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COMMISSION CLERK

November 9, 2006

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

Re: Docket No. 060644, Embarq Florida, Inc.'s Direct Testimony of Kent W. Dickerson and Exhibits 1-5 (Redacted).

Dear Ms. Bayó:

CMP ___
COM 5
CTR DCG
ECR ___
GCL 1
OPC ___
RCA ___
SCR ___
SGA ___
SEC 1
OTH ___

Enclosed for filing on behalf of Embarq Florida, Inc. are the original and fifteen (15) copies of:

- Direct Testimony of Kent W. Dickerson
- Exhibit KWD-1
- Exhibit KWD-2
- Exhibit KWD-3 (Redacted)
- Exhibit KWD-4 (Redacted)
- Exhibit KWD-5 (Redacted)
- Embarq 's Request for Confidential Classifications

Copies are being served pursuant to the attached certificate of service.

Please acknowledge receipt of this filing by stamping and initialing a copy of this letter and returning same to the courier. If you have any questions, please do not hesitate to call me at 850/599-1560.

Sincerely,

Susan S. Masterton

Enclosure

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FPSC-BUREAU OF RECORDS

Susan S. Masterton
COUNSEL
LAW AND EXTERNAL AFFAIRS- REGULATORY
Voice: (850) 599-1560
Fax: (850) 878-0777

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FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE
DOCKET NO. 060644

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by electronic mail and U.S. mail this 9th day of November, 2006 to the following:

Jason Fudge
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Beth Salak
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Office of Public Counsel
Harold McLean
c/o The Florida Legislature
111 W. Madison Street, Room 812
Tallahassee, FL 32399-1400

Competitive Carriers of the South, Inc. (Moyle)
Vicki Gordon Kaufman
c/o Moyle Law Firm
118 North Gadsden Street
Tallahassee, FL 32301

Susan S. Masterton

BEFORE THE PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

KENT W. DICKERSON

I. INTRODUCTION

Q. Please state your name, occupation and business address.

A. My name is Kent W. Dickerson and I am employed by Embarq in the capacity of Director – Cost Support. In that capacity I am responsible for cost analyses of Embarq's wholesale and retail products and services. My business address is 5454 West 110th Street, Overland Park, Kansas 66211.

Q. Please describe your educational background and business experience.

A. I received a Bachelor of Science degree in Accounting from the University of Missouri – Kansas City. I am a Certified Public Accountant in the State of Missouri. From 1981 to 1983 I was employed as a Corporate Income Tax Auditor II for the Missouri Department of Revenue. From 1983 to 1985, I worked for Kansas Power and Light in the Tax and Internal Audit areas. I joined United Telephone Midwest Group (ultimately an Embarq subsidiary) in September, 1985 as a staff accountant in the Carrier Access Billing area. Thereafter, I moved through a progression of positions within the Finance and Regulatory departments. Since 1994, I have managed a

work group which performs cost of service studies for retail and wholesale services, Unbundled Network Elements and specialized cost recovery programs. I am responsible for filing written comments, serving on industry work groups and participating in technical conferences related to TSLRIC/TELRIC cost methodology, and the filing of cost studies and related testimony within the 18 states that comprise Embarq's serving area. I have testified in Florida, Missouri, Kansas, Nevada, Pennsylvania, Wyoming, Georgia, North Carolina and Texas.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present the facts and cost analysis associated with the petition of Embarq Florida, Inc. (Embarq) to recover costs and expenses related to repairing, restoring and replacing facilities damaged by the 2005 tropical storms, pursuant to Florida Statute 364.051(4). Included with my testimony are five exhibits, prepared by me or under my supervision, to provide additional detail regarding the damages, repair and restoration activities, and costs incurred by Embarq related to the 2005 storms.

II. BASIS FOR EMBARQ'S REQUEST FOR RECOVERY OF 2005 STORM COSTS

Q. Please describe Embarq's Florida service territory?

A. Embarq provides service to approximately 2 million access lines, located primarily in the Florida panhandle, central Florida, and southwest Florida. Embarq has established the following eight service districts to coordinate its service efforts in the state: Ft. Walton, Tallahassee, Ocala, Winter Garden, Winter Park, Avon Park, Ft. Myers and Naples.

Q. Please provide a description of the hurricanes that impacted Embarq's service territory in Florida?

A. Embarq sustained substantial damages and associated restoral costs from three major named tropical storm systems in 2005. The path of the storms and their impact on Embarq's service areas is depicted on the map included as Exhibit KWD-1 to my testimony. These storm impacts are summarized as follows:

- Hurricane Dennis made landfall at Santa Rosa Island, between Pensacola, Florida and Navarre Beach, Florida on July 10, 2005. Dennis was a Category 3 hurricane with winds of 115 to 120 miles per hour. Two of Embarq's eight districts, Ft. Walton Beach and Tallahassee, were impacted by Hurricane Dennis. Embarq had 11,644 customers and 87 network elements out of service as a direct result of Hurricane Dennis, with damage to buildings and a variety of outside plant network equipment, including but not limited to cable, terminals, drops and poles.

- Hurricane Katrina crossed southern Florida on August 25, 2005 as a Category 1 hurricane before strengthening in the Gulf of Mexico and making a second and third landfall at Category 4 and 3 intensities on the morning of August 29, 2005, with wind speeds of up to 125 miles per hour. The storm impacted Embarq's service territories in the Ft. Walton Beach and Tallahassee Districts. Embarq had 368 customers and 1 network element out of service as direct result of Hurricane Katrina, with minor building damage, such as roof leaks, as well as damage to cable, terminals, drops, poles and network equipment.

