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Richard A. Chapkis  
Vice President and General Counsel, Southeast Region  
Legal Department

FLTC0007  
201 North Franklin Street (33602)  
Post Office Box 110  
Tampa, Florida 33601-0110

Phone 813 483-1256  
Fax 813 273-9825  
richard.chapkis@verizon.com

September 25, 2003

Ms. Blanca S. Bayo, Director  
Division of Commission Clerk  
and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

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Re: Docket No. 981834-TP  
Petition of Competitive Carriers for Commission Action to Support Local  
Competition in BellSouth Telecommunications Inc.'s Service Territory

Docket No. 990321-TP  
Petition of ACI Corp. d/b/a Accelerated Connections, Inc. for generic  
investigation to ensure that BellSouth Telecommunications, Inc., Sprint-Florida,  
Incorporated, and GTE Florida Incorporated comply with obligation to provide  
alternative local exchange carriers with flexible, timely, and cost-efficient  
physical collocation

Dear Ms. Bayo:

Please find enclosed for filing an original and 15 copies of the Surrebuttal Testimonies  
of Allen E. Sovereign, James H. Vander Weide and Charles Bailey/Barbara K. Ellis on  
behalf of Verizon Florida Inc. in the above matters. Service has been made as  
indicated on the Certificate of Service. If there are any questions regarding this filing,  
please contact me at 813-483-1256.

Sincerely,

*Richard A. Chapkis*

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Richard A. Chapkis

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that copies of the Surrebuttal Testimonies of Allen E. Sovereign, James H. Vander Weide and Charles Bailey/Barbara K. Ellis on behalf of Verizon Florida Inc. in Docket Nos. 981834-TP/990321-TP were sent via electronic mail and U.S. mail on September 25, 2003 to the parties on the attached list.

*Richard A. Chapkis*

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Richard A. Chapkis

Staff Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Nancy Sims  
BellSouth Telecomm. Inc.  
150 S. Monroe Street, Suite 400  
Tallahassee, FL 32301-1556

Rodney L. Joyce  
Shook Hardy & Bacon LLP  
600 14<sup>th</sup> St NW, Suite 800  
Washington, DC 20005-2004

Virginia C. Tate/Lisa A. Riley  
AT&T  
1200 Peachtree Street N.E.  
Suite 8066  
Atlanta, GA 30309-3523

Blue Star Communications Inc.  
c/o Robert Waldschmidt  
Howell & Fisher  
Court Square Building  
300 James Robertson Parkway  
Nashville, TN 37201-1107

Floyd R. Self  
Messer Law Firm  
P. O. Box 1876  
Tallahassee, FL 32302

Catherine Ronis  
Daniel McCuaig  
Jonathan Frankel  
Wilmer Cutler & Pickering  
2445 M Street N.W.  
Washington, DC 20037-1420

Anu Seam  
U.S. Department of Justice  
Telecom Task Force  
Antitrust Division  
1401 H Street N.W., Suite 8000  
Washington, DC 20530

S. Masterton/C. Rehwinkel  
Sprint-Florida Incorporated  
1313 Blairstone Road  
MC FLTLHO0107  
Tallahassee, FL 32301

Kenneth Hoffman  
Rutledge Law Firm  
215 S. Monroe St., Suite 420  
Tallahassee, FL 32302

Andrew Isar  
Telecomm. Resellers Assn.  
c/o Miller Isar, Inc.  
7901 Skansie Ave., Suite 240  
Gig Harbor, WA 98335

William H. Weber  
Covad Communications Co.  
1230 Peachtree Street N.E.  
19<sup>th</sup> Floor  
Atlanta, GA 30309-3574

Terry Monroe/Genevieve Morelli  
CompTel  
1900 M Street N.W.  
Suite 800  
Washington, DC 20036

Michael A. Gross  
Florida Cable Telecomm. Assn.  
246 E. 6<sup>th</sup> Avenue, Suite 100  
Tallahassee, FL 32303

Vicki Kaufman/Joe McGlothlin  
McWhirter Law Firm  
117 S. Gadsden Street  
Tallahassee, FL 32301

David Tobin  
Fla. Public Telecomm. Assn.  
c/o Tobin & Reyes  
7251 W. Palmetto Park Road  
#205  
Boca Raton, FL 33433-3487

