" varies between 1 engineer per 5.2 technicians to a ratio of 1.1 engineers per technician. The ratio of 1.1 engineers per technician is absurd because such a ratio would indicate that as much time was spent on the engineering and paperwork as was spent on building a piece of outside plant. Based on my experience, a productive engineering force will create sufficient Engineering Work Orders to keep many construction technicians gainfully employed. I have provided my analysis in Attachment JCD-9. At the very least, I would expect that one engineer should be able to keep at least 6 technicians busy. Therefore, BellSouth's cost model should be modified to reflect a 16.7 percent engineering to labor ratio (1/6 = 16.7%).

Q. WHY WOULD EMBEDDED ENGINEERING COSTS VARY SO MUCH BETWEEN FIELD REPORTING CODES?

A. There are a number of reasons why embedded engineering costs would vary among Field Reporting Codes and might be higher than expected using a reasonable 1:6 "span of control." First, engineering costs will vary among Field Reporting Codes because the engineering involved is likely to be more complex for some types of construction than for others. Second, BellSouth has its stable of engineers on the payroll. If construction investment is reduced for a period of time, BellSouth still has to charge its engineering time to something, which can inflate engineering costs in any particular short period of time. By using a multi-year average, engineering costs are levelized and more accurately reflected.

Q. IS BELLSOUTH CORRECT IN CHOOSING ONE YEAR TO DETERMINE ITS ENGINEERING RATE?

A. No. Work must be planned by engineers, funding must be secured, and detailed engineering must be completed even before technicians begin work. Therefore it is unrealistic to assume that one year should be selected to determine an appropriate ratio. We have requested, and BellSouth has provided, data from 1997 through 2000. I recommend that an average be used to levelize those obvious year-to-year timing differences.

1	Q.	DO YOU HAVE A RECOMMENDATION THAT COULD BE
2		USED WITHOUT CHANGING THE MODEL LOGIC?
3	A.	Yes. Exhibit JCD-9 indicates a "TELRIC BSTLM Engineering Factor
4		Input" that can be used in lieu of a change in logic. Such a factor
5		would result in an Engineering Factor Input, as currently allowed into
6		the BSTLM logic, of between 5% and 12% depending on Field
7		Reporting Code, with an overall average just under the 10% that I
8		advocated in my rebuttal testimony. This variation takes into account
9		engineering complexity differences based on BellSouth's actual costs.
		•
10	III.	BELLSOUTH'S MODEL STILL FAILS TO APPROPRIATELY
11		CAPTURE MANHOLE COSTS.
12	Q.	WHAT CHANGES DID BELLSOUTH MAKE TO ITS
13		JANUARY 28, 2002 MODEL REGARDING MANHOLE
14		COSTS?
15	A.	By making changes to its model regarding manhole costs, BellSouth
	21.	
16		essentially admits that I was correct in my criticism that it had
17		included an unrealistic cost of manhole covers and collars in its
18		average cost of manholes. However, as part of its "fix", BellSouth
19		simply attempts to manipulate the numbers to suit its own purposes,

1		rather than to accurately capture the TELRIC investments appropriate
2		for manhole investment.
		·
3	Q.	WHAT ARE THE KEY ISSUES INVOLVED IN BELLSOUTH'S
4		CHANGING ITS TREATMENT OF MANHOLE COSTS?
5	A.	BellSouth admits that it made a mistake in its originally filed manhole
6		costs, and is now trying to recoup its incorrect investment allocations.
7		Particularly, BellSouth alleges that this Commission can now correct
8		its 30 manhole cover per manhole assertion, but that BellSouth forgot
-9		to include other costs that more than account for the difference.
10	Q.	WHAT NEW EVIDENCE HAS BELLSOUTH ADDRESSED BY
11		CHANGING ITS MANHOLE INVESTMENT VALUES?
12	A.	BellSouth now alleges that its depiction of required manhole sizes,
13		capacities, costs per cubic foot of space, and miscellaneous material
14		costs are at issue.
15	Q.	HOW HAS BELLSOUTH MANIPULATED THE COST OF
16		DIFFERENT SIZED MANHOLES?
17	A.	The key issue for manhole costs is the appropriate number of cables
18		that can be accommodated by a particular sized manhole. In the tables
19		on pages 25 and 26 of Ms. Caldwell's amended surrebuttal testimony,

