

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SUPPLEMENTAL REBUTTAL TESTIMONY OF

JOHN C. DONOVAN

AND

BRIAN F. PITKIN

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

AND MCI WORLDCOM, INC.

Docket No. 990649-TP

August 28, 2000

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAMES AND BUSINESS ADDRESSES.

A. My name is John C. Donovan. I am President of Telecom Visions, Inc., a telecommunications consulting company. My business address is 11 Osborne Road, Garden City, NY 11530.

My name is Brian F. Pitkin. I am a Director of Klick, Kent & Allen, Inc. ("KKA"), an economic and financial consulting firm. KKA, a wholly owned subsidiary of FTI Consulting, Inc., is located at 66 Canal Center Plaza, Suite 670, Alexandria, Virginia 22314.

1 **Q. ARE YOU THE SAME JOHN C. DONOVAN AND BRIAN F.**
2 **PITKIN THAT FILED REBUTTAL TESTIMONY IN THIS**
3 **PROCEEDING ON JULY 31, 2000?**

4 A. Yes, we are.

5 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL**
6 **REBUTTAL TESTIMONY?**

7 A. The purpose of our Supplemental Rebuttal testimony is to address those
8 issues that have arisen “due to BellSouth’s changes to its cost studies.”
9 (Order Modifying Procedure, Docket No. 990649-TP, Order No. PSC-00-
10 1335-PCO-TP, issued July 24, 2000) As such, we have limited our
11 Supplemental Rebuttal testimony to address BellSouth’s Rebuttal
12 testimony only to the extent it refers to model modifications that were
13 purportedly based a meeting we had with BellSouth on July 7, 2000. Our
14 testimony, however, should not be interpreted as agreeing with any of
15 BellSouth’s Rebuttal testimony that we do not specifically address in this
16 testimony.

17 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

18 A. In Section II, we describe how BellSouth mislead the Commission and the
19 parties into believing that its revised cost studies are primarily based on
20 discussions that James Stegeman and BellSouth employees had during a
21 July 7, 2000 meeting with Brian Pitkin, even though only *one* of Mr.
22 Pitkin's recommendations that would affect costs resulted in a BellSouth
23 modification. In Section III, we address BellSouth’s responses to each of

1 the modifications proposed in our meeting that were the purported basis
2 for BellSouth's revised filings. In Section IV, we describe why the actions
3 of BellSouth have resulted in our not yet being able to restate BellSouth's
4 cost studies for this filing. In Section V, we summarize our testimony and
5 make certain recommendations to this Commission.

6 **II. NATURE OF BELLSOUTH'S MODIFICATIONS**

7 **Q. DID BRIAN PITKIN MEET WITH BELLSOUTH TO DISCUSS**
8 **CHANGES TO BELLSOUTH'S MODEL?**

9 A. Yes. On July 7, 2000 Brian Pitkin met with Daonne Caldwell, Bob
10 McKight and Jim Stegeman to discuss changes we would like to see
11 implemented in the BellSouth Telecommunications Loop Model[®]
12 ("BSTLM") and the BellSouth Cost Calculator[®] ("BSCC").

13 **Q. WHAT WAS THE PURPOSE OF THE JULY 7TH MEETING?**

14 A. The purpose of this meeting was to address our concerns with the version
15 of the model that was filed in Florida, and to work on alleviating these
16 issues before another version was filed in other states in BellSouth's
17 region. It is important to understand that the nature of the meeting was to
18 identify potential changes that would impact BellSouth's filing of the
19 BSTLM on a going forward basis to eliminate some areas of dispute in the
20 future.

21 **Q. WHAT ISSUES WERE ADDRESSED AT THIS MEETING?**

1 A. During this meeting, twenty issues with the BSTLM and the BSCC were
2 identified by Mr. Pitkin. Some of those issues impacted the ability to run
3 the model, some addressed the flexibility of the model, some related to the
4 ease of use of the model, and five issues had potential cost implications.

