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September 20, 2006

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


Re: Docket No. 060598-TL: Petition by BellSouth Telecommunications, Inc., pursuant to Florida Statutes §364.051(4), to Recover 2005 Tropical System Related Costs and Expenses

Dear Ms. Bayó:

Enclosed is an original and fifteen copies of BellSouth Telecommunications, Inc.'s *Amended* Direct Testimony of Kathy K. Blake, which we ask that you file in the captioned docket.

Copies were served to the parties shown on the attached Certificate of Service.

Sincerely,


Manuel A. Gurdian

cc: All Parties of Record
Jerry D. Hendrix
E. Earl Edenfield, Jr.
James Meza III

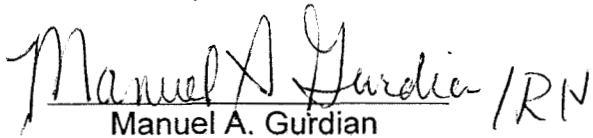
CERTIFICATE OF SERVICE
Docket No. 060598-TL

I HEREBY CERTIFY that a true and correct copy of the foregoing was served via Electronic Mail and First Class U. S. Mail this 20th day of September, 2006 to the following:

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BELLSOUTH TELECOMMUNICATIONS, INC.
AMENDED DIRECT TESTIMONY OF KATHY K. BLAKE
BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 060589-TP
SEPTEMBER 20, 2006

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

A. My name is Kathy K. Blake. I am employed by BellSouth as Director – Retail Markets and Policy Implementation for the nine-state BellSouth region. My business address is 675 West Peachtree Street, Atlanta, Georgia 30375.

Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF YOUR BACKGROUND AND EXPERIENCE.

A. I graduated from Florida State University in 1981 with a Bachelor of Science degree in Business Management. After graduation, I began employment with Southern Bell as a Supervisor in the Customer Services Organization in Miami, Florida. In 1982, I moved to Atlanta where I held various positions involving Staff Support, Product Management, Negotiations, and Market Management within the BellSouth Customer Services and Interconnection Services

1 Organizations. In 1997, I moved into the State Regulatory Organization
2 with various responsibilities for testimony preparation, witness support
3 and issues management. I assumed my current responsibilities in July
4 2003.

5

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

7

8 A. The purpose of my testimony is to discuss, from a policy perspective,
9 BellSouth's Petition, pursuant to Florida Statute § 364.051(4), to
10 recover certain costs and expenses relating to repairing, restoring and
11 replacing its lines, plant and facilities damaged by six (6) named tropical
12 systems occurring after June 1, 2005 ("2005 Storms"). BellSouth is
13 also presenting three additional witnesses in support of its Petition: Mr.
14 Jeff McKinney, who will generally discuss the damages BellSouth's
15 network received due to these storms and the recovery efforts made by
16 BellSouth to restore service to its customers as expeditiously as
17 possible; Mr. Steve Pendergrass, who will address how BellSouth
18 calculated its network expenses associated with the 2005 Storms; and
19 Mr. Ron Hilyer, who will address the regulatory cost issues associated
20 with the Petition.

21

22 Q. WILL YOU PLEASE SUMMARIZE BELLSOUTH'S STORM COST
23 RECOVERY PROPOSAL?

24

1 A. In accordance with Florida Statute § 364.051(4), BellSouth's proposal
2 for recovering its intrastate, incremental costs incurred due to the
3 damage caused by the 2005 Storms is to apply a \$0.50 charge on
4 certain access lines in Florida. Specifically, BellSouth proposes that
5 the subject access lines consist of retail basic and nonbasic local
6 exchange service lines, including residential and business lines,
7 payphone lines, PBX trunk lines, Network Access Registers ("NARs")
8 lines (including NARs used in conjunction with BellSouth ESSX[®]
9 Service and MultiServ Plus Service), B Channels of both Basic ISDN
10 and ISDN PRI, and all unbundled wholesale loop network element
11 ("UNE") customers (including stand-alone loops, ISDN loops, DS1 and
12 DS3 loops (stand-alone and as part of an enhanced extended loop),
13 xDSL loops). Based on BellSouth's most recent data, as of June 2006,
14 BellSouth had approximately five million retail access lines and
15 approximately 797,300 unbundled loops in service. Thus, the total
16 amount BellSouth is seeking to recover due to the 2005 Storms is
17 approximately \$34.6 million.