she indicates manholes that can accommodate 1 cable, 2 cables, 3 to 4
cables, or 5 or more cables. Despite my rebuttal testimony to the
contrary, BellSouth now claims that its single sample for Type M031A
contractor costs represents multiple manholes, rather than a single
manhole, at a higher cost per cubic foot than larger manholes.
Interestingly, it has provided absolutely no evidence in support of that
claim that would contradict my testimony that the cost is simply a
single outlier manhole that should be excluded from the average cost
per cubic foot in a very limited non-TELRIC sample. In fact,
BellSouth's new input values indicate that a 4-foot by 8-foot by 7-foot
(224 cubic-foot) manhole costs much more than a 6-foot by 12-foot by
7-foot (504 cubic-foot) manhole which is almost twice the size
(\$19,337.15 for a 224 cu. ft. manhole vs. \$15,330.54 for a 504 cu. ft.
manhole). The contention that a smaller manhole costs much more
than a larger manhole is ludicrous. BellSouth is attempting to cleverly
cloud the issue by using selective cost per cubic-foot values rather than
simply providing the straightforward data – cost by type of manhole.
In addition, a major issue is how many cables can be accommodated
by a particular sized manhole in a TELRIC environment.

Q. HOW MANY CABLES CAN BE ACCOMMODATED IN A STANDARD MANHOLE?

A.

A. BellSouth claims that its smallest manhole is 4 feet wide by 3 feet deep by 6 feet long (72 cubic-feet). Exhibit JCD-10 clearly shows that such a manhole can accommodate not 1, or 2, or 3, or 4, but far more than 4 cables. The manhole drawings that I provide show that such a manhole can support 4 cables plus a large opening for several additional cables. Even a smaller 3-feet wide by 3.5 feet deep by 5 feet long (52.5 cubic-foot) manhole can accommodate at least 4 cables.

Q. WHAT IS THE CORRECT COST OF A MANHOLE?

The correct cost of a manhole can be determined by the least-cost method. BellSouth has not presented any substantiated data for any volume purchases. Even its claim for higher costs per cubic-foot of manhole space is unsupported by data, and fails the test of logic in looking at the comparison between a 224 cubic-foot and 504 cubic-foot manhole presented above. In addition, BellSouth stacks costs upon costs to drive up its final value far beyond using reason by using a 75.6% adder ($1.2543 \times 1.40 = 1.756$). I discussed BellSouth's 25.43% "fudge factor" in my rebuttal testimony so I will not repeat that discussion here, except to mention that the grab-bag of alleged contractor items have nothing to do with manholes, and certainly

nothing to do with manhole covers. One must ask, "How many dump trucks does it take to place a manhole cover?"

Besides the 25.43% closure factor, BellSouth advocates multiplying the inflated total by another 40% "fudge factor" to account for additional alleged costs, which I will address in the next section. However, I note that the majority of BellSouth's claimed basis for the 40% factor is exorbitant engineering costs and a double-counting of exempt material loadings. BellSouth has produced new information in discovery that reveals that manhole covers and collars are actually listed as exempt material. (BellSouth reply to AT&T/WorldCom Tst Set of Interrogatories, Item No. 5).

BellSouth should not be allowed to recover the costs of manhole covers and collars through its exempt material loading factors and also include the cost of that material directly in its computation of total manhole costs. The only appropriate exempt material associated with a manhole is the cover and collar. I have included that cost in my recommended input values. The table below is my recommended reconstruction of BellSouth's costs tables produced in Ms. Caldwell's amended surrebuttal testimony pages 25 and 26 and utilized in the most recent filing of its model.

