

**ATTACHMENT B**

BellSouth Telecommunications, Inc.  
FPSC Docket No. 990649A-TP  
Request for Confidential Classification  
Page 1 of 2  
3/4/02

**REQUEST FOR CONFIDENTIAL CLASSIFICATION OF THE SUPPLEMENTAL  
REBUTTAL TESTIMONY OF BRIAN F. PITKIN AND EXHIBIT NOS. BFP-11,  
BFP-13, BFP-15 AND BFP-18 AS FILED ON FEBRUARY 11, 2002 IN  
FLORIDA PUBLIC SERVICE COMMISSION DOCKET 990649A-TP**

**2 Redacted Copies for Public Disclosure**

**REDACTED**

AUS \_\_\_\_\_  
CAF \_\_\_\_\_  
CMP \_\_\_\_\_  
COM \_\_\_\_\_  
CTR \_\_\_\_\_  
ECR \_\_\_\_\_  
GCL \_\_\_\_\_  
OPC \_\_\_\_\_  
MMS \_\_\_\_\_  
SEC    \_\_\_\_\_  
OTH \_\_\_\_\_

DOCUMENT NUMBER-DATE

**02501 MAR -4 8 011127**

FPSC-COMMISSION CLERK

1 projected *blended* inflation factor of approximately \*\*\* BEGIN  
2 PROPRIETARY END PROPRIETARY \*\*\* in this  
3 example instead of an actual *material-only* inflation factor which has  
4 declined by almost \*\*\* BEGIN PROPRIETARY END  
5 PROPRIETARY \*\*\*.

6 Q. DID THIS PROCESS IDENTIFY ANY OTHER PROBLEMS  
7 WITH THE INFLATION FACTORS THAT BELLSOUTH HAS  
8 USED IN THIS PROCEEDING?

9 A. Yes. As I previously mentioned, BellSouth has provided actual recent  
10 material-only, labor-only and blended inflation information. I have  
11 compared the actual inflation BellSouth experienced for 1999-2002 to  
12 the projected inflation it uses in its factors. The projected rates  
13 significantly overstated the inflation BellSouth has actually  
14 experienced from 1999-2001. As part of Attachment BFP-15, I show  
15 the impact of adjusting BellSouth's prior inflation forecasts for actual  
16 data (and more recent forecasted data).

17 Q. HAS BELLSOUTH MADE OTHER ERRORS IN ITS  
18 APPLICATION OF INFLATION?

19 A. Yes. BellSouth has erred in its application of the *labor-only* inflation  
20 factor to the labor rates. To account for inflation of its internal labor,

1 BellSouth inflated the labor rate for placing and splicing. This can be  
2 seen in the increase in the placing and splicing labor rate used by  
3 BellSouth before and after Order No. PSC-01-2051-FOF-TP (“*Order*  
4 *on Reconsideration*”), issued October 18, 2001, in Docket No.  
5 990649-TP. In its September 24, 2001 filing, BellSouth used a labor  
6 rate of \*\*\* BEGIN PROPRIETARY \*\* END  
7 PROPRIETARY \*\*\* (the support for this labor rate has recently been  
8 provided in Daonne Caldwell’s late filed exhibit number 4).  
9 Subsequent to the Commission’s *Order on Reconsideration* Order,  
10 BellSouth then inflated this labor rate to \*\*\* BEGIN  
11 PROPRIETARY END PROPRIETARY \*\*\* based  
12 on projected union wage increases in salary, as shown in Attachment  
13 BFP-13. However, BellSouth has not provided any documentation to  
14 support its increase in this labor rate from the already inflated labor  
15 rate of \*\*\* BEGIN PROPRIETARY \* \*\* END  
16 PROPRIETARY \*\*\* to the \*\*\* BEGIN PROPRIETARY \*\*\*  
17 END PROPRIETARY \*\*\* used in its cost study.

18 Q. HAVE YOU CORRECTED THIS ERROR IN BELLSOUTH’S  
19 APPLICATION OF ITS INFLATION FACTORS IN THIS  
20 PROCEEDING?

21 A. Yes. I have eliminated this error in BellSouth’s labor inflation factor  
22 application. In addition, I have replaced BellSouth’s prior projected

Acct	Asset	Total 1997 - 2000		Embedded Ratio of Engineering to Labor	TELRIC Ratio of Engineering to Labor @ 1:6	TELRIC Engineering Cost	Total Less Engineering	TELRIC BSTLM Engineering Factor Input
		Labor	Engineering					
822C	Aerial Fiber			19.4% = 1 : 5.2	16.7%			7%
5C	Underground Copper			21.3% = 1 : 4.7	16.7%			7%
845C	Buried Fiber			25.4% = 1 : 3.9	16.7%			11%
4C	Conduit			26.2% = 1 : 3.8	16.7%			12%
85C	Underground Fiber			30.1% = 1 : 3.3	16.7%			5%
852C	Intrabuilding Fiber			30.3% = 1 : 3.3	16.7%			9%
22C	Aerial Copper			31.9% = 1 : 3.1	16.7%			7%
45C	Buried Copper			32.4% = 1 : 3.1	16.7%			10%
812C	Aerial Fiber Entrance			45.0% = 1 : 2.2	16.7%			9%
52C	Intrabuilding Copper			58.7% = 1 : 1.7	16.7%			8%
1C	Poles			59.0% = 1 : 1.7	16.7%			9%
12C	Aerial Copper Entrance			93.6% = 1 : 1.1	16.7%			9%
	<b>Total</b>			<b>32.1% = 1 : 3.1</b>	<b>16.7%</b>			<b>9.4%</b>

