

AT&T Florida
Florida Public Service Commission
Docket No. 060822-TL
Nocatee's 1st Set of Interrogatories
July 11, 2007
Amended Item No. 3 (2nd)
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- c. AT&T defines Fiber to the Curb (FTTC) as follows: A backbone fiber cable is placed to a remote terminal cabinet. Fiber distribution cables are extended from the remote terminal and terminated on optical network units throughout the development. Copper cable is extended from the optical network units to drop enclosure terminals. Copper drop wire is extended from the drop enclosure terminals to each living unit served by the optical network unit.
- d. Yes.
- e. An analysis was performed on the distribution costs of several developments in the area of Nocatee which contained copper distribution and fiber distribution. It was determined that the average distribution costs for FTTN was approximately \$\square\$ per living unit higher than the distribution costs associated with FTTC.
- f. The major difference in cost between the FTTN and FTTC architectures is the cost associated with the type of distribution facilities placed (copper versus fiber). An analysis of the costs associated with seven developments in the Nocatee area showed that copper distribution costs approximately \$100 more per living unit on average than fiber distribution. Further, the cost per linear copper foot in the developments served by copper is \$100 verses \$100 for the fiber distribution developments. Also, the total cost of copper distribution facilities per linear foot placed is \$100 versus \$100 per linear foot for fiber developments.
- g. Both the FTTN and FTTC architectures require a backbone feeder fiber to feed a remote terminal cabinet. The remote terminal cabinet placed for FTTN is very similar to the remote terminal cabinet required for FTTC. The major difference in the two cabinets is the type of channel banks installed in the cabinets (copper distribution channel banks versus fiber distribution channel banks). However, the total estimated cost of a FTTN remote terminal cabinet is estimated to be similar to the cost required for the FTTC remote terminal cabinet. As explained in F, the major difference in cost occurs on the distribution side of the network. It is estimated that copper distribution is approximately more per living unit than fiber distribution, before overhead charges are applied. Therefore, the additional cost required to deploy a FTTN architecture, versus a FTTC architecture, in Riverwood and Coastal Oaks is estimated to be respectively. After the standard overhead percentage is applied, the total estimated additional cost to deploy FTTN instead of FTTC for Riverwood and Coastal Oaks is and \$ and

