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April 9, 2007

Ms. Ann Cole  
Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0870

Re: REVISED Confidential Claim dated March 14, 2007, for Document #02339-07

Dear Ms. Cole:

On March 14, 2007 Embarq Florida, Inc. ("Embarq") previously filed a Claim of Confidentiality for Document #02339-07, Staff's DRAFT Review of Special Construction Practices for Major Florida ILECs. Through this letter and the attached Revised redacted copy of certain portions of the document, Embarq is revising the information for which it is claiming confidentiality. Any information that was redacted in the original filing that is not redacted in this filing is not longer subject to Embarq's Claim of Confidentiality.

If you have any questions, please let me know. Thank you for your assistance in this matter.

Sincerely,

Susan S. Masterton

Enclosure

cc: Lisa Harvey  
Lynn Fisher

Susan S. Masterton  
COUNSEL  
LAW AND EXTERNAL AFFAIRS- REGULATORY  
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### 3.4 Process Flow and Timing

Embarq's National Customer Services Method and Procedure 002-001-510 provides the standard system-wide procedures for preparation and distribution of documents required for customer requested work activities such as moves, excess construction, facility relocation, and make-ready work. According to Embarq's documentation, the company has recently made extensive revisions to the Keep Cost Recovery process to assist the Field Team Engineering and Network Cost Recovery organization in recouping charges applicable to each state's tariff. The procedure was effective September 23, 2005, and the most current issue of this procedure is dated April 14, 2006. This procedure requires all custom work activities to be captured in a Keep Cost Recovery format.

The company also implemented a process to outsource the creation of invoices and payment collection through an outside adjustment company in June 2004. Embarq made the change to improve overall turnaround time for completing estimated invoices to the customer, and to create one source for payment handling to reduce the risk of misplaced payments.

Once a customer contacts the Field Team Engineer with a custom work request, the engineer schedules a meeting with the customer to review and discuss the proposed project and scope of work. This process includes a site visit during which the customer is informed that they will be notified within five working days with a verbal quote. The engineer then creates a quotation of estimated project costs through the Work Activity and Keep Cost Recovery module in the Project Administration and Costing System.

### 5.1 Sampling Results

On average, AT&T handles approximately 86 new special construction projects monthly, Verizon averages about 24 monthly, and Embarq averages about [REDACTED]. To more closely examine the Special Construction process in each company, staff completed a sample of each company's 2006 project files and contracts. The sample taken was limited to specific districts within the company. The measures shown in **Exhibit 1** help gauge comparative company performance in completing special construction projects during 2006.

<b>Special Construction Project Sample Results</b>			
<b>Reviewed Items</b>	<b>AT&amp;T</b>	<b>Embarq</b>	<b>Verizon</b>
Number of Special Projects Reviewed	30	[REDACTED]	32
Number of Residence/Business	1 Residence 29 Business	[REDACTED]	2 Residence 30 Business
Projects Opened	10 *	[REDACTED]	18
Projects Closed	17*	[REDACTED]	14
Number and Percent of			

Projects Exceeding the Quote	20 of 30 67%	[REDACTED]	11 of 32 34%
Percent of Dollars Exceeding the Quote	20.4%	[REDACTED]	8.6%
Average Amount Exceeding the Quote	\$1,774	[REDACTED]	\$2,905
Number and Percent of Projects Less Than the Quote	8 of 30 26.7%	[REDACTED]	18 of 32 56.3%
Percent of Dollars Less Than the Quote	-35.0%	[REDACTED]	-39.5%
Average Amount Less Than the Quote	\$7,619	[REDACTED]	\$8,127
Net Dollars and Percent Less Than the Quote	-\$25,550 (-14.7%)	[REDACTED]	-\$114,335 (-30.9%)
Customer Signatures on Agreements	18 of 30 60%	[REDACTED]	30 of 32 94%
Quote to Customer Signature Average	14 Days	[REDACTED]	32 Days
Quote to Construction End Average Days	126 Days	[REDACTED]	77 Days
Construction Begin to End Average Days	85 Days	[REDACTED]	46 Days
Construction Projects Exceeding 120 Days	6 of 30 20%	[REDACTED]	3 of 32 9%
* One project was miscoded and two were abandoned after the customer received a quote			