5 **Q. WHAT ARE THE FIVE COST-RELATED ISSUES IDENTIFIED**
6 **AT THE MEETING?**

7 A. The five issues¹ described at the meeting that would impact costs are:
8 • Drop Lengths (described on pages 42 and 43 of our Rebuttal
9 testimony);
10 • Minimum Spanning Road Tree (“MSRT”) Routing from the Digital
11 Loop Carrier (“DLC”) (described on pages 40 through 42 of our
12 Rebuttal testimony);
13 • Land and Building Factors (described on pages 43 and 44 of our
14 Rebuttal testimony);
15 • DLC and SONET Vendor Mix (described on pages 28 through 30 of
16 our Rebuttal testimony); and
17 • Allocation of Shared Facilities - DS0 Equivalents (described on pages
18 35 through 39 of our Rebuttal testimony).

¹ BellSouth also opened up the model to allow the user to see and adjust the structure inputs although BellSouth’s revised filing did not use this additional functionality. We have not had sufficient time to examine these inputs and modify them for our Supplemental Rebuttal testimony. Therefore, this modification did not have any cost impact on either BellSouth’s filing or our Supplemental Rebuttal filing.

1 In short, the only issue raised at the meeting that BellSouth has addressed
2 in its revised filing is the issue of drop lengths.

3 **Q. DO BELLSOUTH'S REVISED COST STUDIES ADDRESS YOUR**
4 **CONCERNS?**

5 A. Absolutely not. Although we were certainly interested in having
6 BellSouth increase the speed of the BSTLM, reduce the likelihood of
7 BSTLM and BSCC software crashes, improve the reporting and operating
8 of the BSTLM and the BSCC, and enhance the flexibility of the models in
9 future filings, these certainly are not the critical issues impacting this
10 proceeding in Florida, because we have already endured such problems
11 while preparing our original Rebuttal filing. Instead, BellSouth has only
12 implemented *one* of the changes we recommended that affects the cost
13 results of its original filing and we do not believe that change was
14 implemented correctly. BellSouth also made other modifications that
15 may have involved significant amounts of time and resources on its part;
16 however, our criticism is that BellSouth chose not to implement the
17 modifications that were likely to impact costs. It is clear to us that the
18 more important adjustments were those that could impact the cost and
19 price of UNEs.

20 The vast majority of BellSouth's revisions are a blatant attempt to
21 slip in last-minute modifications in this proceeding. In fact, the majority
22 of BellSouth's substantive revisions are *not* modifications to the model at
23 all -- they are modifications to *inputs* used by the model. AT&T and

1 WorldCom would have objected to this late submission much earlier had
2 we not been misled by BellSouth's claims that the new cost studies were
3 prompted by our July 7, 2000 meeting. In addition, BellSouth's July 26,
4 2000 filing on the status of Cost Study Revisions indicated that they were
5 evaluating the changes we described above. Specifically, BellSouth
6 included the issues of 1) drop design, 2) increased DLC and SONET
7 vendor mix selection flexibility, and 3) increased allocation options for
8 DLC common equipment and fiber. These are the only issues where we
9 will suggest specific modifications to BellSouth's revised filing in light of
10 BellSouth's failure to fulfill these corrections.

11 **III. SPECIFIC MODIFICATIONS**

12 **Q. CAN YOU PLEASE EXPLAIN BELL SOUTH'S RESPONSE TO**
13 **EACH OF THE MODIFICATIONS YOU SUGGESTED?**

14 A. Yes. In the sections below, we will address all five of the changes that we
15 proposed to BellSouth regarding the BSTLM and the BSCC.