18

19 Q. PLEASE DESCRIBE BELLSOUTH'S SERVICE TERRITORY.

20

21 A. BellSouth is certificated in Florida as a local exchange
22 telecommunications company and is subject to carrier-of-last-resort
23 obligations. The Company provides service in 93 exchanges in Florida
24 and serves the major Florida cities of Miami, Ft. Lauderdale, West Palm

1 Beach, Jacksonville, Cocoa Beach, Daytona Beach, Gainesville,
2 Orlando, Port St. Lucie, Pensacola, Panama City and Melbourne.

3 Q. PLEASE PROVIDE AN OVERVIEW OF THE 2005 TROPICAL STORM
4 SEASON.

5

6 A. The 2005 tropical storm season was the most active hurricane season
7 on record and shattered numerous records. In 2005, Florida and the
8 Southeastern United States experienced:

- 9 ● the most number of storms on record for a season (28 named
10 storms);¹
- 11 ● three of the most six intense storms on record: Wilma (1st),
12 Rita (4th) and Katrina (6th);²
- 13 ● the most number of named storms to develop during the
14 month of July (5 named storms) with two of the storms
15 developing into major hurricanes (Dennis and Emily); it
16 should be noted that no hurricane season had ever seen two
17 hurricanes reach Category 4 intensity before August, and
18 Emily was the earliest Category 5 to have ever formed;³ and

¹ NOAA Reviews Record-Setting 2005 Atlantic Hurricane Season, dated Nov. 29, 2005, updated April 13, 2006, www.noaanews.noaa.gov/stories2005/s2540.htm.

² National Climatic Data Center ("NCDC"), National Oceanic & Atmospheric Administration ("NOAA"), Satellite and Information Service, *Climate of 2005: Atlantic Hurricane Season Summary*, National Climatic Data Center, www.ncdc.noaa.gov/oa/climate/research/2005/hurricanes05.html, updated January 13, 2006, p. 7-8.

³ NCDC, NOAA, *Climate of 2005: Atlantic Hurricane Season Summary*, p. 7.

- 1 • the most destructive tropical storm season for the United
2 States with damage estimates over \$100 billion.⁴

3 The 2005 tropical storm season was one of the most active and most
4 costly seasons BellSouth has experienced. Six named tropical storm
5 systems impacted areas served by BellSouth in Florida: Tropical Storm
6 Arlene, Hurricane Cindy, Hurricane Dennis, Hurricane Katrina,
7 Hurricane Rita, and Hurricane Wilma. These systems struck Florida
8 from June 11, 2005 through October 24, 2005, causing hundreds of
9 millions of dollars of damage.

10

11 Q. PLEASE PROVIDE A DESCRIPTION OF THE HURRICANES THAT
12 IMPACTED THE COMPANY'S SERVICE TERRITORY IN FLORIDA.

13

14 A. Below is a general summary of each storm that affected BellSouth's
15 service territory during 2005. The information relating to the damages
16 BellSouth experienced and the cost incurred as a result of the storms is
17 provided as a summary and should be read in conjunction with the
18 testimony of BellSouth Witnesses Jeff McKinney and Steve
19 Pendergrass.

20

21 The first storm that affected BellSouth's service territory was Tropical
22 Storm Arlene which formed on June 8, 2005, and made landfall just
23 west of Pensacola, in Florida's Panhandle, in the afternoon of June 11,

⁴ *Id.*

1 2005.⁵ Tropical Storm Arlene was a large tropical storm that had
2 maximum sustained winds of 70 mph and produced precipitation over a
3 very wide area. Tropical Storm Arlene dropped four to six inches of rain
4 in portions of Florida and caused a storm surge of up to five feet in
5 Walton County.⁶ Nearly 4,000 BellSouth access lines were impacted
6 by loss of power or physical damage. BellSouth incurred approximately
7 \$3.5 million of total damages due to Tropical Storm Arlene.