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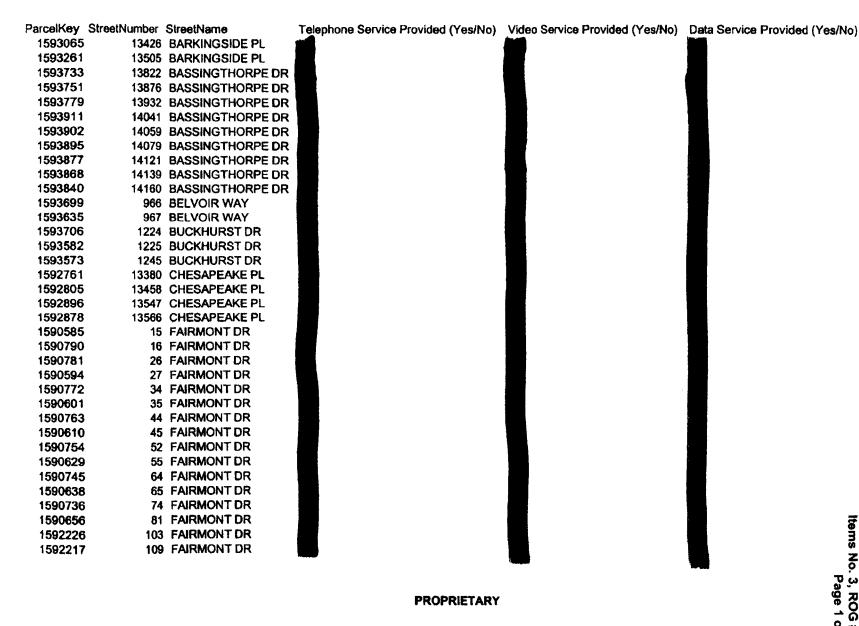
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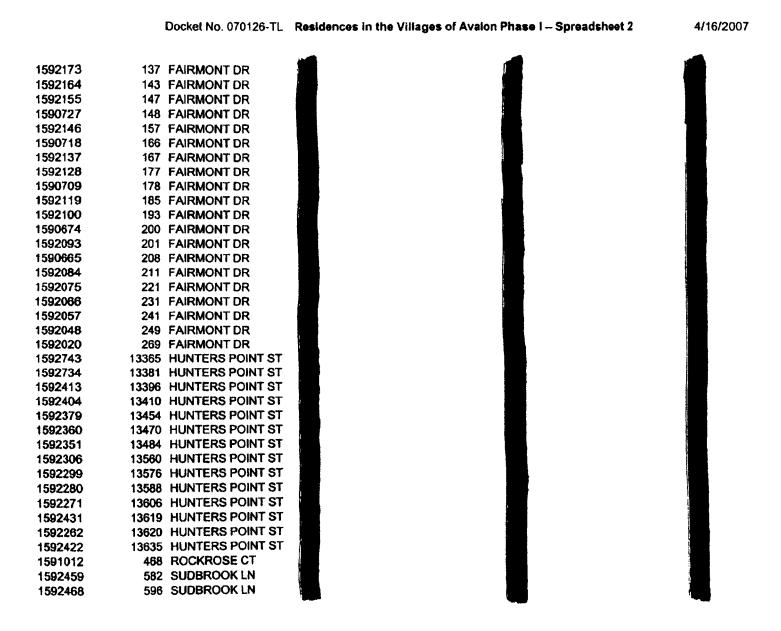
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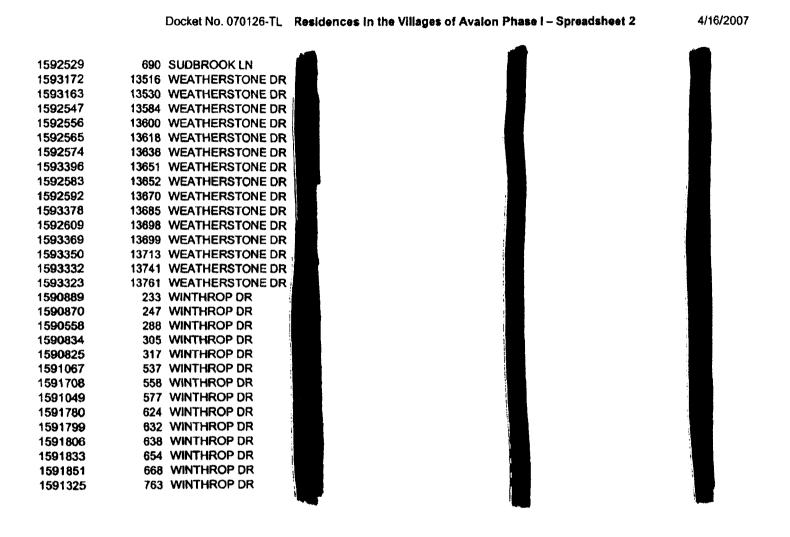
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6720.1700	Legal					05EXP.XLS		 	+
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653	4 Plant Operations Admin Expense			- 		OSEXP.XLS		 	+
	5 Engineering Expense					05EXP.XLS			+
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87X	X Corporate Operations Expense				·		pg. 38	 	+
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	1 Land				CI02R11	pg. 6		 	1
	2 Motor Vehicles				UNATA !!			 	1
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211	4 Gerage, Special and Other Work Equipment				Ong. 11				1
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	6 Other Work Equipment				CI02R11	pg. 8		1	1
212	21 Buildings				CI02R11	pg. 9		1	1
	22 Furniture				CR2R11	pg. 11		1	1
212	23 Office Equipment				CI02R11	pg. 13			g. 37 3
212	24 General Purpose Computers				Cap Lease Recon - Brandi Harrell	ρυ, 13			
265	1 Capital Leases	,			CIO2R11	pg. 36		7	-

POWER STATE

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2211	Analog Electronic Switching				CI02R11	pg. 14				
2212	Digital Electronic Switching				CI02R11		pg. 15			og. 37 560
2215	Electromechanical Switching									
2220	Operator Systems				CI02R11		pg. 16			u. 37 86
	Radio Systems		· · · · · · · · · · · · · · · ·		CI02R11		pg. 17			g. 37 76
2232	Circuit Equipment				CI02R11		pg. 19	7		og. 37 66
2411	Poles				CI02R11	pg. 26				
2421	Aerial Cable				CI02R11	pg. 29				
	Underground Cable				CI02R11	pg. 30				
	Buried Cable				CI02R11	pg. 32				
	Submarine Cable			T	CI02R11	og. 33				1
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	Analog Electronic Switching				CI02R11	pg. 14			Ē.	
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Description	Account	Work ID	EOY Amount	6720.1100	6720.1206	6720.1300	6720.1400	6720.1500	6720.1590	6720,1700	6720.2100	6720.6300
Exclusions	Sou	rce: 06EXCL	UDE.XLS		200							
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Capital Recovery Matters	6720.1300	1170										
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Legal - Property Matters	6720.1700	0170									į į	T T
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Rates Effective from April 1, 2007