**EXHIBIT 1**

Source: DocumentRequest-2

Overall, sample results show, that AT&T had the highest percentage of projects exceeding the amount quoted to its customers (67%). AT&T had the highest percentage of dollars exceeding the quoted amount (20.4%) and the second highest percentage of projects below the amount quoted to the customer (-35%). AT&T also had the second highest percent of customer signatures on special construction agreements (60%), and led the companies with the highest percent of construction projects open more than 120 days (20%). Additionally, AT&T had the longest average interval between the beginning and end of construction projects (85 days), and the longest interval between the quote date and the completion of construction (126 days).

Embarq showed the highest percent of projects below the customer quoted amount ([REDACTED]%) and the lowest percentage of customer signatures on special construction contracts ([REDACTED]%). Embarq also tied Verizon with the lowest percent of construction projects exceeding 120 days ([REDACTED]%).

Verizon had the second highest percentage of projects less than the customer quoted amount (56.3%) and the highest percent of dollars below the customer quoted amount (-39.5%). Verizon also had the highest net percent of project dollars below the quoted amount (-30.9%). Verizon also had the highest percentage of contracts signed by customers (94%) and the longest quote to signature interval (32 days) of all three companies. Additionally, Verizon had the second longest average interval from the customer quote date to the end of construction (77 days) and the second highest construction begin to end date average (46 days).

Sections 5.2 through 5.5 discuss specific areas where each company can review and improve the special construction process.

### **5.2 Projects Costing More Than the Quoted Amount**

Sample results show that AT&T and Verizon led in the percentage of projects completed that exceeded the quoted amount. AT&T had 20 of 30 projects (67%) exceeding the customer quoted amount, Verizon had 11 of 32 (34%) projects exceeding the quoted amount, and Embarq had █ of █ projects (█%) exceeding the customer quote. Although the Embarq sample had only █ projects over the customer quoted amount, it averaged the highest overrun amount per project, at \$█ per project. AT&T averaged \$1,774 per project exceeding the quoted amount and Verizon averaged \$2,905 per project.

Cost overruns of 10% to 20% are covered under contractual agreement by █ and Verizon. Contract language includes a clause stating that the customer is liable for costs exceeding the quote by the specified percentage. This clause allows the company to recoup cost overruns beyond its control, which may occur in any special construction project. However, Verizon and █. AT&T does not include such a clause in its contractual agreements and does not attempt to recoup project costs exceeding the quoted amount.

Staff believes AT&T and Verizon should determine why project costs often exceed quoted amounts and make necessary adjustments to reduce the percentage of projects exceeding quoted amounts. AT&T should also consider adding contract language protecting itself from cost overruns beyond its control to ensure that appropriate overrun costs are captured. Staff also believes █ and make necessary adjustments to resolve any problem identified. In cases where justifiable cost overruns occur, companies should inform the customer and recoup the additional special construction costs.

### **5.3 Projects Costing Less Than the Quoted Amount**

All three companies offer their customers the option of using estimated or actual cost methodologies for special construction projects. If the customer selects the estimated quotation methodology as most customers do, and projects are completed at a cost less than the quoted amount, the customer may have overpaid for the project. If this condition exists, companies should evaluate the frequency of these events and the impact of inaccurate quotes on customers. On the other hand, if the customer has selected the actual cost methodology for the special construction project, the customer is refunded the difference between the quoted amount and the actual costs.

Staff's sample shows that Embarq and Verizon led in the percentage of projects whose final costs are less than the quoted amount, with █% and 56.3% respectively. However, with Embarq's █ open projects and Verizon's 18 open projects, it is likely that the reason for these high percentages is that not all charges were made to open projects at the time staff reviewed them.