- Hurricane Wilma made landfall in the Embarq territory as a Category 3 hurricane with sustained wind speeds of up to 120 miles per hour on the southwest coast of Florida on October 24, 2005, crossing Embarq's entire Southern area, cutting a diagonal swath across the southern portion of the Florida peninsula, and exiting Florida after the eye wall crossed south and central Palm Beach County. The Naples metropolitan area received the brunt of Hurricane Wilma and the communities around landfall suffered extreme damage. Embarq had 146,788 of its customers and 398 network elements out of service as a direct result of Hurricane Wilma impacting the Avon Park, Ft. Myers and Naples Districts. Embarq's network suffered damage to a variety of outside plant network equipment, including but not limited to cable, terminals,

drops, poles and pair gain devices, and several buildings sustained damage.

Q. Under what authority is Embarq seeking to recover a portion of its storm-related costs for the 2005 storm season?

A. Embarq's cost recovery filing is in accordance with section 364.051(4), Florida Statutes. Specifically, section 364.051(4) allows a price-regulated, incumbent local exchange company to petition for an increase in basic local service rates if the ILEC demonstrates a "compelling showing of a substantial change in circumstances" justifying the relief. Paragraph (b) of section 364.051(4) provides that "evidence of damage occurring to the lines, plants, or facilities of local exchange telecommunications company that is subject to carrier of last resort obligations, which damage is the result of a tropical system occurring after June 1, 2005, and named by the National Hurricane Center, constitutes a compelling showing of changed circumstances."

Q. What are the specific requirements of section 364.051(4)(b)?

A. Section 364.051(4)(b) provides Embarq the right to petition this Commission to request approval to recover certain storm-related costs. The specific requirements necessary for an ILEC to obtain relief under the statute are:

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

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

Q. Does Embarq meet the requirements of Section 364.051(4)(b) listed above?

A. Yes. Embarq meets all of the requirements of 364.051(4)(b).

- Embarq is a price-regulated, incumbent local exchange company regulated by the Commission under chapter

364, Florida Statutes and is subject to carrier of last resort obligations.

- Embarq has more than 1 million and less than 3 million access lines and suffered damage caused by three named tropical storms that exceeded the $1.5 million minimum.

- Embarq has not previously filed a petition for storm cost recovery for the 2005 storm season.

- The intrastate costs and expenses incurred in repairing, restoring, and replacing its lines, plants and facilities damaged by the three hurricanes in 2005 are reasonable under the circumstances.

- Embarq does not have a storm reserve fund and did not have a storm reserve fund when SB 1322 was enacted so that none of its costs were recovered through such a fund.

Therefore, Embarq's intrastate costs and expenses incurred as a result of the 2005 hurricanes are eligible for recovery under the provisions of 364.051(4)(b) of the Florida Statutes.

III. SPECIFIC ISSUES

Issue 1 – What is the appropriate amount of intrastate costs and expenses related to damage caused during the 2005 tropical storm season, if

any, that should be recovered by Embarq, pursuant to Section 364.051(4), Florida Statutes?

Q. Please describe Embarq's general approach for identifying its total costs and expenses incurred to repair, restore and replace lines, plants or facilities damaged by the 2005 hurricanes.

A. Embarq first identified the districts and months impacted by the identified 2005 storms and gathered relevant costs relating to only those districts beginning with the month each storm affected Embarq's telecommunications operations. Hurricanes Dennis and Katrina both impacted the Ft. Walton Beach and Tallahassee districts from July 2005 through December 2005. Hurricane Wilma impacted the Avon Park, Ft. Myers, and Naples districts from October 2005 through February 2006. Exhibit KWD-2 provides a detailed description of Embarq's storm preparation activities, storm recovery process and the specific damages and related repair and restoration activities associated with the 2005 storms.

Q. What were Embarq's total costs for recovering from the 2005 hurricanes which affected the districts you just identified?

A. Exhibit KWD-3 provides a detailed itemization of the total costs and expenses incurred to repair, restore and replace lines, plants and facilities damaged by the 2005 hurricanes. These costs and expenses total to $59,940,742 (see line 16 of Exhibit KWD-3).

Q. Has Embarq applied an "extraordinary cost" approach to determine the amount of the 2005 storm costs and expenses it seeks to recover under subsection 364.051(4)?

A. Yes. Consistent with the methodology used in Embarq's filing to recover 2004 storm damage costs (Docket 050374-TL as amended and approved through Order Nos. PSC-05-0735-PAA-TL, PSC-05-0757-PCO-TL, and PSC-05-0946-FOF-TL), Embarq applied an "extraordinary cost" standard which results in an exclusion of $42,666,661 of hurricane costs from the total costs Embarq incurred (see line 24 of Exhibit KWD-3). This approach excludes 2005 hurricane-related costs such as company labor costs associated with regular time and budgeted overtime, budgeted contractor expenses, capitalized contractor costs, capitalized material costs, overhead expenses and capital, budgeted amounts for buildings, generators, fuel, line card repair and return and an allowance for annual storm expense (see lines 18 thru 23 of Exhibit KWD-3).

Q. Based on the application of the approved extraordinary cost standard, what costs has Embarq included in its recovery request?

A. Embarq's storm cost recovery request includes only those extraordinary costs incurred in the districts affected by the hurricanes and for only the time periods associated with repairing and replacing facilities damaged by those storms. The extraordinary costs are summarized into the categories listed on lines 10 thru 18 of Exhibit KWD-4 and include:

- Company overtime only in excess of budgeted overtime;
- Contractor expense only in excess of budget;
- Net book value only of destroyed assets;
- Hurricane material expense only;
- Building, generators, fuel, line card repair and return only in excess of budget.

Embarq further reduced these costs by an average annual storm expense amount (see line 20 of KWD-4), to arrive at its total extraordinary costs for the 2005 storms of $17,274,081 as shown on line 22 of Exhibit KWD-4.

Q. What is the amount of Embarq's intrastate costs and expenses related to damage caused by the 2005 tropical storm season that are eligible for recovery?