8
9 Hurricane Cindy (which was initially described as a tropical storm, but
10 based on post-storm analysis was upgraded to a minimal hurricane)
11 reached hurricane status on July 5, 2005 after having crossed over the
12 Yucatan Peninsula early on July 4, 2005 into the Gulf of Mexico.
13 Hurricane Cindy made direct landfall on July 6, 2005 in Grand Isle,
14 Louisiana with maximum winds of 75 mph.⁷ It then traveled northeast
15 and crossed over the western panhandle region of Florida.⁸ Nearly
16 1,000 BellSouth access lines were impacted by loss of power or
17 physical damage due to Hurricane Cindy and BellSouth incurred
18 approximately \$1.1 million of total damages.

19

⁵ National Hurricane Center, *Tropical Cyclone Report: Tropical Storm Arlene*, <http://www.nhc.noaa.gov/2005atlan.shtml>, p. 1.

⁶ *Id.* p. 5-7. See also, The Associated Press. "Gulf Coast Dries Out After Arlene." MSNBC.com, <http://www.msnbc.msn.com/id/8156450/>, dated June 13, 2005.

⁷ *Climate of 2005: Atlantic Hurricane Season Summary*, p. 17-18.

⁸ Graham Brink, Joni James and Brady Dennis. "Dennis grows stronger – and moves closer." *St. Petersburg Times*, July 8, 2005, Weather, P. 1B.

1 Almost as soon as Hurricane Cindy left the state of Florida, Hurricane
2 Dennis struck Florida. Hurricane Dennis formed on July 5, 2005 and
3 reached hurricane strength on the afternoon of July 6, 2005.⁹
4 Hurricane Dennis, which at its peak reached Category 4 strength,
5 started in the southern portion of the State but eventually made landfall
6 on the afternoon of July 10, 2005 west of Navarre Beach in Pensacola
7 as a Category 3 storm with wind speeds of 120 mph.¹⁰ Hurricane
8 Dennis brought storm surges of six to nine feet in portions of Florida
9 and dropped almost six inches of rain on certain portions of the state
10 ranging from Key West to Tallahassee.¹¹ By the time the effects of
11 Hurricane Dennis left BellSouth's territory on July 11, 2005,
12 approximately 225,000 lines had been impacted, and Hurricane Dennis
13 had caused approximately \$4.7 million of total damages to BellSouth's
14 network.

15
16 Hurricane Katrina originated as a tropical storm in the Bahamas and
17 was only expected to produce increased rainfall over the BellSouth
18 territory. However, less than 48 hours before it was to make landfall in
19 South Florida, it developed into a hurricane. Hurricane Katrina made
20 landfall near the Dade and Broward County line between Hallandale
21 Beach and North Miami Beach, on August 25, 2005, as a Category 1
22 hurricane, with windspeeds of approximately 80 mph and gusts of over

⁹ *Climate of 2005: Atlantic Hurricane Season Summary*, p. 18.

¹⁰ *Id.*

¹¹ Beven, Jack, National Hurricane Center, *Tropical Cyclone Report: Hurricane Dennis, 4-13 July 2005*, <http://www.nhc.noaa.gov/2005atlan.shtml>, p. 10-12.

1 90 mph.¹² Radar indicated that up to 15 inches of rain fell in parts of
2 Dade County and caused severe flooding.¹³ The storm visited some of
3 the same south Miami-Dade neighborhoods – Cutler Ridge, Homestead
4 and Country Walk – that were devastated by Hurricane Andrew 13
5 years earlier.¹⁴ Hurricane Katrina exited the southwest part of Florida
6 on August 26 and continued in a north, northwestern direction towards
7 the Gulf Coast. Hurricane Katrina had sustained hurricane force winds
8 that extended up to 105 miles from the center and had the potential for
9 a surf surge of 18 to 28 feet, 30 foot waves and as much as 15 inches
10 of rain.¹⁵ While Hurricane Katrina did not make direct landfall in the
11 Florida panhandle, the northwestern portion of the state experienced
12 strong winds, major rainfall and a storm surge of up to five feet when
13 the hurricane made landfall a second time in Louisiana.¹⁶ Hurricane
14 Katrina caused approximately \$34.4 million of total damages to
15 BellSouth’s network in Florida.