Unit Cost Development from Contractor Table (as submitted by AT&T/WorldCom)					
		Contractor	Contractor costs without		
		costs without	25.43% Miscellaneous		
	Applicable	25.43%	Loading or 40%		
Contract	Manhole	Miscellaneous	Miscellaneous Material		
Unit Cost	sizes	Loading Factor	Loading Factor		
\$16.90	< 351 cu. ft.	\$16.90/cu. ft.	\$16.90/cu. ft.		
\$16.90	>= 351 cu. ft.	\$16.90/cu. ft.	\$16.90/cu. ft		
	Manhole				
\$246.48	Cover	\$246.48 ea.	\$246.48 ea.		

1

9

10

11

BSTLM Input Development (as submitted by AT&T/WorldCom)					
					BSTLM
		1	Manhole		Underground
		Applicable	costs		Contract Labor
		Cubic	- based on	Manhole	Inputs: Total
Conduit	Manhole	Foot	Total Cubic	Cover	Manhole Cost with
Size	Dimensions	Costs	Feet	Costs	Cover
1	72 cu. ft.	\$16.90	\$1,216.88	\$246.48	\$1,463.36
2	72 cu. ft.	\$16.90	\$1,216.88	\$246.48	\$1,463.36
3	72 cu. ft.	\$16.90	\$1,216.88	\$246.48	\$1,463.36
5	224 cu. ft.	\$16.90	\$3,785.60	\$246.48	\$4,032.08

2 Q. WHAT DO YOU RECOMMEND?

A. I believe that this Commission should require BellSouth to use the
least-cost forward looking value for the most efficient cost per cubic
foot. The fact that a 224-cubic foot manhole can support any number
of cables modeled by the BSTLM indicates that an input value as low
or lower than what I presented in my rebuttal testimony is reasonable
and appropriate.

IV. <u>BELLSOUTH'S USE OF A 40 PERCENT ADDITIONAL</u> FACTOR FOR UNDERGROUND MANHOLES, CONDUIT,

AND EXCAVATION COSTS IS INAPPROPRIATE.

1	Q.	WHAT CHANGES DID BELLSOUTH MAKE TO ITS
2		JANUARY 28, 2002 MODEL REGARDING LOADINGS ONTO
3		MANHOLES, CONDUIT, AND EXCAVATION COSTS?
4	A	BellSouth claims that the 40% factor for Miscellaneous Material
5		Loading Factor never made it through its model.
6	Q.	WHAT IS THE BASIS OF BELLSOUTH'S CLAIM FOR THE
7		40% COST?
8	A.	According to Ms. Caldwell's Attachment 5, the 40% consists of
9		approximately 28% Engineering, 8% Exempt Material, and 4% Other
10		(Plant Labor, Supply Expense, Contract Labor, Right of Way, and
11		Interest During Construction).
12	Q.	IS THE 28% ENGINEERING FACTOR REASONABLE?
13	A.	No. As discussed in the engineering portion of this testimony, I
14		recommend using a factor of 12% for the 4C Manhole, Conduit, and
15		Excavation Field Reporting Code, as indicated in Attachment JCD-9.

1	Q.	WHAT EXEMPT MATERIAL COSTS ARE APPROPRIATE
2		FOR MANHOLES?
3	A.	I have considered additional costs based on my experience in the
4		industry. In my review of BellSouth's list of Exempt Material items as
5		provided in response to AT&T/WorldCom's 1st Set of Interrogatories,
6		Item No. 5, I found that BellSouth considers items such as manhole
7		covers and collars to be exempt material, as indicated earlier in this
8		testimony. We have included that cost already in the manhole cost
9		table provided earlier in this testimony.
	-	· ·
10	Q.	WHAT EXEMPT MATERIAL COSTS ARE APPROPRIATE
11		FOR PVC CONDUIT PIPE?
12	A.	None. There are no exempt materials that are added to plain white
13		pipe. A pipe is a pipe, and things such as nuts and bolts don't apply.
14	Q.	WHAT EXEMPT MATERIAL COSTS ARE APPROPRIATE
15		FOR TRENCHES?
16	A.	None. There are no exempt materials that are added to an excavation
17		trench. A trench is a ditch and things such as nuts and bolts don't
18		apply.