A. As calculated on line 31 of Exhibit KWD-4, Embarq's eligible intrastate costs and expenses for repairing, restoring and replacing its lines, plants and facilities damaged by the 2005 storms are $15,468,151. This amount reflects the following items:

- Total extraordinary costs of $17,274,081 (line 22 of KWD-4).
- Application of carrying costs of $2,680,581 (line 23 of KWD-4).
- Application of an intrastate factor to total extraordinary costs to arrive at intrastate extraordinary costs of $14,852,166 (line 26 of KWD-4).
- Application of interest for the recovery period of $417,838 (line 27 of KWD-4).
- Application of a factor for estimated uncollectibles of $167,211 (line 29 of KWD-4).
- Application of a factor for the Florida regulatory assessment fees of $30,936 (line 30 of KWD-4).

Q. Please describe how Embarq calculated the carrying costs and interest charges applicable during the recovery period.

A. Consistent with the approach used and approved in Embarq's 2004 storm cost recovery proceeding, Embarq applied a carrying charge based on its internal cost of money for the period beginning when the eligible costs were incurred (July 2005) and ending in the projected month the cost recovery surcharge will be implemented (January 2007). This carrying charge amount is reflected on line 23 of KWD-4. For the recovery period

of February 2007 through January 2008, Embarq applied interest charges utilizing a commercial paper rate, consistent with the approach in Embarq's 2004 storm cost proceeding and with the Commission's usual practice.

Q. **Are the intrastate costs and expenses incurred by Embarq reasonable under the circumstances of the 2005 storms?**

A. Yes, as demonstrated by my testimony and accompanying exhibits, the costs incurred by Embarq as a result of the 2005 storms are reasonable under the circumstances. In addition, application of the extraordinary cost standard in determining the costs to be recovered is a conservative approach resulting in a request for recovery many times less than the actual damages and costs incurred.

Q. You have identified Embarq's costs eligible for recovery of $15,468,151. Does Section 364.051(4) of the Florida Statutes limit Embarq's ability to recover this entire amount?

A. Yes. Section 364.051(4)(b)(5) sets the maximum monthly charge at 50 cents per month, per customer line for a period of not more than 12 months. As shown on line 33 of Exhibit KWD-4, using Embarq's forecasted line counts, the monthly rate for 12 months would need to exceed 50 cents per line to provide for full recovery of Embarq's eligible hurricane costs. Based on forecasted lines, the 50 cent rate is forecasted to recover approximately

$10.3 million (see line 40 on Exhibit KWD-4) which is only 17% of Embarq's total storm recovery costs of $59,940,742.

Issue 2(a) What is the appropriate type and number of retail access lines, basic and nonbasic, to which any storm damage recovery may be assessed?

Q. Please describe Embarq's proposed application of the storm cost recovery charges to its retail access lines?

A. Embarq proposes to apply the 50 cent charge to its retail basic and nonbasic local exchange service access lines, including residential and business lines, payphone lines, key system lines, PBX trunk lines, Centrex lines, ISDN BRI and ISDN PRI lines.

Q. What is the number of retail access lines to which Embarq proposes to apply its storm cost recovery charge?

A. Embarq utilized a forecast of the retail access lines it expects to be in service during the anticipated recovery period of February 2007 through January 2008. The forecasted access lines and expected recovery based on the 50 cents per line are shown on Exhibit KWD-5. Included in these access line counts are the lines Embarq provides via resale arrangements with competitive local exchange carriers.

Issue 2(b) Is a line item charge on Embarq's wholesale UNE loops appropriate pursuant to Section 364.051(4)(b)(6), Florida Statutes and Federal Law? If yes, on which types of lines should the charge be assessed and how should the lines be counted? What is the total number of UNE loops to be assessed, if any?

Q. What is Embarq's proposal in regards to application of the storm cost recovery charge to wholesale UNE loops?

A. Embarq proposes to apply a storm cost recovery charge to all wholesale unbundled network element loops, including two and four-wire unbundled loops, DS1 loops, DS3 loops and enhanced extended loops (EELs).

Q. Why is it appropriate for the Commission to approve Embarq's proposal to apply the storm cost recovery surcharge to unbundled loops?

A. As recognized in Section 364.051(b) of the Florida Statutes, the Commission has the discretion to approve the application of any storm cost recovery charge to "wholesale loop unbundled network element customers." It is appropriate for the Commission to approve the application of the charge to wholesale unbundled loop customers since the storm damage experienced by Embarq affected its facilities used to serve both retail and wholesale unbundled loop customers. Embarq incurred its storm recovery costs in its efforts to restore service to both retail and

wholesale unbundled loop customers, and it is equitable to apply any storm cost recovery charges to all of its customers.

Q. Is it consistent with federal law to apply a storm cost recovery charge to wholesale unbundled loops?

A. It is my understanding that this issue will be addressed in Embarq's legal brief, to be filed separately in this proceeding.

Q. What is the number of wholesale unbundled loops to which Embarq proposes to apply its storm cost recovery charge and how should the lines be counted?

A. Embarq utilized a forecast of the wholesale unbundled loops it expects to be in service during the anticipated recovery period of February 2007 through January 2008. Since DS1 and DS3 unbundled loop services provide greater capacities than a standard loop, Embarq applied appropriate multipliers to the DS1 and DS3 wholesale unbundled loop quantities to determine the total lines to be subject to the charge. The forecasted wholesale unbundled loops and expected recovery, based on the 50 cents per line, are shown on Exhibit KWD-5.

Issue 3 – What is the appropriate line item charge per access line, if any?

Q. What is Embarq's proposed storm cost recovery charge per access

line?

A. Since Embarq's total extraordinary intrastate storm recovery costs exceed the maximum charge allowed under section 364.051(4), Embarq proposes to recover its intrastate, extraordinary expenses through a 50 cent charge per line, per month.

Issue 4 – If a line item charge is approved in Issue 4, on what date should the charge become effective and on what date should the charge end?