Overhead Rates	%	
Corp Ops OH	11.5370	All Services
IRC OH	13.2050	All Services
Total OH Rate	24.7420	

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Explanation of Costs Associated with Custom Work Involving BellSouth Telecommunications' Plant Facilities

BellSouth Telecommunications, as a regulated entity, is required by the Federal Communications Commission (FCC) in Docket No. 86-111 (Joint Cost Order), which modified Part 32 (Uniform System of Accounts) and Part 64.901 (Allocation of Costs) accounting rules, to generate billing using a fully distributed costing methodology when that billing is intended to reimburse or compensate the company for work or functions performed outside it's normal operations, specifically for billing between affiliated companies. This costing methodology results in every such work activity bearing a proportionate share of the company's common costs including overhead. The company is required to maintain appropriate records of its accounts and apply generally accepted costing concepts to ensure that such work activities utilizing company resources do not cross subsidize unregulated or affiliate operations or activity.

When BellSouth Telecommunications performs custom work activity involving telecommunications plant and equipment at the request of others, such activity does not constitute a "telecommunications service" in the normal course of BellSouth Telecommunications business. The subsequent reimbursement for costs associated with this custom work helps to ensure that the company's customers and ratepayers do not pay the costs to perform such work.

The fully distributed costing methodology concepts prescribed by the FCC are applied to the development and use of direct assignments and allocations of cost rates and overheads to properly allocate costs to the cost causer, or the individual or entity requesting the custom work involving the company's facilities and equipment.

DIRECT and ALLOCABLE COSTS

Direct Labor

Direct labor represents the monies paid to the employee group responsible for performing the work. These are the employees who are actually splicing the cable and/or placing the lines on the poles. The employees in this work group are highly skilled technicians who have received extensive formal training.

Labor Support

This portion of the Billing Rate reimburses the Company for the expenses of employees who support the technicians who are performing work. It includes expenses for up to three levels of supervision and clerical support. It also includes the expenses of the employees who test the lines after the work is finished to make sure service is acceptable. Also included in support costs are the costs of maintaining the motor vehicles used by the employees involved in the work. Finally, custom work requires special power operated equipment, such as blowers and generators. Support costs also include the cost of providing and maintaining this equipment

Labor Benefit Cost

For each hour an employee works on the project, the Company must pay benefits and tax related items. These include, but are not limited to, the following:

- A. Company matching portion of the Savings Plan
- B. Dental and Medical Plans

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- C. The Company portion of Social Security taxes
- D. Unemployment Payroll taxes

Other Direct Costs

Materials used in the job as well as any contractors costs associated with the job are also considered direct costs and are subject to overhead application.

OVERHEADS

Corporate Operations

This is the overhead cost of administering the Corporation. Included in this category are the work group's pro rata share of Executive, Planning and Legal. Also included is a pro rata share of the cost of Human Resources, Accounting & Finance, External Relations, Procurement, and Information Management.

Investment Related Costs

These are the costs of maintenance and other ownership costs associated with the corporate assets such as Land, Buildings, Office Equipment and General Purpose Computers.

BellSouth Overhead Rate Development

BellSouth uses the total Corporate Cost as the basis for overhead rate development and application. The most direct relationship between the costs is that, for every dollar BST speads (except for depreciation and amortization), there is a proportionate increase in supporting expenses of Corporate Operations and investment related costs.

The rate development process uses total costs for the year for the company as a whole to generate company-wide rates. Other inputs include a composite depreciation/amortization rate and the total corporate cost of plant removal from the asset management system, and the cost of capital rate, various tax rates, and other information from BellSouth Corp. and various regulatory and financial analysis groups. The rates are developed using an EXCEL spreadsheet to capture and assign the appropriate costs.

Since the rates are developed using total corporate costs, it is appropriate to apply the rates to every dollar of those costs charged on outgoing billing for custom work.