16 **Q. WHAT WAS BELL SOUTH'S RESPONSE TO YOUR**
17 **SUGGESTION REGARDING DROP LENGTHS IN THE BSTLM?**

18 A. This is the one modification that BellSouth actually attempted to make
19 based on our suggestions. Mr. Stegeman states, "the user is now able to
20 select the method used to route the drop. By selecting the appropriate
21 value for the input, the drop is either run rectilinearly or at an angle from
22 the corner of the lot. BellSouth chose to use the angled drop approach in

1 the August 16th, 2000 filing.” (Stegeman Rebuttal at 3) Mr. Stegeman
2 then continues to state “the realized impact of the drop routing change is
3 minimal as it only changes costs by less than a penny a month.”
4 (Stegeman Rebuttal at 4)

5 **Q. DO YOU AGREE WITH BELLSOUTH’S IMPLEMENTATION OF**
6 **THIS CORRECTION?**

7 A. No. Mr. Stegeman’s clearly states, “[i]n reality, the model’s approach to
8 DTBT [*Drop Terminal Block Terminal*] placements results in some DTs
9 [*Drop Terminals*] being placed directly in front of a customer’s location.”
10 (Stegeman Rebuttal at 4) Drops are almost never placed directly in front
11 of a customer’s house. Mr. Stegeman’s comment that “[i]n reality, the
12 model’s approach” is certainly not the same as saying “in reality, an
13 engineer’s approach.” Thus, BellSouth’s correction to the error we
14 identified in our meeting does not adequately address the problem. The
15 BSTLM should always assume that the drop is placed at the corner of a
16 customer’s lot.

17 Further, Mr. Stegeman states, “some DTs [are] placed so that the
18 drop route must run in front of other customer lots” and uses this as a basis
19 for refuting our contention that the drop distance is overstated by 21.7
20 percent. However, our analysis clearly includes the assumption that the
21 average drop does indeed run in front of other customer lots (see Exhibit
22 No. ____ (JCD/BFP-14) to our Rebuttal testimony). If we did not make

1 this assumption, we would have recommended a drop distance reduction
2 of 28.6 percent.

3 **Q. WHAT IMPACT DID BELL SOUTH'S CORRECTION ACTUALLY**
4 **HAVE ON THE DROP DISTANCE?**

5 A. The BSTLM originally filed by BellSouth produced an average drop
6 distance of 115 feet based on Microsoft Access queries provided to us by
7 BellSouth. Using the same queries, BellSouth's new drop distance
8 averages 98 feet -- a 15.0 percent reduction. It is troubling that Mr.
9 Stegeman views a 15.0 percent reduction in the average drop distance as
10 minimal, and it is equally troubling that BellSouth's cost studies only
11 result in a one penny reduction for this correction.

12 **Q. WHAT SHOULD THIS COMMISSION DO TO CORRECT THIS**
13 **PROBLEM?**

14 A. It is unfortunate that BellSouth did not implement this adjustment
15 correctly as we had hoped it would. It is also unfortunate that BellSouth
16 has refused to provide the parties with a version of the source code that
17 would allow the user to make these adjustments themselves. However,
18 this Commission and the parties are left with no other alternative than to
19 make these adjustments as best we can. Therefore, we have implemented
20 an adjustment to BellSouth's "InvestLogic.xls" file to manually reduce
21 drop investment by 21.7 percent based on BellSouth's original algorithms.
22 We see no need to use BellSouth's flawed methodology as the starting
23 point for our adjustment, particularly in light of the minimal impact Mr.

1 Stegeman refers to in his testimony. The specific adjustments to this file
2 are described in Exhibit No. ____ (JCD/BFP-16).

3 **Q. WHAT WAS BELLSOUTH'S RESPONSE TO YOUR**
4 **SUGGESTION REGARDING THE MSRT ROUTING FROM THE**
5 **DLC?**

6 A. Mr. Stegeman merely asserts that our criticisms stem from the fact that the
7 original documentation was not clear. However, Mr. Stegeman's updated
8 documentation actually helps to illustrate our point and, therefore, our
9 criticisms remain valid. Mr. Stegeman's updated documentation states
10 "[i]t is important to note that the location of the source node plays a
11 significant part in the resulting configuration of the MSRT. Using the
12 algorithm to connect the same set of points to two different source nodes
13 may produce two different MSRTs." (Stegeman Rebuttal at 12)