16
17 Hurricane Rita, which is the 4th most intense Atlantic hurricane ever
18 recorded, did not make landfall in BellSouth’s service territory.

¹² NCDC, NOAA, *Climate of 2005: Summary of Hurricane Katrina*, p. 3 and 5, <http://www.ncdc.noaa.gov/oa/climate/research/2005/katrina.html>, last updated Dec. 29, 2005.

¹³ PalmBeachPost.com, *Hurricane Katrina: Day-by-day Recap*, http://www.palmbeachpost.com/storm/content/storm/2005/atlantic/katrina/day_by_day_archive.html, p. 2

¹⁴ *Id.*

¹⁵ *Id.* See also, Knabb, Richard D., Rhome, Jamie R., and Brown, Daniel P., National Hurricane Center, *Tropical Cyclone Report: Hurricane Katrina, 23-20 August 2005*, <http://www.nhc.noaa.gov/2005atlan.shtml>, p. 9-10

¹⁶ *Tropical Cyclone Report: Hurricane Katrina*, p. 10 and 24.

1 However, Rita did pass through the Florida Straits and affected the
2 southern portion of BellSouth's service territory. While impacting
3 BellSouth's service territory, Hurricane Rita was a Category 1 storm
4 causing sustained tropical storm winds on Key West with gusts of up to
5 76 mph and, again, the customers in Dade and Broward counties were
6 the most impacted.¹⁷ By the time the storm's effects subsided late on
7 September 20th, three to five inches of rain had fallen on portions of
8 south Florida from the Keys to Fort Lauderdale, with Key West
9 experiencing a storm surge of approximately five feet.¹⁸ Hurricane Rita
10 caused approximately \$135,000 of total damages to BellSouth's
11 network and required network operations to **repair and/or** replace 75
12 spans of cable.

13
14 Hurricane Wilma was the most intense hurricane ever recorded in the
15 Atlantic Basin. Wilma became a Category 1 hurricane on October 18,
16 2005. On October 19, Hurricane Wilma strengthened to a Category 5
17 hurricane with its minimum central pressure estimated at 882 MB, the
18 lowest pressure and therefore the most powerful hurricane on record in
19 the Atlantic basin.¹⁹

20

¹⁷ *Climate of 2005: Atlantic Hurricane Season Summary*, p. 13.

¹⁸ Knabb, Richard D., Brown, Daniel P., and Rhome, Jamie R., National Hurricane Center, *Tropical Cyclone Report: Hurricane Rita, 18-26 September 2005*, <http://www.nhc.noaa.gov/2005atlan.shtml>, p. 7.

¹⁹ NCDC, NOAA, *Climate of 2005: Summary of Hurricane Wilma*, p. 3-4, <http://www.ncdc.noaa.gov/oa/climate/research/2005/wilma.html>, last updated Oct. 31, 2005.

1 Hurricane Wilma made landfall on the southwest coast of Florida, near
2 Marco Island on October 24, 2005, as a very strong Category 3
3 hurricane with wind speeds of 125mph.²⁰ It crossed the state and
4 exited just to the north of Palm Beach, as a Category 2 hurricane, with
5 wind speeds of 100 mph.²¹ While in Florida, Hurricane Wilma caused
6 widespread damage. Damage occurred as far north as Indian River
7 County to as far south as the Florida Keys (which experienced four to
8 five foot storm surges and massive flooding).²² Over 3.2 million access
9 lines were impacted due to loss of commercial power and direct
10 damage to BellSouth's network operations. Dade, Broward and Palm
11 Beach counties were again the most impacted. Hurricane Wilma
12 caused approximately \$158.5 million of total damages to BellSouth's
13 network.

