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December 11, 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-TL, Embarq Florida, Inc,'s Surrebuttal Testimony of Kent W. Dickerson and Prehearing Statement .

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CTR original

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GCL 1

OPC     

RCA 1

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Dear Ms. Bayó:

Enclosed for filing are the original and fifteen (15) copies of Embarq's Surrebuttal Testimony of Kent W. Dickerson and Prehearing Statement.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

If you have any questions regarding this electronic filing, please do not hesitate to call me at 850/599-1560.

Sincerely,

*Susan S. Masterton*

Susan S. Masterton

Enclosure

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*oh*

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COUNSEL

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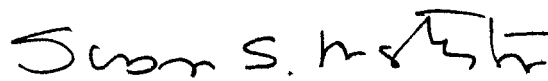
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Susan S. Masterton

**ORIGINAL**

Embarq Florida Inc.  
Florida Hurricane Cost Recovery  
Docket No. 060644-TL  
December 11, 2006

1                   **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2                                   **SURREBUTTAL TESTIMONY**

3   **OF**

4   **KENT W. DICKERSON**

5  
6   **Q.     Please state your name, occupation and business address.**

7  
8   A.    My name is Kent W. Dickerson and I am employed by Embarq in the capacity of  
9           Director – Cost Support. In that capacity I am responsible for cost analyses of  
10          Embarq’s wholesale and retail products and services. My business address is 5454  
11          West 110th Street, Overland Park, Kansas 66211.

12  
13   **Q.     Are you the same Kent W. Dickerson who filed direct testimony on behalf of Embarq**  
14          **in this proceeding?**

15  
16   A.    Yes.

17  
18   **Q.     What is the purpose of your Surrebuttal testimony?**

19  
20   A.    The purpose of my Surrebuttal testimony is to respond to the testimony of Iliana H.  
21          Piedra of the Florida Public Service Commission Staff and to the testimony of Don J.  
22          Wood filed on behalf of The Competitive Carriers of the South, Inc. (CompSouth).

23

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1    **Q.    Did the testimony of Iliana H. Piedra relay any problems identified in the course**  
2           **of Staff’s audit of Embarq’s 2005 Hurricane Cost Recovery filing, sufficient to**  
3           **result in a change to Embarq’s requested recovery at the \$.50 capped rate?**

4  
5    A.    No, in fact after what my staff and I would characterize as a very thorough and  
6           complete audit, Staff’s testimony states, “We verified the amounts included in  
7           Embarq’s petition dated September 25, 2006, Exhibit KWD-2 and KWD-3 by  
8           performing the following procedures.”

9  
10   **Q.    Were any audit findings reported in Staff’s Auditor’s Report dated November 18,**  
11           **2006?**

12  
13   A.    Yes, Staff’s testimony reports, “Staff was asked to compute carrying costs differently  
14           than was done in the company filing. This computation is included in Audit Finding 1.  
15           The computation decreases carrying costs. However, the decrease would not have an  
16           effect material enough to change the 50 cent rate.”

17  
18   **Q.    Does the Staff Auditor report discuss the recomputation of carrying costs they**  
19           **were asked to perform?**

20  
21   A.    Yes, the brief discussion begins by acknowledging that the Company’s carrying cost  
22           computation is based on its weighted average cost of capital. Additionally, Staff’s  
23           testimony describes, “We recalculated the carrying costs and interest calculations and  
24           traced the cost rates to the company calculations. The calculations were reconciled to

1 the trial balance and interest rates were traced to the Wall Street Journal.” Staff’s audit  
2 report goes on to describe how the requested recomputation of the Company’s carrying  
3 cost was done using a 30 day commercial paper rate for the entire period. Neither the  
4 audit report nor the testimony provides any discussion as to why it would be more  
5 accurate to compute carrying costs over effectively a two to three year period using a  
6 30 day commercial paper rate versus the Company’s cost of capital which was traced to  
7 and reconciled with the Company’s financial statements as part of Staff’s audit.

8  
9 While the Company obviously disagrees with the recomputation of carrying costs using  
10 the 30 day commercial paper rate for the entire period, Staff’s conclusion that it has no  
11 effect on the 50 cent capped rate in this instance is correct. For this reason, my  
12 testimony takes no further issue with the staff’s testimony for the purposes of the facts  
13 and circumstances relating to this docket.

14  
15 **Q. Have you reviewed the testimony of Don J. Wood on behalf of CompSouth?**

16  
17 A. Yes. The outcome sought by Mr. Wood’s testimony is that CLEC purchasers of  
18 Unbundled Network Element (UNE) loops should be insulated from paying the Storm  
19 Cost Recovery Surcharge on those purchases. Although he attempts a number of  
20 flawed arguments, Mr. Wood’s most central error is his characterization of the  
21 potential application of 50 cent Storm Recovery Charge to UNE loops as a re-pricing  
22 of UNEs which he claims, “... is directly at odds with the requirements of the Federal  
23 Telecommunications Act and FCC rules.”