14 **Q. HOW DOES THIS TESTIMONY HELP TO ILLUSTRATE YOUR**
15 **CONCERN ABOUT THE WAY THE BSTLM IMPLEMENTS THE**
16 **MSRT ALGORITHMS?**

17 A. As our Rebuttal testimony discusses, the MSRT algorithms are likely to
18 lead to inefficient network design precisely because the BSTLM does not
19 use different points for the MRST source nodes. By relying on the switch
20 as the source node for carrier serving area ("CSA") construction, the
21 BSTLM ignores the critical factor of routing the customers back to the
22 DLC location and instead uses the switch as a proxy for this calculation.
23 In other words, the customers that are served by a given DLC do not

1 follow the true MSRT path back to the DLC but follow a proxy MSRT
2 path back to the switch. Mr. Stegeman acknowledges that the current
3 implementation would likely produce a different MSRT solution than if
4 the source nodes for each CSA were set at the DLC, as we believe is the
5 appropriate methodology.

6 **Q. WHAT SHOULD THIS COMMISSION DO TO CORRECT THIS**
7 **PROBLEM?**

8 A. Again, this Commission and the parties are not able to adjust the BSTLM
9 to correct this problem. While we cannot recommend a specific
10 adjustment to the BSTLM to correct this problem, we encourage the
11 Commission to recognize that network requirements of the BSTLM are
12 not optimal and are therefore likely to result in overstated costs.
13 Therefore, this Commission should recognize that the BSTLM results are
14 likely too high and therefore should be considered the maximum costs of
15 constructing the network and are not truly the least-cost solution.

16 **Q. WHAT WAS BELLSOUTH'S RESPONSE TO YOUR**
17 **SUGGESTION REGARDING THE LAND AND BUILDING**
18 **FACTORS USED IN THE BSCC?**

19 A. Ms. Caldwell appears to generally agree with our arguments by stating
20 "two plug-in cards of the same size should require relatively the same
21 amount of central office-related land and building space." (Caldwell
22 Rebuttal at 42) Ms. Caldwell then dismisses our criticism by stating,
23 "there is no feasible way to measure the exact size of every conceivable

1 type of plug-in card and other central office-related equipment.” (Caldwell
2 Rebuttal at 42 and 43) She further continues to argue that the “land and
3 building loading factors potentially overstate the costs for ‘high cost/small
4 size’ central office equipment”, and surprisingly claims that this is offset
5 because “they also potentially understate the costs for ‘low cost/large size’
6 central office equipment (a point ignored by Mr. Donovan and Mr.
7 Pitkin).” (Caldwell Rebuttal at 43)

8 **Q. DOES MS. CALDWELL’S CRITICISM ADEQUATELY ADDRESS**
9 **THE CONCERNS YOU EXPRESSED IN YOUR MEETING?**

10 A. No. The exact point we raised in our meeting is the same point we raised
11 in our Rebuttal testimony, which is that the factor approach overstates the
12 costs of some more advanced services and understates the costs of basic
13 local telephone service, because advanced services generally involve
14 expensive high density equipment. Neither our suggestion at the meeting
15 nor our Rebuttal testimony suggests that the total land and building cost is
16 inappropriate, but that the costs are inappropriately assigned. While we
17 understand Ms. Caldwell’s concern that “there is no feasible way to
18 measure the exact size of every conceivable type of plug-in card and other
19 central office-related equipment,” (Caldwell Rebuttal at 43) we simply
20 requested that BellSouth provide the user a way to apply land and building
21 costs based *either* on the equipment size *or* on the cost per-line.

1 Again, we did not request that BellSouth modify its original position on
2 this issue, but merely requested that BellSouth provide the functionality
3 for the user to have the flexibility to apply land and building costs in a
4 more appropriate fashion to avoid the “shifting” of costs that Ms. Caldwell
5 admits in her Rebuttal testimony. Ms. Caldwell’s argument that the
6 overstatements and understatements offset each other are not valid given
7 that the overstatements occur for a subset of UNEs and the
8 understatements occur for a different subset of UNEs.