14

15 Q. UNDER WHAT AUTHORITY IS BELLSOUTH SEEKING TO
16 RECOVER A PORTION OF ITS STORM-RELATED COSTS FOR THE
17 2005 STORM SEASON?

18

19 A. On June 2, 2005, Governor Jeb Bush signed Senate Bill 1322 into law,
20 which amended Section 364.051 of the Florida Statutes. This Statute
21 provides, in pertinent part, that local exchange telecommunications

²⁰ *Climate of 2005: Summary of Hurricane Wilma*, p. 5.

²¹ *Id.*

²² Pasch, Richard J., Blake, Eric. S, Cobb, Hugh D. III, and Roberts, David P., National Hurricane Center, *Tropical Cyclone Report, Hurricane Wilma, 15-25 October 2005*, <http://www.nhc.noaa.gov/2005atlan.shtm>, p. 4.

1 carriers (“LECs”) with carrier-of-last-resort obligations may, with the
2 approval of this Commission, recover its costs for repairing its
3 equipment and facilities that were damaged as a result of named
4 tropical systems. In particular, Section 364.051(4)(a) allows a LEC to
5 seek an increase in its basic local service rates based upon a
6 “compelling showing of changed circumstances.” Florida Statutes §
7 364.051(4)(b) further provides that “evidence of damage occurring to
8 the lines, plants, or facilities of a local exchange telecommunications
9 company that is subject to carrier-of-last-resort obligations, which
10 damage is the result of a tropical system occurring after June 1, 2005,
11 and named by the National Hurricane Center, constitutes a compelling
12 showing of changed circumstances.” Pursuant to this statute, the
13 Commission must render a decision within 120 days of the filing of the
14 petition.

15

16 Q. WHY IS BELLSOUTH ENTITLED TO RECOVER ITS 2005 STORM-
17 RELATED COSTS?

18

19 A. As stated above, Florida Statutes § 364.051(4) provides BellSouth the
20 right to petition this Commission to request approval to recover certain
21 storm-related costs. Florida Statute § 364.051(4)(b) identifies the
22 requirements necessary for a LEC to obtain relief under the statute.

23

24 1. A company may file a petition to recover its
25 intrastate costs and expenses relating to repairing, restoring, or

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replacing the lines, plants, or facilities damaged by a named tropical system.

2. The commission shall verify the intrastate costs and expenses submitted by the company in support of its petition.

3. The company must show and the commission shall determine whether the intrastate costs and expenses are reasonable under the circumstances for the named tropical system.

4. A company having a storm-reserve fund may recover tropical-system-related costs and expenses from its customers only in excess of any amount available in the storm-reserve fund.

5. The commission may determine the amount of any increase that the company may charge its customers, but the charge per line item may not exceed 50 cents per month per customer line for a period of not more than 12 months.

6. The commission may order the company to add an equal line-item charge per access line to the billing statement of the company's retail basic local telecommunications service customers, its retail non-basic telecommunications service customers, and, to the extent the commission determines appropriate, its wholesale loop unbundled network element customers. At the end of the collection period, the commission shall verify that the collected amount does not exceed the amount authorized by the order. If collections exceed the ordered amount, the commission shall order the company to refund the excess.

7. In order to qualify for filing a petition under this paragraph, a company with 1 million or more access lines, but fewer than 3 million access lines, must have tropical-system-related costs and expenses exceeding \$1.5 million, and a company with 3 million or more access lines must have tropical-system-related costs and expenses of \$5 million or more. A company with fewer than 1 million access lines is not required to meet a minimum damage threshold in order to qualify to file a petition under this paragraph.