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REQUEST FOR CONFIDENTIAL CLASSIFICATION OF AT&T FLORIDA'S RESPONSE TO NOCATEE'S FIRST SET OF INTERROGATORIES NO. 3 AND SECOND REQUEST FOR PRODUCTION OF DOCUMENTS, NOS. 3 AND 4 **FILED JULY 13, 2007 IN** FLORIDA DOCKET NO. 060822-TL

TWO REDACTED COPIES FOR PUBLIC DISCLOSURE

DOCUMENT NUMBER-DATE 06272 JUL 23 5

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Riverwood
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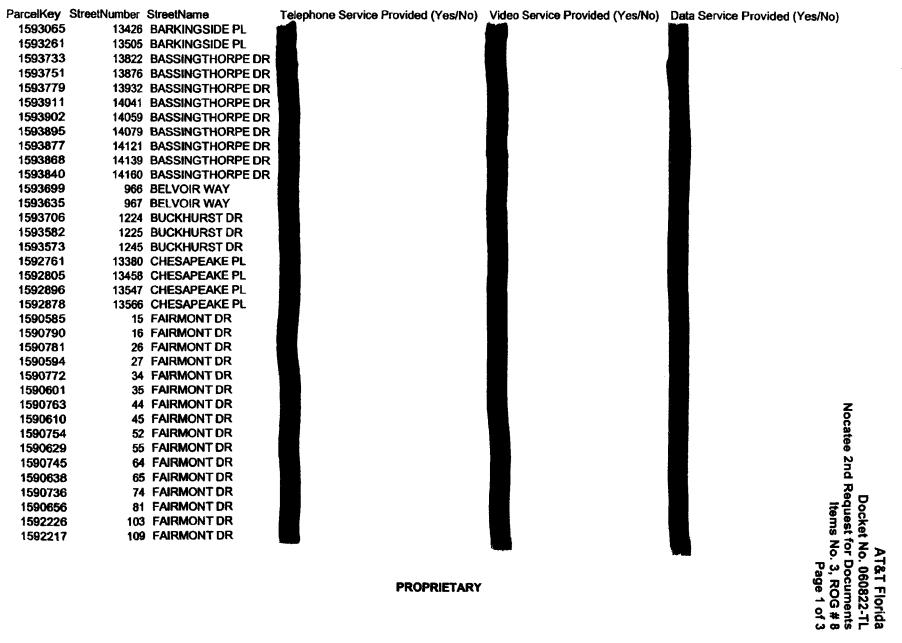
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Willow Cove
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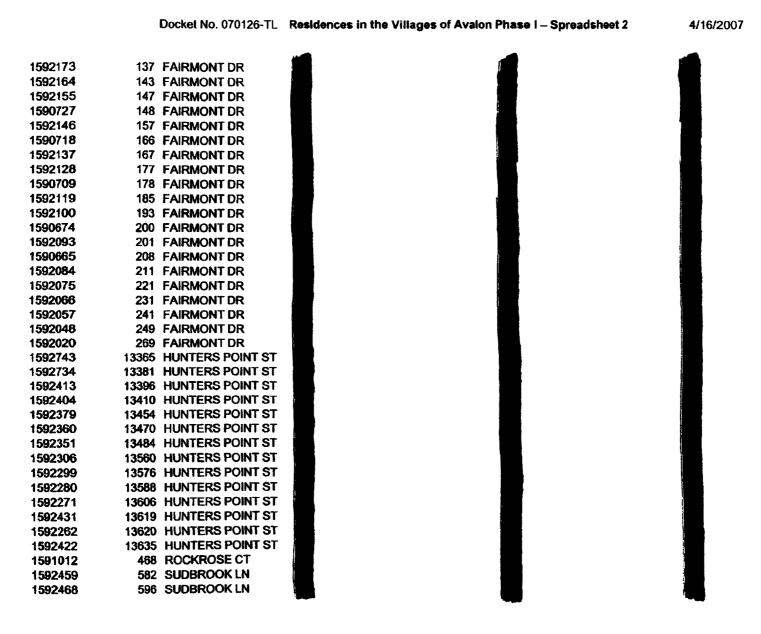
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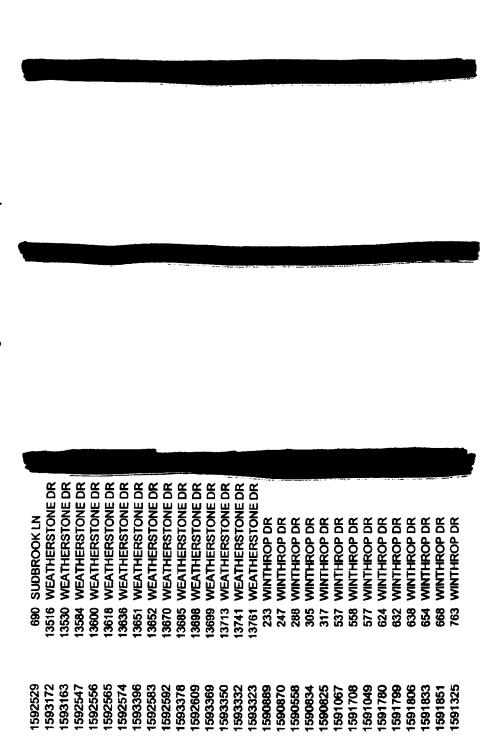
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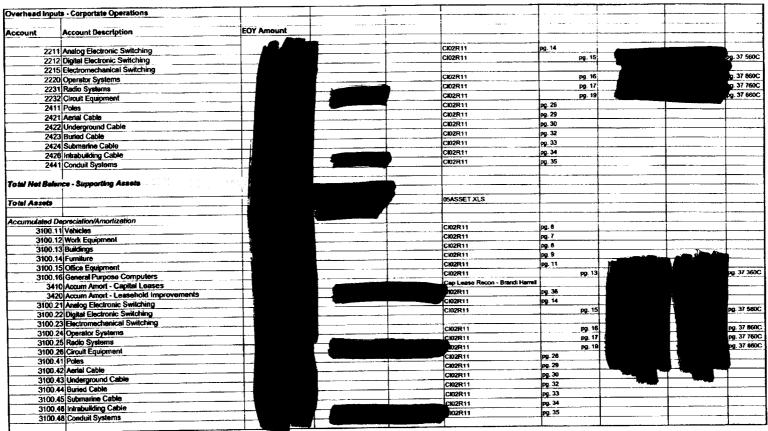