John D. McLaughlin, Jr.  
KMC Telecom Inc.  
1755 North Brown Road  
Lawrenceville, GA 30043-8119

Deborah Eversole  
General Counsel  
Kentucky Public Service Comm.  
P. O. Box 615  
Frankfort, KY 40602

Mark E. Buechele  
Supra Telecommunications  
2620 SW 27<sup>th</sup> Avenue  
Miami, FL 33133

Laura L. Gallagher  
MediaOne Florida Tele.  
101 E. College Avenue  
Suite 302  
Tallahassee, FL 32301

Don Sussman  
Network Access Solutions Corp.  
Three Dulles Tech Center  
13650 Dulles Technology Drive  
Herndon, VA 20171-4602

Brent McMahan  
Network Telephone Corporation  
815 South Palafox Street  
Pensacola, FL 32501

Matthew Feil  
Florida Digital Network Inc.  
390 N. Orange Avenue  
Suite 2000  
Orlando, FL 32801

Tracy Hatch  
AT&T  
101 N. Monroe, Suite 700  
Tallahassee, FL 32301

**BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition of Competitive Carriers for )  
Commission action to support local )  
Competition in BellSouth Telecommunications ) Docket No. 981834-TP  
Inc.'s service territory )  
\_\_\_\_\_ )

In re: Petition of ACI Corp. d/b/a Accelerated )  
Connections, Inc. for generic investigation to )  
ensure that BellSouth Telecommunications, )  
Inc., Sprint-Florida, Incorporated, and GTE ) Docket No. 990321-TP  
Florida Incorporated comply with obligation to )  
provide alternative local exchange carriers )  
with flexible, timely, and cost-efficient physical )  
collocation. )  
\_\_\_\_\_ )

**SURREBUTTAL TESTIMONY OF**

**ALLEN E. SOVEREIGN**

**ON BEHALF OF**

**VERIZON FLORIDA INC.**

**SUBJECT: DEPRECIATION**

**SEPTEMBER 25, 2003**

DOCUMENT NUMBER DATE

09254 SEP 26 8

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1                   **SURREBUTTAL TESTIMONY OF ALLEN E. SOVEREIGN**

2

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

4   A.   My name is Allen E. Sovereign. My business address is 600 Hidden  
5       Ridge, Irving, Texas 75038.

6

7   **Q.   HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS**  
8       **PROCEEDING?**

9   A.   Yes. I filed direct testimony on behalf of Verizon Florida Inc. ("Verizon  
10       FL") on February 4, 2003. I described my education and work  
11       experience in that testimony.

12

13   **Q.   WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

14   A.   My surrebuttal testimony responds to the Rebuttal Testimony of Patricia  
15       S. Lee on behalf of Staff of the Florida Public Service Commission  
16       ("Staff"). In particular, my testimony shows that the depreciation lives  
17       and net salvage values provided in my direct testimony are well  
18       supported.

19

20   **Q.   PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.**

21   A.   Verizon FL has provided extensive support for its proposed depreciation  
22       lives and net salvage values. In addition to the support described in my  
23       direct testimony, Verizon FL has further justified its depreciation inputs  
24       in its discovery responses. Those discovery responses, which Ms. Lee  
25       noted were forthcoming at the time she filed her rebuttal testimony,

1 directly address Ms. Lee's concerns regarding the support for Verizon  
2 FL's proposals in this proceeding.

3

4 **Q. IS MS. LEE CORRECT THAT THE COMMISSION NEED ONLY**  
5 **ADDRESS THE DEPRECIATION INPUTS THAT WERE USED IN**  
6 **VERIZON FL'S COLLOCATION COST STUDY?**

7 A. Yes. As Verizon FL stated in its discovery responses, there are only  
8 seven accounts that were used in Verizon FL's collocation cost study:  
9 (1) Land, (2) Buildings, (3) Digital Electronic Switching, (4) Circuit  
10 Equipment, (5) Underground Cable -- Metallic, (6) Underground Cable --  
11 Fiber, and (7) Conduit Systems. See Verizon FL Responses to Staff's  
12 Fifth Set of Interrogatories, No. 91, 92.