Verizon and AT&T led in the percent of dollars below the quoted amount by -39.5% and -35% respectively, while Embarq has the lowest percent under the quoted amount at [REDACTED]%. Verizon and AT&T also have the highest average amounts per project under the customer quote amount, with \$8,127 and \$7,619 respectively. Verizon's percentage of net dollars below the customer quote amount was highest, at -30.9%. This percentage is considerably above that of AT&T or Embarq.

Staff believes Verizon and AT&T should examine special construction projects where the actual costs fall short of estimates, and make appropriate adjustments to resolve any problem identified. Each company should evaluate whether quotes that fall below project costs are due to efficient construction, whether proper charges are being made in a timely manner, and whether all appropriate costs are made to projects. Otherwise, these companies may not be capturing all project costs appropriately and could make future inaccurate quotes.

#### **5.4 Construction Projects Over 120 Days**

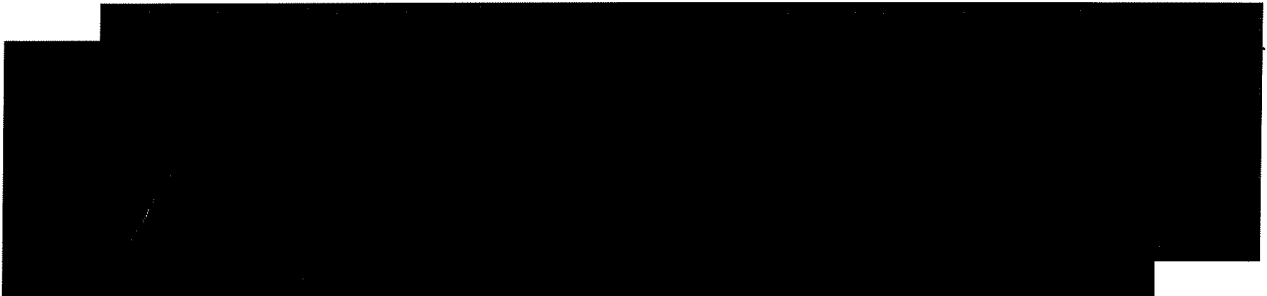
The special construction process relies on many components, one of which is the length to complete construction projects. AT&T representatives indicate that the company attempts to complete a project within 120 days from its approval. However, staff's sample indicates that six (20%) of the sampled projects exceeded the 120 day threshold. In addition, AT&T's average construction beginning-to-end interval was 85 days, exceeding Verizon's average by 39 days and [REDACTED] by [REDACTED] days. AT&T's quote-to-construction-end interval was also the highest of the three companies at 126 days. While there are always operational and circumstantial differences between companies, the sample indicated to staff that the length of AT&T's construction process causes customer delays not experienced by the other two incumbent local exchange providers.

Staff believes AT&T should evaluate the length of its current special construction process, identify methods to reduce project completion intervals, and implement necessary improvements to reduce project completion intervals.

#### **5.5 Customer Signatures on Contracts**

To evidence the customer's agreement with the quoted estimate, and to give authorization to proceed with the construction project, an Authorization Letter or Contract is completed between the company and the customer. These legal instruments, in addition to the customer's payment of the company quoted amount for the construction, evidence both parties' agreement to complete the project. [REDACTED]

Staff's sample showed that [REDACTED], while AT&T and Verizon maintained 60% and 94% signature rates respectively. AT&T representatives indicate that a signed agreement between the customer and the company are important, but that there are instances where the contract is not returned with the customer's payment as procedures specify. In these cases the customer payment signals the approval to begin construction, but does not provide the added assurance of a signed agreement.



Staff understands AT&T's and Embarq's positions regarding signed agreements between the parties, and how this process can improve the company's responsiveness to its customers. However, in a court of law, or before a regulatory body, a written contract between parties may be necessary to protect the company's interest. Therefore, staff believes AT&T and Embarq would be well served to identify a standard methodology for implementing a signed written agreement between the company and customer. Perhaps the companies may consider at which risk levels a signed agreement is not required and at which risk levels the companies should require written contractual agreements between the parties. Or the companies may consider a simpler form of contract for less risky conditions and a more comprehensive contractual agreement for more risky conditions. In either case, these decisions should be communicated through company procedures and employee training.