1 8. A company may file only one petition for storm
2 recovery in any 12-month period for the previous storm season,
3 but the application may cover damages from more than one
4 named tropical system.
5

6 Q. DOES BELLSOUTH MEET THE REQUIREMENTS OF §
7 364.051(4)(b)?
8

9 A. Yes. BellSouth meets all of the requirements under 364.051(4)(b).

- 10 • BellSouth is a local exchange carrier that is subject to carrier-of-
11 last-resort obligations and has more than 3 million access lines
12 in Florida.
- 13 • BellSouth suffered damages caused by six named tropical
14 systems, occurring after June 1, 2005, that exceeded the \$5
15 million minimum.
- 16 • BellSouth has not filed a petition for hurricane cost recovery for
17 the 2005 storm season in the last 12-month period.
- 18 • The intrastate costs and expenses incurred in repairing, restoring
19 and replacing its lines, plant and facilities as a result of the
20 named tropical systems were reasonable under the
21 circumstances.
- 22 • As explained in Ron Hilyer's testimony, BellSouth did not receive
23 any insurance reimbursement nor does it have a storm reserve
24 fund.
25

1 Accordingly, based upon the foregoing, BellSouth is entitled to recover
2 its storm related costs for the 2005 Storms pursuant to Florida Statute §
3 364.051(4)(b).

4
5 Q. HAS THE FLORIDA COMMISSION CONSIDERED SIMILAR
6 PETITIONS FOR STORM RECOVERY EXPENSES FROM OTHER
7 COMPANIES IN FLORIDA?

8
9 A. Yes. In 2005, this Commission reviewed and approved Sprint's Petition
10 for Approval of Storm Cost Recovery Surcharge for damage Sprint
11 incurred as a result of the 2004 tropical storm season.²³ In its Order,
12 the Commission determined that the costs Sprint incurred to restore
13 service to its customers as a result of the 2004 hurricanes was
14 unprecedented and that Sprint could not recover such costs through its
15 normal course of yearly indexed price increases. The Commission
16 recognized, that based upon the legislative guidance from the 2005
17 legislative session and the passage of Section 364.051(4)(b), the
18 damage caused by the tropical systems constituted a compelling
19 showing of changed circumstances and granted Sprint's request to
20 recover \$30,319,521 by applying a \$0.85 recovery surcharge on its
21 basic services access lines.²⁴

²³ *In re: Petition for approval of storm cost recovery surcharge, and stipulation with Office of Public Counsel, by Sprint-Florida, Incorporated, Docket No. 050374-TL, Order Approving Storm Cost Recovery Surcharge, Order No. PSC-05-0946-FOF-TL, issued October 3, 2005.*

²⁴ More recently, the Commission authorized GT Com, pursuant to Section 364.051(4)(b), to recover \$4,950 in 2005 storm-related costs by applying a one-time \$0.11 recovery surcharge on its basic services access lines. See *In re: Petition for recovery of*

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Similarly, the Commission has granted petitions from Florida Power & Light and Gulf Power Company to recover costs incurred due to the 2005 storms by applying a cost-recovery charge on their customers' bills.²⁵

Q. WHAT IS THE TOTAL INCREMENTAL COSTS TO BELLSOUTH OF THE DAMAGE FOR THE 2005 STORM SEASON?

A. As of March 2006, BellSouth's total costs relating to storm damage incurred as a result of the 2005 Storms was approximately \$202.4 million. As Mr. Ron Hilyer discusses fully in his testimony, BellSouth has excluded capital expenditures totaling \$46.4 million from its cost calculation. Thus, BellSouth's incremental, intrastate expense that it is eligible to recover is approximately \$95.5 million.

Q. OF THE TOTAL COST REFERENCED ABOVE, HOW MUCH IS BELLSOUTH ASKING THIS COMMISSION TO APPROVE IN THIS PROCEEDING?

intrastate costs and expenses relating to repair, restoration and replacement of facilities damaged by Hurican Dennis, by GTC, iNc. d/b/a GT Com., Docket No. 060300-TL, Order on GT Com Storm Cost Recovery, Order No. PSC 06-0681-FOF-TL, issued August 7, 2006.