13

14 **Q. PLEASE BRIEFLY DESCRIBE VERIZON FL'S PROPOSED**  
15 **DEPRECIATION INPUTS FOR THIS PROCEEDING.**

16 A. As I explained in my direct testimony, Verizon FL's proposed  
17 depreciation lives are the same lives that Verizon FL uses for financial  
18 reporting purposes. Those inputs, which are consistent with Generally  
19 Accepted Accounting Principles ("GAAP"), have been adopted by  
20 numerous state commissions for use in UNE cost studies. To ensure  
21 the reasonableness of its proposed depreciation lives, Verizon FL  
22 benchmarked them against the depreciation lives used by its  
23 competitors (including AT&T, MCI WorldCom, and cable television  
24 providers) as well as those recommended in industry studies performed  
25 by Technology Futures, Inc. ("TFI").

1 **Q. DOES MS. LEE QUESTION THE USE OF GAAP LIVES IN A UNE**  
2 **STUDY?**

3 A. No. Ms. Lee does not state that Verizon FL's reliance on GAAP lives is  
4 inappropriate or that GAAP lives should never be used in a cost study.  
5 Nor does she question whether Verizon FL's proposed depreciation  
6 inputs actually comply with GAAP. Rather, she states that the  
7 Commission should not adopt these lives because Verizon FL has not  
8 provided company-specific data or analyses indicating how these inputs  
9 were developed.

10

11 **Q. HAS VERIZON FL ADDRESSED MS. LEE'S CONCERNS**  
12 **REGARDING ITS PROPOSED DEPRECIATION INPUTS?**

13 A. Yes. In Verizon FL's discovery responses, Verizon FL provided written  
14 descriptions of the analyses and data used to develop its proposed  
15 depreciation inputs for this proceeding, and provided much of the  
16 underlying data itself. *See generally, e.g.,* Verizon FL Responses to  
17 Staff's Fifth Set of Interrogatories, Nos. 73-92; Verizon FL Responses to  
18 Staff's Sixth Request for Production of Documents, No. 63. Those  
19 discovery responses bolster my direct testimony, and demonstrate that  
20 Verizon FL's proposed depreciation lives and future net salvage values  
21 are justified.

22

23 **Q. DOES MS. LEE CHALLENGE THE USE OF BENCHMARKING IN**  
24 **DEVELOPING DEPRECIATION LIVES?**

25 A. No. Ms. Lee agrees that benchmarking is a "useful tool" in determining



1 depreciation lives. Lee Rebuttal Testimony at 13. She also states that  
2 TFI's reports provide a valid tool for developing depreciation lives. See  
3 *id.* at 14. Her only criticism is that she cannot determine whether  
4 Verizon FL used appropriate benchmarks without a better understanding  
5 of how they were developed.

6

7 **Q. HAS VERIZON FL PROVIDED ADDITIONAL INFORMATION**  
8 **REGARDING THE LIVES AGAINST WHICH IT BENCHMARKED ITS**  
9 **PROPOSED DEPRECIATION INPUTS?**

10 A. Yes. In its discovery responses, Verizon FL described several of the  
11 factors underlying its competitors' depreciation lives. See Verizon FL  
12 Responses to Staff's Fifth Set of Interrogatories, No. 82. Verizon FL  
13 also described the considerations underlying TFI's recommended  
14 depreciation lives. See Verizon FL Responses to Staff's Fifth Set of  
15 Interrogatories, No. 90; Verizon FL Responses to Staff's Sixth Set of  
16 Interrogatories, Nos. 113-114. Finally, Verizon FL sought and received  
17 discovery responses from AT&T regarding AT&T's depreciation lives  
18 and the process by which they were developed. See AT&T Responses  
19 to Verizon FL's Second Set of Interrogatories, Nos. 16-20.