9 **Q. WHAT SHOULD THIS COMMISSION DO TO CORRECT THIS**
10 **PROBLEM?**

11 A. Again, this Commission and the parties are not able to adjust the BSCC to
12 correct this problem. In addition, we have not been able to find a
13 satisfactory solution to implement a correction to this problem. We
14 recommend that this Commission recognize that the land and building
15 costs of advanced services are overstated and the land and building costs
16 of basic service are understated.

17 **Q. WHAT WAS BELLSOUTH’S RESPONSE TO YOUR**
18 **SUGGESTION REGARDING THE DLC AND SONET**
19 **EQUIPMENT VENDOR MIX?**

20 A. Mr. Stegeman simply dismisses our concerns about the DLC selection
21 criteria without validation. This adjustment appeared to be fairly easy to
22 fix and one that we expected BellSouth to incorporate in its revised filing.
23 BellSouth’s refusal to make this adjustment is particularly perplexing

1 because Mr. Stegeman admits that the “current DLC costing approach in
2 the BSTLM uses a melded cost at each DLC location. While this
3 approach does not reflect the reality that a single vendor is typically used
4 at each location, it does represent the true proportion of vendor equipment
5 installed in the state of Florida.” (Stegeman Rebuttal at 5) He then
6 explains BellSouth’s refusal to implement our suggestion because it “may
7 be too simplistic and does not reflect the real proportion of vendor
8 equipment installed in Florida by BST, nor the engineering rationale
9 beyond cost.” (Stegeman Rebuttal at 5 and 6)

10 **Q. IS MR. STEGEMAN’S EXPLANATION VALID?**

11 A. Absolutely not. As Mr. Stegeman is well aware, the BSTLM constructs a
12 network from scratch. BellSouth elected to submit this cost proxy model
13 and elected to continue with this proceeding using a model that purports to
14 use an efficient (forward-looking) design. The model is not intended to
15 replicate the exact facilities that BellSouth currently has in place;
16 however, the model should use the correct, efficient technology required at
17 each individual location. There is no justification for using a melded cost
18 when BellSouth does not use a melded DLC at any location. Further, Mr.
19 Stegeman admits that the “DLC vendor selection is not only a function of
20 material cost, but also a function of installation costs, maintenance costs,
21 and efficient deployment criteria.” (Stegeman Rebuttal at 6)

1 The approach we identified in our meeting and in our Rebuttal testimony
2 does address all of these issues. First, because BellSouth uses factors for
3 all installation costs, the lower material costs will result in the lower
4 installation costs. Second, the maintenance costs for each technology will
5 be similar because maintenance costs are based on ARMIS (or FRC)
6 accounts. Therefore, our proposal of using the lower-cost DLC equipment
7 at each location fulfills these requirements set forth by Mr. Stegeman.
8 Finally, while we are not aware of any other “efficient deployment
9 criteria” that Mr. Stegeman has in mind, BellSouth uses both vendors and
10 each one should satisfy BellSouth’s standards for deployment. Therefore,
11 the correct DLC technology should be based on the least-cost solution at
12 each individual DLC location.

13 **Q. HOW WOULD YOU PROPOSE THE COMMISSION CORRECT**
14 **THIS PROBLEM?**

15 A. As we stated earlier, we fully expected BellSouth to implement this simple
16 correction based on its representations. Thus, we did not attempt to
17 modify the BSTLM to correct this error in our rebuttal testimony.
18 Although BellSouth failed to implement this correction, which we were
19 led to believe was going to happen, BellSouth should not be allowed to
20 continue with this clear overstatement of costs. Therefore, we have
21 modified the BSTLM “InvestLogic.xls” file to choose the more efficient
22 DLC vendor at each location. The specific adjustments to this file are
23 described in Exhibit No. ____ (JCD/BFP-17).