Q. If a storm cost recovery charge is approved, what is Embarq's proposal with regard to the start date and end date for the charge?

A. The charge should become effective as soon as possible after Commission approval, taking into consideration time for Embarq to modify its billing processes necessary to implement the Commission's order. Once Embarq begins billing the charge, it should be applied for 12 consecutive months as permitted by the statute at which time the charge should end.

III. CONCLUSION

Q. Please summarize your testimony.

A. Hurricanes Dennis, Katrina and Wilma caused damage in 2005 to Embarq's facilities in five of the eight Florida districts where Embarq provides service. The total costs incurred by Embarq to repair, restore,

and replace the lines, plants, or facilities damaged by these storms was nearly $60 million. In accordance with Florida law, and consistent with the extraordinary cost standard applied in Embarq's proceeding to recover its 2004 storm costs, Embarq is seeking to recover approximately $10.3 million of its 2005 storm costs, through application of a 50 cent charge to be applied to all retail access lines and wholesale unbundled loops. Through the application of the extraordinary cost standard and the capping of the recovery charge at the 50 cent maximum allowed by Florida law, Embarq's storm cost recovery request is shown to be very conservative, many times less than the actual damages and costs incurred, and fully in compliance with the recovery allowed under Section 364.051(4) of the Florida Statutes.

Q. Does this conclude your testimony?

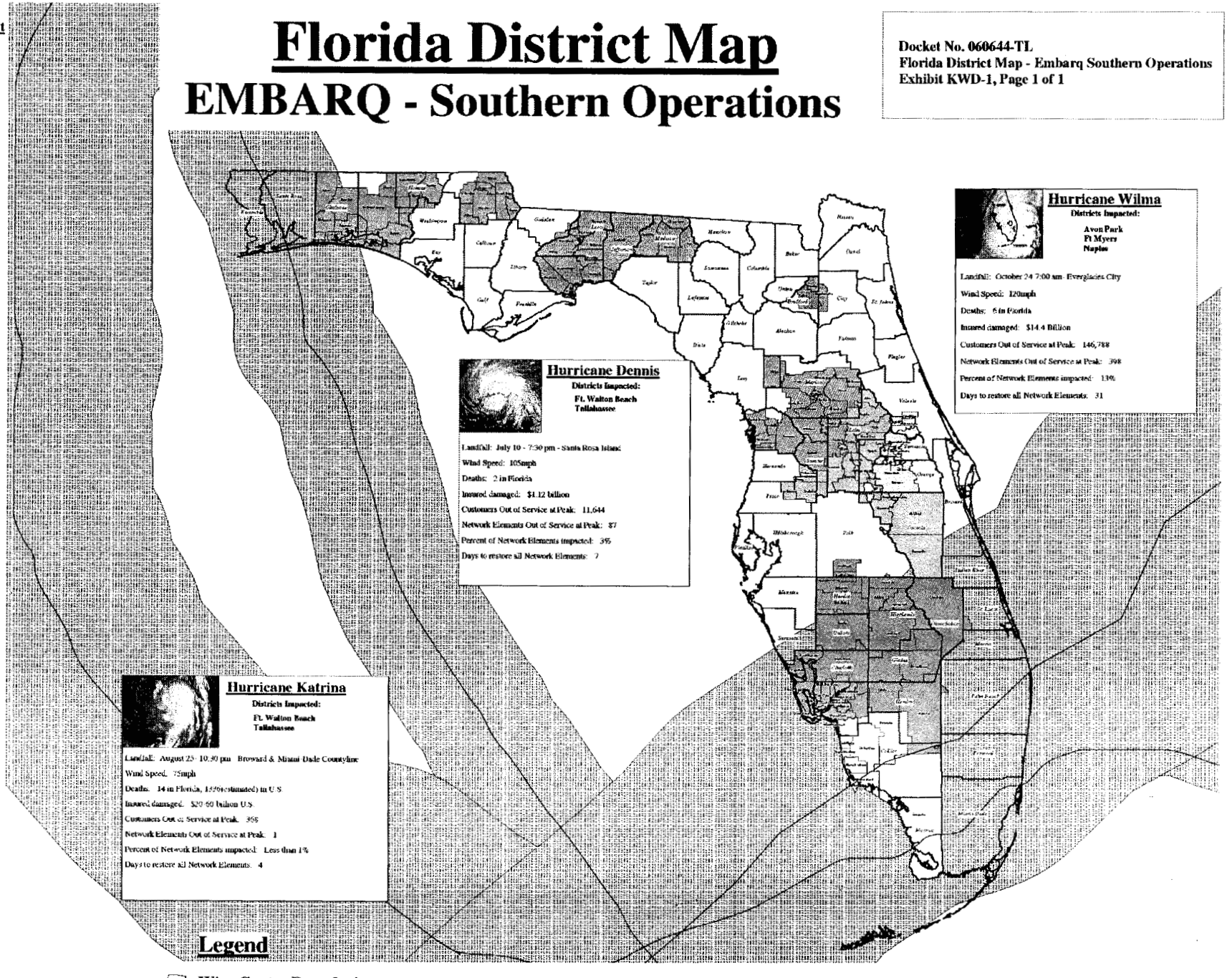
A. Yes, it does.