20

21 **Q. HOW DO YOU RESPOND TO MS. LEE'S RECOMMENDATION THAT**  
22 **THE COMMISSION ADOPT THE SAME DEPRECIATION INPUTS**  
23 **THAT IT ADOPTED FOR VERIZON IN ITS ORDER NO. PSC-02-1574-**  
24 **FOF-TP?**

25 A. As I stated in my direct testimony, the depreciation inputs previously

1 adopted by the Commission for Verizon FL are not sufficiently forward-  
2 looking and have therefore been appealed. Ms. Lee recommends that  
3 the Commission adopt the same lives here “based on the fact that no  
4 new information or evidence has been presented to warrant a different  
5 conclusion.” Lee Rebuttal Testimony at 21. Contrary to Ms. Lee’s  
6 assertion, Verizon FL has presented additional information that warrants  
7 a different result in this proceeding. In its discovery responses Verizon  
8 FL described changes since the Commission’s decision in November  
9 2002 that warrant shorter depreciation lives, such as the recent  
10 economic slowdown and the delayed realization of new switching  
11 technologies. See Verizon FL Responses to Staff’s Fifth Set of  
12 Interrogatories, Nos. 79-80. Moreover, the financial reporting lives that  
13 Verizon FL proposes should be used because they are continuously  
14 reviewed and thus account for such ongoing developments.

15

16 **Q. PLEASE COMMENT ON THE IMPACT THAT THE FCC’S RECENT**  
17 **TRIENNIAL REVIEW ORDER SHOULD HAVE ON THE SELECTION**  
18 **OF DEPRECIATION INPUTS IN THIS PROCEEDING.**

19 A. In its recent *Triennial Review Order*, the FCC declined to prescribe one  
20 particular set of depreciation inputs to be used in UNE studies. Thus,  
21 the Commission retains discretion to select whatever asset lives it  
22 chooses for calculating depreciation expense.<sup>1</sup>

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<sup>1</sup> See Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, *Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, CC Docket No. 01-338, ¶ 688 (rel. Aug. 21, 2003) (“*Triennial Review Order*”).

1 **Q. PLEASE RESPOND TO MS. LEE'S ALTERNATIVE**  
2 **RECOMMENDATION THAT THE COMMISSION ADOPT THE**  
3 **DEPRECIATION INPUTS PREVIOUSLY APPROVED BY THE FCC.**

4 A. The FCC depreciation lives that Ms. Lee cites as an alternative proposal  
5 are even less forward-looking — and thus less adequate — than those  
6 previously adopted by this Commission. The FCC lives reflect the  
7 interstate depreciation rates set by the FCC in 1995 — before the  
8 passage of the Telecommunications Act and prior to this Commission's  
9 issuance of its Order No. PSC-02-1574-FOF-TP. These FCC  
10 prescribed lives thus do not reflect critical developments that must be  
11 considered in any forward-looking depreciation analysis, such as the full  
12 impact of the technological changes and advances that have occurred  
13 since 1995. Accordingly, the FCC prescribed lives are plainly  
14 inappropriate and inadequate for this proceeding.

15

16 **Q. DOES THE FCC WIRELINE COMPETITION BUREAU'S RECENT**  
17 **DECISION IN THE VIRGINIA ARBITRATION AFFECT WHICH SET OF**  
18 **DEPRECIATION LIVES SHOULD BE ADOPTED IN THIS**  
19 **PROCEEDING?**

20 A. No. The FCC Wireline Competition Bureau (*i.e.*, the FCC's staff)  
21 recently approved the use of the low end of the FCC ranges in Virginia,  
22 declining to adopt both Verizon VA's proposal to use GAAP lives and  
23 the CLECs' proposal to use the FCC prescribed lives for Virginia.<sup>2</sup>

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<sup>2</sup> See Memorandum Opinion and Order, *Petition of WorldCom, Inc. Pursuant to Section 252(e)(5) of the Communications Act for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia Inc., and for Expedited Arbitration*, CC Docket Nos. 00-218, 00-251, ¶ 112 (rel. Aug. 29, 2003).

1           However, the Bureau’s decision not to adopt Verizon VA’s proposal was  
2           based in part on its desire for more information about the methodology  
3           by which Verizon VA developed its proposed depreciation inputs.<sup>3</sup> As  
4           explained above, in this proceeding Verizon FL has produced additional  
5           evidence supporting its proposals. Therefore, the Bureau’s record-  
6           specific, staff-level decision should have no bearing on the  
7           Commission’s resolution of this issue, and the Commission should adopt  
8           Verizon FL’s recommended depreciation lives and salvage values.

9

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

11   A.    Yes.

12

13

14

15

16

17

18

19

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21

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23

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<sup>3</sup>       See *id.* ¶ 116.