1    **Q.    Do you agree with Mr. Wood's characterization?**

2

3    A.    No, Mr. Wood's claim is easily refuted. Assuming an approved Storm Recovery  
4            Surcharge, section 364.051(4)(b) of the Florida Statutes allows for the surcharge to be  
5            applied for only a 12-month period of time. Both during and after this 12-month period  
6            Embarq's existing Florida Commission-approved UNE rates remain the charge for the  
7            related UNE purchases. Any approved Storm Recovery Surcharge fee will be distinct  
8            and separate from those UNE prices, and rather is for the purpose of recovering only  
9            the Commission determined reasonable, intrastate portion of costs incurred to repair  
10           and restore lines damaged by tropical storms for the defined period (in this case 2005).  
11           Mr. Wood's claims and all ensuing TELRIC price arguments attempting to turn this --  
12           otherwise statutorily permissible -- cost recovery into a repricing of UNEs are clearly  
13           factually unsound. Legal arguments regarding whether a surcharge is consistent with  
14           federal law will be addressed in Embarq's Memorandum of Law to be filed on  
15           December 29, 2006.

16

17    **Q.    Mr. Wood argues further that the recovery of costs related to storm damage is**  
18           **somehow already subsumed in Embarq's UNE prices. How do you respond?**

19

20    A.    This argument is also flawed given several conflicting facts which are easily evident.  
21           First, the costs underlying Embarq's recovery request were incurred in 2005, which is  
22           years after the setting of its existing UNE rates. Further, as explained in my direct  
23           testimony, shown clearly in the filing schedules, and subsequently verified by Staff's  
24           audit procedures, Embarq's filing has utilized a very conservative approach which

1 ultimately seeks to recover only a small fraction of the intrastate portion of  
2 extraordinary storm damage costs. Only those costs which are extraordinary, and thus  
3 beyond the norm, were defined as eligible for potential recovery. These extraordinary-  
4 only costs were further reduced in Embarq's filing by an amount reflecting the  
5 normalized level of historic storm damage and costs. Finally, even after these  
6 reductions and proper factoring to exclude costs associated with the interstate  
7 jurisdiction, the costs were further reduced by the practical limitations of the 50 cent  
8 rate cap contained in the legislation. Mr. Wood's claims that this remaining subset of  
9 the extraordinary 2005 storm damage costs was somehow subsumed in a TELRIC  
10 UNE rate setting years prior is obviously factually in error.

11  
12 **Q. Mr. Wood's takes issue with Embarq's proposed application to UNE loops, and**  
13 **accuses Embarq of re-writing the statute as it relates to the term "access line".**  
14 **How do you respond?**

15  
16 A. It appears to me that it is Mr. Wood who is attempting to re-write the meaning of the  
17 term "access line." Embarq's interpretation of the term access line is consistent with  
18 the Commission's existing rule. FPSC Rule 25-4.003 (1), defines "access line" to mean  
19 "The circuit or channel between the demarcation point at the customer's premise and  
20 the serving end or class 5 central office." Thus, an interpretation of the term "access  
21 line" in the legislation as a voice grade equivalent channel e.g., 24 for DS1 and 672 for  
22 DS3, would be consistent with the existing FPSC rule defining the term. To suggest, as  
23 Mr. Wood seems to do, that the legislation only defines the term as a single customer  
24 and or a physical circuit is inconsistent with this rule embodying the Commission's

1 longstanding interpretation of the term. Mr. Wood's argument is otherwise completely  
2 factually unsupported within his testimony.

3

4 **Q. Mr. Wood goes on to claim that Embarq plans to apply the 50 cent rate to all of its**  
5 **retail services on a single customer basis. Is he correct?**

6

7 A. No, he is not. Embarq's proposed application of the 50 cent rate calls for a one to one  
8 relationship for DS0-based services such as Residential Service (R1), Business Service  
9 (B1), UNE – 2-Wire loops, etc. Embarq has proposed an application of 5 surcharges to  
10 its ISDN-PRI DS1 bandwidth level retail service. So, Mr. Wood is incorrect in stating  
11 Embarq proposes to treat all basic and non-basic retail services on a single customer  
12 basis for application of the 50 cent rate.

13

14 Mr. Wood is correct however, that Embarq's filing contained a cost recovery projection  
15 figure which presumed the application of the 50 cent rate to UNE DS1s and DS3s on a  
16 voice grade equivalent basis of 24 and 672, respectively. Although this application is  
17 consistent with the Commission's rule defining an access line, this approach would  
18 yield differences between the cost recovery surcharge Embarq applied on retail ISDN-  
19 PRI line and its wholesale bandwidth equivalent service of UNE DS1.

20

21 **Q. Does Embarq have a suggestion as to how achieve consistency in applying the**  
22 **surcharge to retail and wholesale services?**

23



1 A. Yes. Embarq would propose to apply the 50 cent rate on a one to one basis for all DSO  
2 level retail and wholesale services, on a 5 to one basis for DS1 level retail and  
3 wholesale services and on a 30 to one basis for UNE DS3 (Embarq has no retail DS3  
4 level local services).

5

6 **Q. How was the proposed application of 30 surcharges (or in effect \$15) for a UNE**  
7 **DS3 service arrived at?**

8

9 A. This application recognizes the approximately 6 to 1 cost/price relationship between  
10 UNE DS3 and UNE DS1 services and thus applied a factor 6 times the DS1 application  
11 of 5 to arrive at the proposed relationship of 30 or \$15 per UNE DS3. This approach  
12 would achieve consistent cost recovery surcharge application between equivalent  
13 bandwidth retail and wholesale services.

14

15 **Q. Does this conclude your testimony?**

16

17 A. Yes.

18

19

20

21

22

23

24