Q. WHAT IS YOUR OVERALL RECOMMENDATION REGARDING THE 40% FACTOR?

10 '

A.

I recommend reducing that factor to 16%, consisting of 12%

Engineering and 4% Other, while excluding exempt material costs in a category where they have already been accounted for (in the case of manholes) or do not belong as being inappropriate (in the cases of conduit pipe and excavation trenches).

Also, as I indicated in my rebuttal testimony, it is both industry common practice and BellSouth's practice to apply exempt material loadings to labor costs, not to material costs. BellSouth uses contractors to build its manholes and conduit systems. Therefore exempt materials would not apply in any case, since it is not using telco labor.

However, the real crux of the issue is that the contractor costs for manholes and conduit pipes *already* include all of the costs, including sales tax and handling. The contractor prices used in this cost study were developed from vendor contracts and are inclusive of all additional materials that may be required. As such, the 40 percent adder is inappropriate and should be disallowed by this Commission.

V. <u>SUMMARY</u>

Q. WILL YOU PLEASE SUMMARIZE YOUR TESTIMONY?

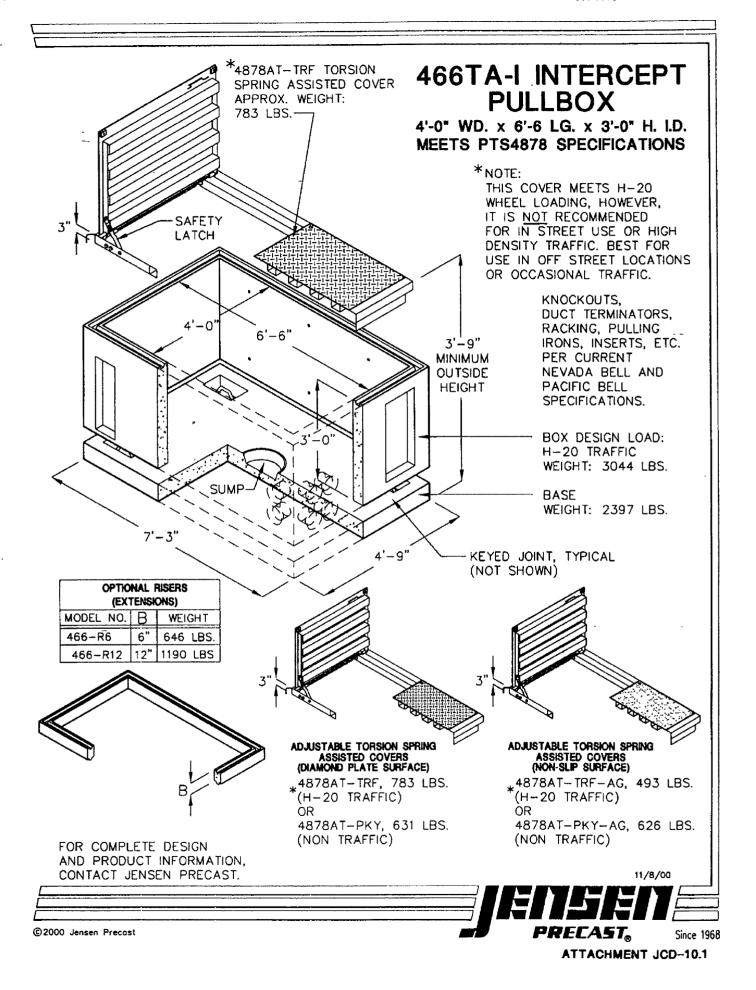
Engineering costs should be based on a "scorched node" TELRIC 2 A. environment using a reasonable high productivity span of control 3 based on one engineer per 6 technicians. Manhole costs should be 4 5 based on available BellSouth data for the least cost per cubic foot and manhole sizes appropriate for the number of cables involved in a 6 particular route. Conduit and manhole costs should not be increased 7 8 by over 75% because BellSouth's 25% closure factor and 40% exempt 9 material (and other miscellaneous loadings) should not apply to contractor bills for conduit and manhole construction. 10