Florida District Map

EMBARQ - Southern Operations

Docket No. 060644-TL
Florida District Map - Embarq Southern Operations
Exhibit KWD-1, Page 1 of 1

- Ft. Walton Beach District
- Tallahassee District
- Ocala District
- Winter Garden District
- Winter Park District
- Avon Park District
- Ft. Myers District
- Naples District



Hurricane Katrina

Districts Impacted:
Ft. Walton Beach
Tallahassee

Landfall: August 25- 10:30 pm Broward & Miami-Dade Countyline
Wind Speed: 75mph
Deaths: 14 in Florida, 1500(estimated) in U.S.
Insured damaged: $20-60 billion U.S.
Customers Out of Service at Peak: 35%
Network Elements Out of Service at Peak: 1
Percent of Network Elements impacted: Less than 1%
Days to restore all Network Elements: 4

Hurricane Dennis

Districts Impacted:
Ft. Walton Beach
Tallahassee

Landfall: July 10 - 7:30 pm - Santa Rosa Island
Wind Speed: 105mph
Deaths: 2 in Florida
Insured damaged: $1.12 billion
Customers Out of Service at Peak: 11,644
Network Elements Out of Service at Peak: 87
Percent of Network Elements impacted: 3%
Days to restore all Network Elements: 7

Hurricane Wilma

Districts Impacted:
Avon Park
Ft Myers
Naples

Landfall: October 24 7:00 am- Everglades City
Wind Speed: 120mph
Deaths: 6 in Florida
Insured damaged: $14.4 Billion
Customers Out of Service at Peak: 146,788
Network Elements Out of Service at Peak: 398
Percent of Network Elements impacted: 13%
Days to restore all Network Elements: 31

Legend

- Wire Center Boundaries
- County Boundaries
- Hurricane Force Winds

EMBARQ

Embarq Florida, Inc.
Damage Resulting from Tropical Storm Systems
Pursuant to Section 364.051(4), Florida Statute

Table of Contents

Introduction

Embarq provides telecommunications service in eight Districts in Florida, see Exhibit KWD-1 for Florida District Map identifying districts served by Embarq in the state of Florida.

The 2005 Atlantic hurricane season was the most active on record with twenty-seven named storms, thus requiring use of the Greek alphabet to name storms. Fifteen of these storms became hurricanes in which seven were major (category 3 or higher). Embarq's operations in the State of Florida were significantly impacted by three of these major hurricanes: Hurricane Dennis (July 10, 2005), Hurricane Katrina (August 25 and 29, 2005), and Hurricane Wilma (October 24, 2005). See Exhibit KWD-1 for a map and path of these three hurricanes. With the filing of this petition, Embarq seeks to recover costs and expenses related to repairing and restoring the damage caused by these three hurricanes, as these costs and expenses were prudently incurred and extraordinary in nature.

Storm Preparation

Embarq's Emergency Preparedness plans are reviewed and preparations begin in May, prior to the start of the "hurricane season." Embarq's National Staff facilitates the review with Regional Coordinators. Using projected storm path information from the National Oceanic and Atmospheric Administration (NOAA), the National Weather Bureau and local news stations in Florida, specific emergency plans are initiated as soon as a tropical depression which may impact Embarq's service territories is identified. The storm's path is monitored and plans for multiple path and strike scenarios are implemented as required.

Embarq has eight Districts in Florida and each District has a comprehensive emergency preparedness plan specific to its area. The District plan is linked to a Regional plan which is linked to a National plan. Utilizing a 50+ point checklist, National, District and Regional teams review key categories such as generators, water, fuel, sandbagging/ facility protection, workforce reporting locations, contract labor, force mobilization, and materials. This checklist ensures all key areas are addressed prior to the storm's impact. Prior to the storm, Area and District meetings are held to review preparedness plans.

Storm Recovery Process

Embarq's storm recovery process is managed through command centers that are maintained at the District, Area, Regional and National levels. Planning and assessment sessions are scheduled (via conference call) twice daily between the Regional and National centers. Region to District calls occur twice daily at the beginning of the work day, and mid-day. As restoration efforts progress, calls may decrease to one per day.

Several actions were taken prior to and after the hurricanes to ensure Embarq costs of restoring service were prudently incurred and captured, given the circumstances (i.e. incurring higher

costs than normal for fuel and contractors, etc.). Prior to the hurricanes, materials identified as critical for restoration were preordered. This ensured that the materials were available as soon as restoration efforts began. Post hurricane, an emergency requisition process was initiated. This process allowed for the priority replenishment of the needed materials to support the restoration process. Embarq Logistics monitored orders as they came through and continued to leverage its bulk purchasing power to keep the costs down. Embarq Logistics provided transportation services to move generators throughout the Embarq Southern Operations region utilizing, wherever possible, Embarq Logistics' trucks and drivers. This resulted in lower costs than contract trucks and drivers.

Hurricane Dennis

Continental landfall occurred at Santa Rosa Island, between Pensacola, Florida, and Navarre Beach, Florida, at 2:25 pm CDT on July 10, 2005. Dennis was a Category 3 hurricane with winds of 115 to 120 mph,[1] storm surges from 3-5 feet and in places, 6-9 feet above normal tide levels along the Florida Panhandle, heavy rain reported up to 6.96", and a total of 9 tornadoes in Florida (8 category F0 and 1 category F1)[2]. The storm caused some structural damage to Embarq facilities and had an immediate and lasting impact on service.

Two [2] of Florida's eight [8] districts, Ft. Walton Beach and Tallahassee, were impacted by Hurricane Dennis. Embarq had 11,644 of its customers and 87 network elements out of service as a direct result of Hurricane Dennis, with damage to buildings, vehicles, and a variety of outside plant network equipment which included cable, terminals and drops. The high wind and driving rain that came with Hurricane Dennis caused water intrusion into cabinets, exposing the electronics to water and damaging the equipment beyond repair. The winds and storm debris also damaged cabinets allowing them to open during the storm and also caused damage due to uprooted trees.