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Overhead Inpu	rts - Corportate Operations						<u> </u>	ļ	-
			L					· [·	
Account	Account Description	EQY Amount						 	-
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	Enter Effective Date of Rates	April 1, 2007	+				+	1	+
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6720.1500 6720.1600	Human Resources					05EXP.XLS			
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6720.1700	Legal					05EXP.XLS			1
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654	0 Access Expense		oxclude per page 2			05EXP.XLS			
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663	X Customer Operations Expense					05EXP.XLS			
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21	12 Motor Vehicles				CI02R11	pg. 6			
	13 Aircraft								
	14 Garage, Special and Other Work Equipment				CI02R11	pg. 7			
- 21	15 Gerage Work Equipment						1		
21	16 Other Work Equipment								
	21 Buildings				CI02R11	pg. 6			
214	22 Furniture				CI02R11	pg. 9			
	23 Office Equipment			I	CI02R11	pg. 11			
	24 General Purpose Computers	7			CI02R11	pg.	13		g. 37 380
	81 Capital Leases	1	-		Cap Lease Recon - Brandi H				
20	82 Leasehold Improvements				CI02R11	pg. 36			

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	2 Digital Electronic Switching					05EXP.XLS						+
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	23 Buried Cable					05EXP.XLS						
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211	14 Garage, Special and Other Work Equipment		-			CI02R11	pg. 7					+
211	15 Garage Work Equipment						 -					
211	16 Other Work Equipment										-	. 36
	Buildings (Owned Buildings & Leasehold Improve.)					CI02R11	·	pg. 8				. 36
212	22 Fumiture					CI02R11	pg. 9			à		<u> </u>
	23 Office Equipment					CI02R11	pg. 11					g, 37 3
212	24 General Purpose Computers					CI02R11		pg. 13				3. 37 3
221	11 Analog Electronic Switching		-			CI02R11	pg. 14				_	pg. 37 5
221	12 Digital Electronic Switching					CI02R11		pg. 15			\mathbf{V}	pg. 37 :
	15 Electromechanical Switching		_									n. 37 (
	20 Operator Systems				1	CI02R11		pg. 16				og. 37
	31 Radio Systems					CI02R11		pg. 17		1		pg. 37
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Description	Account	Work ID	EOY Amount	6720.1100	6720.1200	6720.1300	6720.1400	6720.1500	6720.1600	6729.1700	6720,2100	6720.6300
Exclusions	Sou	rce: 06EXCL	UDE.XLS									
								14.1				
Capital Recovery Matters	6720.1300	1170			i h							
Acct - Corp - Separations/Settle	6720.1300	1310		eria i	P. /	. 104						
Legal - Property Matters	6720,1700				au l		1 T			ā		
Community & Public Relations	6720.1400			2.5								
External Relations - Utilities	6720.1400) 17) 17 1			7	<u> </u>				
External Relations - Regulator	6720.1400					1 1 1			=	4		
Legal - Govt and Regulatory	6720.1700					138	600 1900					
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Billable Corp Ops - total to be				100					en sign and sign			
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Total Recoverable Cost Basis	less active a	ect):		٠	_						_	
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Corp Ops OH (line 18/21)			0.115370	0.007157	0.000840	0.009968	0.007672	0.009439	0.007811	0.004058	0.001247	0.007181
		1. 1750 3						1.00				the Difference