1 **Q. WHAT WAS BELLSOUTH'S RESPONSE TO YOUR**
2 **SUGGESTION REGARDING THE ALLOCATION OF SHARED**
3 **FACILITIES?**

4 A. BellSouth again failed to correct this problem that we were led to believe
5 would be fixed in its revised filing. Instead, BellSouth simply chose to
6 ignore this problem by citing our acknowledgement that "by appropriately
7 adjusting down the DS0 equivalents for the allocation we most likely have
8 also adjusted down the capacity requirements of the DLC optical
9 equipment." (Donovan/Pitkin Rebuttal at 39) Thus, BellSouth appears to
10 be betting that this Commission will simply accept its allocation
11 methodology that artificially inflates UNE costs for advanced services
12 because a bias might result.

13 **Q. IS MR. STEGEMAN'S POSITION CORRECT?**

14 A. No. Ironically, BellSouth asserts that a bias is created by potentially
15 underbuilding the network but has no problem advocating a methodology
16 that introduces a bias that raises the cost of advanced service UNEs and
17 impedes competition for these advanced service offerings to the
18 consumers of Florida. This Commission must simply determine which
19 approach is more acceptable. In either case, the bias inherent in
20 BellSouth's methodology and our proposed correction primarily impact
21 the advanced service UNEs. Simply put, under either scenario, the model
22 will produce the correct investment associated with basic service.
23 Therefore, this Commission's decision impacts the prices for more

1 advanced services and the level of competition to provide those services in
2 Florida.

3 **Q. IS MR. STEGEMAN'S POSITION CONSISTENT WITH HIS**
4 **POSITION IN OTHER PROCEEDINGS?**

5 A. No. BellSouth's refusal to allocate investments based on the number of
6 loops is especially disconcerting because that is exactly what BellSouth is
7 proposing in the Georgia Universal Service Fund proceeding.
8 Specifically, Mr. Stegeman's testimony in that proceeding advocates
9 adjusting "ARMIS inputs to levels that reflect BST's actual special access
10 pair equivalents, rather than special access derived channel equivalents."
11 (Direct Testimony of Mr. James Stegeman on Behalf of BellSouth
12 Telecommunications, Inc.; before the Georgia Public Service
13 Commission, Docket No. 5825-U, August 1, 2000) In effect, Mr.
14 Stegeman's argument in the Georgia proceeding directly conflicts with his
15 proposal in this proceeding, because he is adjusting the ARMIS line
16 counts to reflect pairs rather than DS0 equivalents. Thus, his methodology
17 in Georgia will allocate all common DLC investment and all fiber
18 investment based on copper pairs instead of DS0 capacity. We generally
19 agree with the adjustment Mr. Stegeman is making in Georgia and believe
20 that this is also the correct approach that should be taken in Florida --
21 allocating investments based on the number of copper pairs required to
22 provide the service.

1 **Q. SHOULD THIS COMMISSION ACCEPT MR. STEGEMAN'S**
2 **POSITION?**

3 A. No. BellSouth gambled that this Commission will accept its original
4 proposal rather than give the user the flexibility to allocate investments in
5 a more reasonable fashion. This Commission should not reward
6 BellSouth for its decision and should accept the position we advocate in
7 our Rebuttal testimony. Any potential bias created by a reduction in the
8 costs of advanced services is a better alternative than a bias that artificially
9 inflates the costs of advanced services and impeding competitive
10 alternatives for providing such services -- especially since BellSouth had
11 the opportunity to correct this problem but knowingly chose not to
12 implement it.

13 **IV. STATUS OF MODIFICATIONS AND REVISED RESULTS**

14 **Q. HAVE YOU BEEN ABLE TO RESTATE BELLSOUTH'S LATEST**
15 **COST STUDIES TO REFLECT THE CHANGES YOU**
16 **DESCRIBED ABOVE?**

17 A. Not at this time. We are working to file our revised results based on
18 BellSouth's new submission. However, this process still takes some time
19 with BellSouth's models. Specifically, we need to re-run several
20 sensitivities based on BellSouth's new submission.