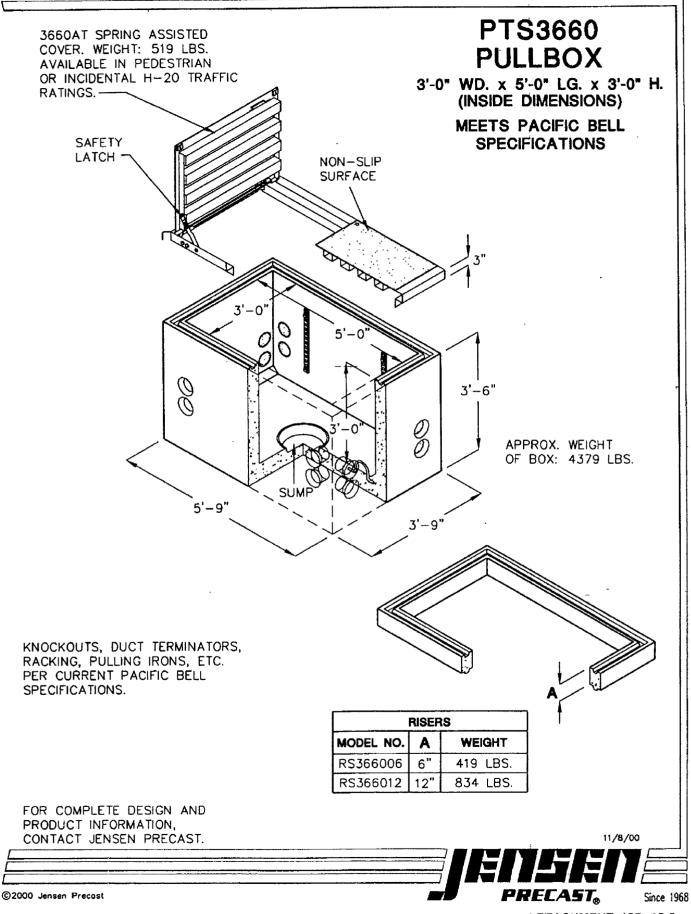
11 Q. DOES THIS CONCLUDE YOU TESTIMONY?

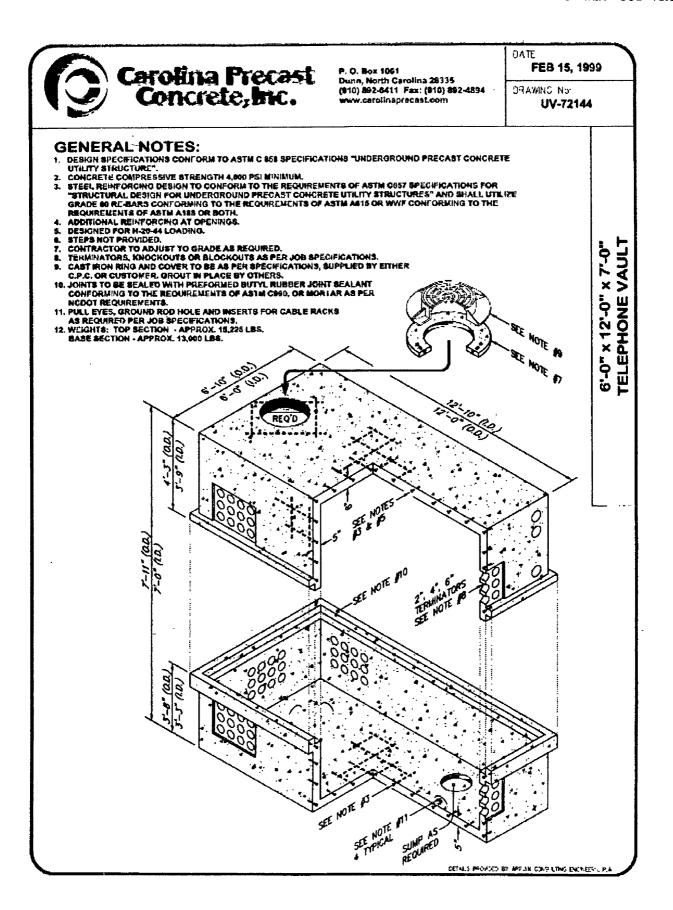
12 A. Yes. However, as mentioned earlier in this testimony, I would like to
13 reserve the right to comment on any future information provided by
14 BellSouth.