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Rates Effective from April 1, 2007

Overhead Rates	%	
Corp Ops OH	11.5370	All Services
IRC OH	13.2050	All Services
Total OH Rate	24.7420	

^{**} NOTICE - Not for use or disclosure outside BellSouth or its subsidiaries without agreement. **

Explanation of Costs Associated with Custom Work Involving BellSouth Telecommunications' Plant Facilities

BellSouth Telecommunications, as a regulated entity, is required by the Federal Communications Commission (PCC) in Docket No. 86-111 (Joint Cost Order), which modified Part 32 (Uniform System of Accounts) and Part 64-901 (Allocation of Costs) accounting rules, to generate billing using a fully distributed costing methodology when that billing is intended to reimburse or compensate the company for work or functions performed outside it's normal operations, specifically for billing between affiliated companies. This costing methodology results in every such work activity bearing a proportionate share of the company's common costs including overhead. The company is required to maintain appropriate records of its accounts and apply generally accepted costing concepts to ensure that such work activities utilizing company resources do not cross subsidize unregulated or affiliate operations or activity.

When BellSouth Telecommunications performs custom work activity involving telecommunications plant and equipment at the request of others, such activity does not constitute a "telecommunications service" in the normal course of BellSouth Telecommunications business. The subsequent reimbursement for costs associated with this custom work helps to ensure that the company's customers and ratepayers do not pay the costs to perform such work.

The fully distributed costing methodology concepts prescribed by the FCC are applied to the development and use of direct assignments and allocations of cost rates and overheads to properly allocate costs to the cost causer, or the individual or entity requesting the custom work involving the company's facilities and equipment.

DIRECT and ALLOCABLE COSTS

Direct Labor

Direct labor represents the monies paid to the employee group responsible for performing the work. These are the employees who are actually splicing the cable and/or placing the lines on the poles. The employees in this work group are highly skilled technicians who have received extensive formal training.

Labor Support

This portion of the Billing Rate reimburses the Company for the expenses of employees who support the technicians who are performing work. It includes expenses for up to three levels of supervision and clerical support. It also includes the expenses of the employees who test the lines after the work is finished to make sure service is acceptable. Also included in support costs are the costs of maintaining the motor vehicles used by the employees involved in the work. Finally, custom work requires special power operated equipment, such as blowers and generators. Support costs also include the cost of providing and maintaining this equipment

Labor Benefit Cost

For each hour an employee works on the project, the Company must pay benefits and tax related items. These include, but are not limited to, the following:

- A. Company matching portion of the Savings Plan
- B. Dental and Medical Plans

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- C. The Company portion of Social Security taxes
- D. Unemployment Payroll taxes

Other Direct Costs

Materials used in the job as well as any contractors costs associated with the job are also considered direct costs and are subject to overhead application.

OVERHEADS

Corporate Operations

This is the overhead cost of administering the Corporation. Included in this category are the work group's pro rata share of Executive, Planning and Legal. Also included is a pro rata share of the cost of Human Resources, Accounting & Finance, External Relations, Procurement, and Information Management.

Investment Related Costs

These are the costs of maintenance and other ownership costs associated with the corporate assets such as Land, Buildings, Office Equipment and General Purpose Computers.

BellSouth Overhead Rate Development

BellSouth uses the total Corporate Cost as the basis for overhead rate development and application. The most direct relationship between the costs is that, for every dollar BST spends (except for depreciation and amortization), there is a proportionate increase in supporting expenses of Corporate Operations and investment related costs.

The rate development process uses total costs for the year for the company as a whole to generate company-wide rates. Other inputs include a composite depreciation/amortization rate and the total corporate cost of plant removal from the asset management system, and the cost of capital rate, various tax rates, and other information from BellSouth Corp. and various regulatory and financial analysis groups. The rates are developed using an EXCEL spreadsheet to capture and assign the appropriate costs.

Since the rates are developed using total corporate costs, it is appropriate to apply the rates to every dollar of those costs charged on outgoing billing for custom work.

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