1 **Q. WHY DO YOU NEED TO PERFORM SENSITIVITY RUNS FOR**
2 **YOUR REVISED FILING?**

3 A. As Ms. Caldwell correctly points out in her Rebuttal testimony “BellSouth
4 inadvertently set all extended range line card costs equal to the normal line
5 card cost.” (Caldwell Rebuttal at 24) These inputs impacted our analysis
6 of the appropriate loop lengths and mix of loop technologies that would be
7 required in the BSTLM. Our Rebuttal testimony states, “[t]here are two
8 sets of inputs that could be used in determining the network architecture.
9 The most appropriate architecture should be the solution that results in the
10 lower-cost network design.” (Donovan/Pitkin Rebuttal at 32) Our
11 testimony then states “[b]ased on sensitivity runs we have conducted, the
12 second option (i.e., using extended range line cards above 13,000 feet with
13 a maximum loop length of 16,800 feet on 26-gauge copper cable, with no
14 24-gauge copper cable) is the more economical choice.” (Donovan/Pitkin
15 Rebuttal at 32) BellSouth’s new inputs, however, require that we re-run
16 our sensitivity analyses to determine which is the more appropriate
17 solution. We have not yet completed these runs. However, we will
18 perform these sensitivity runs based on the two network architectures
19 described in our Rebuttal testimony and use the more appropriate solution
20 in our restatement of BellSouth’s costs.

21 **Q. ARE YOU CONCERNED THAT BELL SOUTH WILL NOT HAVE**
22 **AMPLE OPPORTUNITY TO EVALUATE THE CHANGES YOU**

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ARE GOING TO MAKE IN YOUR REVISED RESULTS OF ITS MODELS?

A. No. We have identified every change we are going to make to BellSouth's filing. In short, these changes are the same as we made in our initial filing with the following exceptions:

- We are going to adjust the drop calculations in the BSTLM by adjusting down the resulting costs by 21.7 percent;
- We are going to adjust the DLC vendor calculations to reflect the standard engineering practice of selecting the more appropriate single vendor at each DLC location; and
- We will use the more appropriate loop length criteria in our revised filing.

Thus, each and every adjustment we are going to make has been fully explained and articulated in this Supplemental Rebuttal testimony. The only piece of information that is missing are the results of our runs that we will provide as soon as they are available.

IV. CONCLUSION

Q. CAN YOU PLEASE SUMMARIZE YOUR VIEWS OF BELLSOUTH'S REVISED COST STUDY FILING?

A. Yes. BellSouth's revised cost studies do not reflect the changes BellSouth implied would be incorporated in its revised filing. As such, we were severely misled as to the adjustments BellSouth was going to make based

1 on BellSouth's representations. We have limited our areas of focus to
2 those issues that were raised in our meeting with BellSouth that actually
3 impact costs. From our standpoint, BellSouth lured this Commission into
4 allowing revised cost studies based on its assurance that the revisions were
5 to address the issues raised at our meeting with BellSouth. With one
6 minor exception, BellSouth did not address those issues but instead used
7 its refiling opportunity as an excuse to substantially modify its inputs, non-
8 recurring costs, and other cost studies which were not issues discussed
9 during our meeting.

10 **Q. HOW WOULD YOU RECOMMEND THIS COMMISSION**
11 **HANDLE BELL SOUTH'S REVISED FILING?**

12 A. We recommend that this Commission either reject all evidence submitted
13 by BellSouth in its revised filing or allow us to make the corrections
14 identified in this testimony to address BellSouth's revised filings and to
15 address those issues we were misled into believing would be corrected in
16 this revised filing.

17 **Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL REBUTTAL**
18 **TESTIMONY?**

19 A. Yes.