During Hurricane Dennis the buildings that were damaged are:

- St. Marks Remote Line Switch (water intrusion)
- Sopchoppy Remote Line Switch (water intrusion)
- Panacea Remote Line Switch (water intrusion)
- Crestview Central Office (water intrusion)
- Denton Work Center (roof damage)
- Denton Central Office (water intrusion)
- Mary Esther Remote Line Switch (tree on building)

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[1] NOAA Tropical Weather Summary, (http://www.nhc.noaa.gov/archive/2005/tws/MIATWSAT_nov.shtml?): "... Although Dennis re-intensified into a category 4 hurricane early on the 10 July over the eastern Gulf of Mexico...it weakened to category 3 strength before making landfall over the western Florida panhandle near Navarre Beach late on 10 July. Dennis weakened to a low pressure area over the Tennessee and Ohio valleys and eventually dissipated over southeastern Canada on 18 July. Forty-one deaths were reported in association with Dennis...22 in Haiti...16 in Cuba...and 3 in the United States. Considerable storm surge related damage occurred near St. Marks Florida...well east of the landfall location. Heavy rainfall and flooding occurred across much of Florida and extended well inland over portions of the southeastern United States."

[2] NOAA Coastal Services Center – Tropical Cyclone Reports, pages 3 & 4 (http://maps.csc.noaa.gov/hurricanes/reports.jsp) for, Atlantic Basin, 2005, Hurricane Dennis.

Hurricane Katrina

Katrina crossed southern Florida on August 25, 2005 at Category 1 intensity before strengthening rapidly in the Gulf of Mexico, making a second and third landfall at Category 4 and 3 intensities on the morning of August 29, 2005 along the Central Gulf Coast near Buras-Triumph, Louisiana with wind speeds of 125 MPH[3]. It primarily impacted service in Embarq's Ft. Walton Beach and Tallahassee Districts in Northern Florida.

Embarq had 368 of its customers and 1 network element out of service as a direct result of Hurricane Katrina, with minor building damage such as roof leaks, as well as damage to cable, terminals, drops, and network equipment. Although no buildings were destroyed during Hurricane Katrina, minor debris clean-up was required.

Hurricane Wilma

The storm made landfall in Embarq's territory as a Category 3 hurricane with sustained wind speeds of 120 mph on the southwest coast of Florida, crossed Embarq's entire southern area, and cut a diagonal swath across the southern portion of the Florida peninsula, with the northern part of the eye wall crossing into south and central Palm Beach County. Passing over the Florida peninsula, Wilma weakened slightly to a Category 2 hurricane, when it exited Florida and entered the Atlantic about six hours later[4]. The Naples Metropolitan Area received the brunt of Hurricane Wilma. The point of landfall, between Marco Island and Everglades City, is largely uninhabited but the communities around landfall suffered extreme damage.

The Naples Airport was severely damaged by the hurricane, while areas like Immokalee and East Naples suffered extreme and widespread roof damage to numerous homes and communities. Out of the 170 signaled intersections in Collier County, 130 were destroyed. There was damage to the 90 high-rise condominiums in Coastal Naples, where windows in some levels were blown out completely by the high winds brought by the storm. 90% of all mobile homes in East Naples have been destroyed, while 30% of the mobile homes in all of

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[3] NOAA Tropical Weather Summary, (http://www.nhc.noaa.gov/archive/2005/tws/MIATWSAT_nov.shtml?): "... Katrina became a category 1 hurricane and made landfall near the Miami-Dade/Broward county line during the evening of 25 August. Katrina moved southwestward across south Florida...dumping over a foot of rain... toppling trees and power lines... and damaging homes and businesses in Miami-Dade and Broward Counties. ... After entering the Gulf of Mexico ...Katrina strengthened significantly... reaching category 5 intensity on 28 August about 250 miles south-southeast of the mouth of the Mississippi river. Later that day... Katrina's winds reached a peak intensity of 175 mph and the pressure fell to 902 mb...which was at the time the fourth lowest pressure on record. Katrina turned to the northwest and then north... making landfall in Plaquemines Parish Louisiana just south of Buras with an operationally estimated 140 mph winds...category 4...at 610 am cdt on 29 August. Continuing northward...Katrina made a second landfall near the Louisiana/Mississippi border at 1000 am cdt...with maximum winds operationally estimated at 125 mph...category 3. .... Katrina weakened as it moved inland to the north-northeast but was still a hurricane 100 miles inland near Laurel Mississippi. Katrina continued to weaken and became a tropical depression near Clarksville Tennessee on 30 August.

[4] NOAA Tropical Weather Summary, (http://www.nhc.noaa.gov/archive/2005/tws/MIATWSAT_nov.shtml?): "... the hurricane strengthened as it approached the southwestern Florida coast... and it made landfall near Cape Romano on 24 October with category 3 intensity. The system continued to accelerate northeastward ... crossing Florida in less than 5 hours. Wilma moved into the Atlantic just to the North of Palm Beach as a category 2 hurricane. It regained category 3 status just off the east-central coast of Florida...and gradually weakened thereafter. ... Wilma caused extensive damage in northeastern Yucatan...including Cancun and Cozumel...and southern Florida. ... Damage in the United States is estimated at $14.4 billion.

Collier County suffered the same fate. Widespread roof damage was evident across the county outside of the City of Naples itself.

Embarq had 146,788 of its customers and 398 network elements out of service as a direct result of Hurricane Wilma's impact on the Avon Park, Ft. Myers and Naples Districts.

Embarq's network suffered damage to cable, terminals, drops, poles, and pair gain devices. Twenty-one pair gain devices and aerial cable suffered the greatest damage. Drops, terminals, interfaces, and an antenna also needed replacement. Pair gain devices were replaced due to the winds, rain and storm surge created by Hurricane Wilma. The following buildings also sustained damage.

- Cypress Lakes Central Office (Major roof damage)
- Avon Park Central Office (Windows blown out)
- Punta Gorda Central Office (Minor water intrusion)

Work to restore service after Hurricanes Dennis, Katrina, & Wilma

Storm recovery efforts involved close coordination among a variety of Embarq organizations at a local, regional and national level. The recovery efforts ranged from the immediacy of restoring service by replacing/repairing equipment to ensuring the resources to support our recovery efforts were in place. These efforts included coordination with Emergency Operations centers, securing additional contractors, and the proactive management of the work load by giving service restoration the highest priority. Below are some of the actions taken by Florida's Network Service Operations team during storm recovery.