²⁵ *In re: Petition for issuance of a storm recovery financing order, by Florida Power & Light Company, Docket No. 060038-EI, Financing Order, Order No. PSC-06-0464-FOF-EI, issued May 30, 2006 and In re: Petition for issuance of storm recovery financing order pursuant to Section 366.8260, F.S. (2005), by Gulf Power Company, Docket No. 060154-EI, Order Approving Stipulation and Settlement Agreement and Closing Docket, Order No. PSC-06-0601-S-EI, issued July 10, 2006.*

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A. Pursuant to the statute, BellSouth is seeking to apply a charge of \$0.50 per retail access line and unbundled loop for a 12-month period in order to recover a portion of the incremental, intrastate costs that BellSouth experienced as a result of the 2005 Storms. As stated above, due to the number of BellSouth access lines estimated to be in service in June 2006, the total amount BellSouth is seeking to recover due to the 2005 Storms is approximately \$34.6 million or approximately \$60.9 million less than BellSouth's intrastate, incremental expenses.

Q. WHY IS IT APPROPRIATE FOR THE COMMISSION TO APPROVE BELLSOUTH'S PROPOSAL TO CHARGE THE \$0.50 RECOVERY SURCHARGE ON UNBUNDLED LOOPS?

A. As recognized by Florida law, the Commission has the discretion to impose any storm-related cost recovery charge on "unbundled loops." In this case, it is appropriate for the Commission to allow BellSouth to impose a \$0.50 charge on its unbundled loop customers, because BellSouth experienced substantial costs in repairing facilities that are leased by its wholesale customers. As Mr. McKinney discusses in his testimony, when BellSouth restores service to a damaged facility, it restores the service on a nondiscriminatory basis and does not recognize network facilities as either "BellSouth's" or "a CLEC's". BellSouth's primary goal during such recovery and repair period is to

1 provide Floridians with phone service as quickly as possible regardless
2 of who provides their telephone service.

3
4 Further, if the Commission does not impose the charge on unbundled
5 loops, it will result in disparate treatment between BellSouth's end users
6 and CLEC end users, both of which use the same facilities to receive
7 service and could result in only BellSouth customers being responsible
8 for charges that benefit BellSouth and CLEC end users.

9
10 Q. IF A CHARGE PER LINE IS APPROVED, ON WHAT DATE SHOULD
11 THE CHARGE BECOME EFFECTIVE AND ON WHAT DATE SHOULD
12 THE CHARGE END?

13
14 A. The charge should become effective as soon as possible after
15 Commission approval, taking into consideration time for BellSouth to
16 modify its billing processes necessary to implement the Commission's
17 order. Once BellSouth begins billing the recovery surcharge, it should
18 be allowed to apply such charge for 12 consecutive months, as
19 permitted by the statute. BellSouth will monitor and review its cost
20 recovery process and will, at the end of the 12 months, demonstrate to
21 the Commission that it collected storm recovery fees in accordance with
22 the Commission's order resulting from this proceeding.

23
24 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

25

1 A. The 2005 hurricane season caused major destruction to many areas in
2 the Southeast region, including Florida. From the beginning of June
3 2005 through the middle of October 2005, Florida was on a constant
4 hurricane watch, evacuation and clean-up cycle. By the end of the
5 season, the entire state of Florida had been declared a national disaster
6 area by President Bush.²⁶ BellSouth's network facilities were extremely
7 damaged. BellSouth, like many other utility companies, attempted to
8 restore service to its customers as quickly as possible. With the
9 passing of Florida Statute § 364.051(4), the Florida Legislature
10 recognized the hard work, dedication and large capital expenditures
11 these companies experienced to provide Floridians with service.
12 Florida Statute § 364.051(4) allows companies, such as BellSouth, to
13 recover their intrastate incremental costs associated with repairs made
14 necessary by tropical systems and should be approved, especially
15 since any recovery is limited to 17% of the actual total costs BellSouth
16 experienced as a result of the 2005 Storms.

17
18 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

19
20 A. Yes.

21

22

23 [Docs # 633823]

²⁶ See "Statement of Federal Assistance for Florida,"
<http://www.whitehouse.gov/news/releases/2005/09/20050905-4.html>.