EXHIBIT JCD-9

PROPRIETARY









CONCRETE COVER

P. O. Box 1051 Dunn, North Carolina 28335 (910) 892-8411 Fax: (910) 892-4894 www.cerolinaprecast.com

SEE MOIT IN

OR

FEB. 15, 1999

DRAWNO No. PB-3636

(O_{.D.)}

STEEL COVER (SPECIFY PARKWAY / TRAFFIC)

SEE MOTE D

SEE NOTE INO

SEE MOTE NO

x 3'-0" x VARIABLE DEPTH **80X** 3'-0"

GENERAL NOTES:

- DESIGN SPECIFICATIONS CONFORM TO ASTMIC 858 SPECIFICATIONS "UNDERGROUND PRECAST CONCRETE UTILITY STRUCTURE'
- CONCRETE COMPRESSIVE 5 RENGTH 4.000 PSI MINIMUM
 STEEL REINFORCING DESIGN TO CONFORM TO THE REQUIREMENTS OF ASTM C857 SPECIFICATIONS FOR
 "STRUCTURAL DESIGN FOR UNDERGROUND PRECAST CONCRETE UTILITY STRUCTURES" AND SHALL UTILIZE
 GRADE 50 RE-BARS CONFORMING TO THE REQUIREMENTS OF ASTM A615 OR WAF CONFORMING TO THE
- REQUIREMENTS OF ASTM A185 OR BOTH. ADDITIONAL REINFORCING AT OPENINGS

- DESIGNED FOR H-20-44 LOADING.
 STEPS NOT PROVIDED,
 CONTRACTOR TO ADJUST TO GRADE AS REQUIRED.

SEE NOTE AS

- 7. CONTRACTOR TO ADJUST TO GRADE AS REQUIRED.
 8 TERMINATORS, KNOCKOUTS OR BLOCKOUTS AS PER JOB SPECIFICATIONS.
 9A. CAST IRON RING AND COVER TO BE AS PER SPECIFICATIONS, SUPPLIED BY EITHER C.P.C. OR CUSTOMER.
 9B. STEEL COVER TO BE CAST-IN, SUPPLIED BY EITHER C.P.C. OR CUSTOMER.
 10. JOHN'S TO BE SEALED WITH PREFORMED BUTYL RUBBER JOHN'S SEALANT CONFORMING TO THE REQUIREMENTS OF ASTM C990, OR MORTAR AS PER NCODY REQUIREMENTH'S.
 11. PULL EYES, GROUND ROD HOLE AND INSERTS FOR CABLE RACKS AS REQUIRED PER JOB SPECIFICATIONS.
 12. WEIGHTS: ROOF SLAB APPROXIMATELY 1,800 LBS.
 PB 3636 x 24* APPROXIMATELY 3,300 LBS.
 PB 3636 x 34* APPROXIMATELY 5,360 LBS.
 PB 3636 x 45* APPROXIMATELY 5,360 LBS.
 PB 3636 x 60* APPROXIMATELY 6,400 LBS.

DETAILS PROVIDED BY APPRIL DOWNLING DIGHERS, P.A.