- Deployed and maintained generators to power up remotes and hosts.
- Monitored and responded to switch alarms.
- Dispatched damage survey teams to identify facilities/equipment/vehicles to be repaired
- Re-strung drops.
- Prioritized and restored essential line services (FAA, 911, etc.) as well as priority voice services.
- Prioritized and completed out-of-service trouble tickets, emergency service orders and typical demand tasks.
- Prepared work activities for construction work where facilities were severely damaged or completely destroyed.
- Replaced damaged or missing pedestals/terminals.
- Repaired damaged cable and drops.
- Repaired damaged buried cable due to 3rd party actions.
- Regional Building Operations procured bottled water, ice, freezers for storing the ice, portable toilets, diesel and liquid propane (LP) fuel for generators.
- The Regional Operations Team secured the services of suppliers to assist with the repair of generators and refueling requirements. They also arranged inspections with Embarq's tower inspection and roof inspection suppliers to survey towers and roofs in the affected areas.

The impact on workload began prior to each of the hurricanes making landfall. In anticipation of Hurricanes Dennis, Katrina, and Wilma making landfall and expected trouble calls, Embarq began managing its workload by extending intervals for new orders thereby making resources available for restoration immediately after the hurricane had passed. This allowed Embarq to make trouble tickets a priority and schedule them accordingly. After the hurricane passed, trouble ticket activity increased significantly.

The workforce was put on mandatory 6 days a week, 10 hours a day work schedule. Many volunteered and worked more. Embarq moved technicians between Districts, Areas and Regions as the need dictated. To increase availability of technicians Embarq also cancelled furlough days and mandated overtime which included working Saturdays and Sundays. Managers, supervisors, and engineers pulled shift duty in the Storm Command Centers. Engineers were members of the Survey Teams. Embarq Network Operations Center (NOC) monitored all network elements prior to, during and after the hurricane. The NOC provided reports of the status of network elements and customers impacted on a continual basis. This information allowed Embarq to deploy resources such as generators and technicians to restore services at those sites.

Contractor availability was limited due to the resource demands in the Gulf Coast areas for Hurricane Katrina recovery. Embarq maximized the utilization of its existing contractors and secured additional contractors from alternate vendors. Contractors were used to supplement restoration and normal load efforts. By assigning contractors to the normal service order and trouble ticket load, more experienced employees were available to focus on the most critical damage. Aside from specific network restoration, contractors were used to deploy and secure generators. The contractors were enlisted to perform a variety of functions listed below:

- Secure/maintain generator sites
- I&R: working trouble tickets and service orders; repairing drops; replacing damaged pedestals.
- Cable splicing: construction work or repairing damaged cables.
- Central Office: working access care tickets and span line troubles, assisting I&R techs, monitoring pair gain batteries.
- Business techs: working trouble tickets, emergency service orders and access care tickets.

List of some of the Supplies used for Hurricane Restoration:

- Temporary wire
- J-hooks
- P-clamps
- RE clips
- Staples
- Tape
- Terminal blocks
- Scotch locks
- Jacks (for flooded areas)
- Tie wraps

- Duct seal
- Generators and fuel
- Network Interface Devices (NIDs)
- Batteries for pair gains
- Closures
- Pedestals
- Cable
- Station Wire
- Drop Wire
- Batteries
- Drill Bits
- Connectors
- Decals
- Encapsulant
- Tie Cables
- Risers
- Nuts, screws, bolts

Storm Recovery Cost Analysis

As part of the 2005 storm recovery cost analysis, Embarq conducted special studies utilizing the same methodologies as in Embarq's prior year petition (filing in Docket No. 050374-TL as amended and approved through Order Nos. PSC-05-0735-PAA-TL, PSC-05-0757-PCO-TL, and PSC-05-0946-FOF-TL) to identify extraordinary, incremental costs to restore service as a direct result of each of the three above identified hurricanes impacting service in Embarq's Florida Districts.

Overall Cost Analysis

As was the case in the prior year's filing, Embarq utilized costs determined to be prudently incurred and extraordinary in nature as the standard to determine storm recovery costs. These costs are broken into several cost categories:

- Extraordinary Company Wages
- Extraordinary Contractor Costs
- Extraordinary Asset Restoral Costs
- Extraordinary Material Costs
- Extraordinary Facility, Buildings, Generators, Fuel, and Line Card Repair & Return
- Average Annual Storm Expense
- Carrying Cost, Interest, Uncollectible, and Florida Regulatory Assessment Fees

In gathering costs, as in last year's filing, Embarq identified the districts and months impacted by the identified storms from the current storm season and gathered relevant costs from only those impacted districts beginning from the month the storm struck Florida, and thus impacted Embarq's telecommunications operations:

Hurricanes Dennis & Katrina

- Both storms impacted: Ft. Walton Beach and Tallahassee Districts
- Costs gathered from July 2005 through December 2005

Hurricane Wilma

- Storm impacted: Avon Park, Ft. Myers, and Naples Districts
- Costs gathered from October 2005 through February 2006

In carrying out the required special analysis to identify the extraordinary costs, Embarq identified those extraordinary costs in excess of budgeted expenses and excluded amounts for ordinary storm-related costs, using the same methodology for exclusion as reviewed and approved in Embarq's 2004 Storm Recovery filing.