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## PUBLIC DISCLOSURE DOCUMENT

DOCKET 990649-TP  
ATTACHMENT BFP-11

ENTIRE DOCUMENT  
REDACTED FOR PUBLIC DISCLOSURE

**011131**

**CALCULATION OF PLACING AND SPlicing LABOR RATE**

A	B	C	D	E
LINE NO.	COMPONENT	FORMULA	1998 DOLLARS	CLASSIFIED HOURLY COST
1	1	DIRECT LABOR - PRODUCTIVE	Ln1/Ln18	
2	2	DIRECT LABOR - PREMIUM	Ln2/Ln18	
3	3	DIRECT LABOR - OTHER EMPLOYEE	Ln3/Ln18	
4	4	DIRECT LABOR - ANNUAL PAID ABSENCE	Ln4/Ln18	
5	5	DIRECT LABOR - DIRECT ADMINISTRATION	Ln5/Ln18	
6	6	TOTAL DIRECT LABOR	Ln6/Ln18	
7	7	DIRECT LABOR - OTHER COST	Ln7/Ln18	
8	8	OTHER TOOLS - SALARIES	Ln8/Ln18	
9	9	OTHER TOOLS - BENEFITS	Ln9/Ln18	
10	10	OTHER TOOLS - RENTS	Ln10/Ln18	
11	11	OTHER TOOLS - OTHER	Ln11/Ln18	
12	12	MOTOR VEHICLES - SALARIES	Ln12/Ln18	
13	13	MOTOR VEHICLES - BENEFITS	Ln13/Ln18	
14	14	MOTOR VEHICLES - RENTS	Ln14/Ln18	
15	15	MOTOR VEHICLES - OTHER	Ln15/Ln18	
16	16	DIRECTLY ASSIGNED BENEFITS	Ln16/Ln18	
17	17	TOTAL DIRECTLY ASSIGNED	Ln17/Ln18	
18	18	TOTAL CLASSIFIED PROD HOURS		

Line No.	Description	Formula	Rate with BellSouth Projected Inflation	Rate with BellSouth Actual Inflation*
19	1	Labor Rate Pre-Inflation	Ln 17	
20	2	1999 % Change in Union Wage	BSTLM Input	
21	3	2000 % Change in Union Wage	BSTLM Input	
22	4	2001 % Change in Union Wage	BSTLM Input	
23	5	2002 % Change in Union Wage	BSTLM Input	
24	6	1999 Inflation Rate	1+Ln2	
25	7	2000 Inflation Rate	Ln 6*(1+Ln3)	
26	8	2001 Inflation Rate	Ln 7*(1 + Ln4)	
27	9	2002 Inflation Rate	Ln 8*(1 + Ln5)	
28	10	2000-2002 Inflation Factor	(Ln6+Ln7+Ln8)/3	
29	11	Inflated Labor Rate	Ln1*Ln10	
30	12	Undocumented BellSouth Loading		
31	13	Inflated Labor Rate (after Loading)	Ln11*Ln12	

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**PUBLIC DISCLOSURE**  
Contains BellSouth Proprietary Information  
**DOCUMENT**

	A	B	C
	STATE: REGION		
	FG/FSG: OUTSIDE PLANT CONSTRUCTION		
	WCT: OSPC		
	JFC: 420X OR 421X		
			1998
			CLASSIFIED
		1998	HOURLY COST
	<b>COMPONENT</b>	<b>DOLLARS**</b>	<b>(B/B32)</b>
1	DIRECT LABOR - PRODUCTIVE		
2	DIRECT LABOR - PREMIUM		
3	DIRECT LABOR - OTHER EMPLOYEE		
4	DIRECT LABOR - ANNUAL PAID ABSENCE		
5	DIRECT LABOR - DIRECT ADMINISTRATION		
6	TOTAL DIRECT LABOR		
7	DIRECT LABOR - OTHER COST		
8	OTHER TOOLS - SALARIES		
9	OTHER TOOLS - BENEFITS		
10	OTHER TOOLS - RENTS		
11	OTHER TOOLS - OTHER		
12	MOTOR VEHICLES - SALARIES		
13	MOTOR VEHICLES - BENEFITS		
14	MOTOR VEHICLES - RENTS		
15	MOTOR VEHICLES - OTHER		
16	DIRECTLY ASSIGNED BENEFITS		
17	TOTAL DIRECTLY ASSIGNED		
18	TOTAL CLASSIFIED PROD HOURS		
	**DATA EXTRACT FROM FINANCIAL FRONT END SYSTEM		