Final Determination of Recovery Rate Surcharge

Through this immediate petition, Embarq submits for determination by the Commission that it has demonstrated intrastate costs and expenses, reasonable under the circumstances, for the named tropical systems of Hurricanes Dennis, Katrina, and Wilma, incurred by Embarq totaling $59.94 million with calculated total intrastate costs of $15.47 million, with a requested Net Intrastate Recovery of approximately $10 million at the maximum recovery surcharge rate of $0.50 per access line per month for 12 months, pursuant to Section 364.051(4)(b) 5, Florida Statutes. Since Florida Statutes cap recovery rates to $0.50 per access line for 12 months, Embarq estimates $5 million of unrecovered Intrastate Extraordinary Costs in addition to the $45 million already born by Embarq's shareholders.

A	B	C	D	E
Row	Description	Calculation	Cost	Extraordinary Cost
8				
9	Hurricane related cost:			
10	Wages & Benefits		$ 32,250,961	
11	External Contractors Expense & Capital		17,287,467	
12	Extraordinary Asset Restoral Costs		2,607,274	
13	Material Capital & Expense		2,910,263	
14	Overheads Expense & Capital		2,880,790	
15	Buildings, Generators, Fuel, Line Card Repair & Return		2,003,986	
16	Total Hurricane related cost	(Sum Rows 10 to 15)	$ 59,940,742	
17	Exclusions:			
18	Wages associated w/ regular time and budget OT		$ 28,347,670	
19	Contractor Expense Budget & Capitalized Contractor Costs		8,508,685	
20	Capitalized Material Cost		1,584,276	
21	Overheads Expense & Capital		2,880,790	
22	Buildings, Generators, Fuel, Line Card Repair & Return Budget		747,000	
23	Average Annual Storm Expense		598,240	
24	Total Exclusions	(Sum Rows 18 to 23)	$ 42,666,661	
25				
26	Extraordinary Cost	(Row 16 - Row 24)		$ 17,274,081
27	Carrying Cost Before Recovery			2,680,581
28	Subtotal	(Row 26 + Row 27)		$ 19,954,663
29	Intrastate Factor			0.74429553
30	Intrastate Subtotal	(Row 28 * Row 29)		$ 14,852,166
31	Interest During Recovery Period		5.23%	417,838
32	Intrastate Cost (before uncollectible and FL reg. assessment fee)	(Row 30 + Row 31)		$ 15,270,004
33	Uncollectible	(Row 35 * 1.081%)	1.081%	167,211
34	Florida Regulatory Assessment Fee	(Row 35 * 0.2%)	0.20%	30,936
35	Total Intrastate Extraordinary Cost	(Sum Rows 32 to 34)		$ 15,468,151
36	Average Total Access Lines and UNE Loops			[redacted]
37	Per Month Recovery Rate Per Line	((Row 35 / Row 36) / 12)		
38				
39	Recovery limited to $0.50 per line for 12 months per 364.051(4)(b) 5, Florida Statutes:			
40	Capped Recovery Rate Per Month Per Line	Per 364.051(4)(b) 5		$ 0.50
41	Intrastate Billed Amount	(Row 36 * Row 40 * 12)		[redacted]
42	Less: Uncollectible	(Row 41 * 1.081%)		
43	Less: Florida Regulatory Assessment Fee	(Row 41 * 0.2%)		
44	Intrastate Net Recovery	(Row 41 - Row 42 - Row 43)		
45	Unrecovered Intrastate Extraordinary Balance	(Row 32 - Row 44)		

A	B	C	D	E
Row	Description	Calculation		Extraordinary Cost
8				
9	Extraordinary Hurricane Related Cost			
10	District Storm Extraordinary Company Labor & Benefits			$ 3,903,291
11				
12	Extraordinary Contractor Expense over Budget			8,778,783
13				
14	Asset Restoral Extraordinary Cost			2,607,274
15				
16	Extraordinary Material Expense			1,325,987
17				
18	Extraord. Buildings, Generators, Fuel, Line Card Repair & Return			1,256,986
19				
20	Average Annual Storm Expense			(598,240)
21				
22	Extraordinary Cost	(Sum Rows 10 to 20)		$ 17,274,081
23	Carrying Cost Before Recovery			$ 2,680,581
24	Subtotal	(Row 22 + Row 23)		$ 19,954,663
25	Intrastate Factor			0.74429553
26	Intrastate Subtotal	(Row 24 * Row 25)		$ 14,852,166
27	Interest During Recovery Period		5.23%	417,838
28	Intrastate Cost (before uncollectible and FL reg. assessment fee)	(Row 26 + Row 27)		$ 15,270,004
29	Uncollectible	(Row 31 * 1.081%)	1.081%	167,211
30	Florida Reg. Fee	(Row 31 * 0.2%)	0.20%	30,936
31	Total Intrastate Extraordinary Cost	(Sum Rows 28 to 30)		$ 15,468,151
32	Average Total Access Lines and UNE Loops			[redacted]
33	Per Month Recovery Rate Per Line	((Row 31 / Row 32) / 12)		
34				
35	Recovery limited to $0.50 per line for 12 months per 364.051(4)(b) 5. Florida Statutes:			
36	Capped Recovery Rate Per Month Per Line	Per 364.051(4)(b) 5		$ 0.50
37	Intrastate Billed Amount	(Row 32 * Row 36 * 12)		[redacted]
38	Less: Uncollectible	(Row 37 * 1.081%)		
39	Less: Florida Regulatory Assessment Fee	(Row 37 * 0.2%)		
40	Intrastate Net Recovery	(Row 37 - Row 38 - Row 39)		
41	Unrecovered Intrastate Extraordinary Balance	(Row 28 - Row 40)		

A	B	D	E	F	G	H	I	J	K	L	M	N	O	P
Row		Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	12 Month
8	Description	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Total
9														
10	Access Lines - Forecast													
11	Basic Access Lines													
12	Non-Basic Access Lines													
13	Unbundled Wholesale Loops													
14	Total Access Lines													
15														
16	Requested recovery rate	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	$ 0.50	
17														
18	Projected recovery													
19	Less: Uncollectibles													
20	Less: Florida RAF													
21	Intrastate Net Recovery													