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October 23, 2020

**VIA THE PSC ALTERNATIVE
FILING SYSTEM**

Mr. Reece McAlister
Executive Secretary
Georgia Public Service Commission
244 Washington Street, S.W.
Atlanta, GA 30334-5701

Re: Generic Proceeding to Implement House Bill 244
Docket No. 43453

Dear Mr. McAlister:

Enclosed for filing is Direct Testimony of Daniel P. Rhinehart in the above captioned docket.

Thank you for your assistance.

Sincerely,

A handwritten signature in black ink that reads "Patrick W. Turner".

Patrick W. Turner

PWT/sh
Enclosure

cc: Certificate of Service Attached

1 AT&T GEORGIA

2 DIRECT TESTIMONY OF DANIEL P. RHINEHART

3 BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION

4 DOCKET NO. 43453

5 OCTOBER 23, 2020

INTRODUCTION, QUALIFICATIONS, AND SUMMARY

6 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

7
8 A. My name is Daniel P. Rhinehart. My business address is 9505 Arboretum Blvd,
9 Room 9S12, Austin, Texas, 78759.

10
11 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR TITLE?**

12
13 A. I am employed by AT&T Services, Inc. My job title is Director - Regulatory. This
14 direct testimony is submitted on behalf of AT&T Georgia.¹

15
16 **Q. PLEASE DESCRIBE YOUR EDUCATION AND WORK EXPERIENCE.**

17
18 A. I hold Bachelor of Science in Education and Master of Business Administration
19 degrees.

20

¹ BellSouth Telecommunications, LLC d/b/a AT&T Georgia

**DIRECT TESTIMONY
(RHINEHART)**

1 I have been employed by AT&T and its predecessors since 1979 and have held
2 several positions with increasing responsibilities in the finance and regulatory
3 areas. My current responsibilities include, among other things, supporting various
4 AT&T entities in the areas of cost analysis and pole attachment and conduit
5 occupancy rates. I direct the development of pole attachment and conduit
6 occupancy rates charged by AT&T's incumbent local exchange carriers ("ILECs")
7 pursuant to Federal Communications Commission ("FCC") and state formulas,
8 including the calculation of the rental rates that AT&T's ILECs charge cable and
9 competitive local exchange carrier ("CLEC") attachers across AT&T's 21-state
10 footprint. I also review and evaluate the reasonableness of pole attachment rates
11 other entities propose to charge various AT&T entities. I have testified in federal
12 and state cases regarding the reasonableness of a variety of rates and charges
13 during the 41 years that I have worked in the telecommunications industry. My
14 curriculum vitae is provided as Exhibit DPR-1.

15
16 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**
17 **PROCEEDING?**

18
19 **A.** I provide AT&T Georgia's positions on several of the topics set out in section V. of
20 the September 8, 2020 Procedural and Scheduling Order in this Docket. My
21 testimony will address the specific principles the Commission should follow in
22 establishing just, reasonable, nondiscriminatory, and commercially reasonable

1 pole attachment rates and fees for electric membership corporations (“EMCs”) in
2 Georgia. I will also address associated issues from a policy perspective.
3

I. BACKGROUND

4
5 **Q. PLEASE EXPLAIN THE STATUTORY CONTEXT OF THIS PROCEEDING.**
6

7 A. In 2019, the Legislature enacted SB2 which, among other things, allows an EMC
8 to offer retail broadband service through an affiliate that the EMC must treat on an
9 arms-length basis and in a manner that does not discriminate against other, non-
10 affiliated broadband providers. Then, in 2020, the Legislature amended SB2 by
11 enacting HB244, which provides that, “[i]n order to promote the deployment of
12 broadband services in this state . . . ,” the Commission must establish (by January
13 1, 2021) pole attachment “rates, fees, terms, and conditions” that EMCs may
14 charge communications service providers [including, without limitation, their
15 broadband affiliates] on and after July 1, 2021. See O.C.G.A. §46-4-200.4(b). The
16 Commission must make this determination “after consideration of what is just,
17 reasonable, nondiscriminatory, and commercially reasonable.” *Id.*
18

19 While I am not an attorney and will defer to AT&T Georgia’s attorneys to address
20 this from a legal perspective, from a policy standpoint it is clear that the
21 Commission should establish rates, terms, and conditions that not only apply to an
22 EMC’s broadband affiliate and to unaffiliated communications service providers

1 alike, but that also are “*just, reasonable, and . . . commercially reasonable*” with
2 regard to all involved.

3
4 **Q. WHY DID YOU EMPHASIZE “JUST, REASONABLE, AND COMMERCIALY**
5 **REASONABLE” IN YOUR RESPONSE TO THE PRIOR QUESTION?**

6
7 A. Because it is critical to keep in mind that “nondiscriminatory” is not the only criteria
8 the Legislature charged the Commission with considering.

9
10 **Q. WHY DO YOU SAY THAT?**

11
12 A. Because if “nondiscriminatory” was the only criteria the Legislature mentioned, an
13 EMC arguably could charge excessive pole attachment rates to competitors, as
14 long as they charge the same excessive rates to their broadband affiliates as well.
15 While that would be “nondiscriminatory,” it would not promote the deployment of
16 broadband throughout the State of Georgia in general, and in unserved areas in
17 particular. And that is why the Legislature charged the Commission with
18 considering not merely whether the EMCs rates are nondiscriminatory, but also
19 whether they are “just, reasonable, . . . and commercially reasonable.” In other
20 words, in addition to considering whether the EMCs are charging equivalent
21 attachment rates to all communications service providers, the Commission must
22 also consider whether those attachment rates are just, reasonable, and
23 commercially reasonable.

1 **Q. IN LIGHT OF THAT STATUTORY CONTEXT, WHAT IS AT&T ASKING THE**
2 **COMMISSION TO DO IN THIS PROCEEDING?**

3
4 A. In light of the statutory purpose of “promot[ing] the deployment of broadband
5 services in this state,” AT&T Georgia is asking the Commission to establish just,
6 reasonable, nondiscriminatory and commercially reasonable rates, fees, terms,
7 and conditions for communications service providers to attach to EMC poles. To
8 do otherwise would unnecessarily increase the cost (for the EMC’s broadband
9 affiliate and unaffiliated providers alike) of providing broadband in areas that do
10 not currently have access to it. Because all other things being equal, the more it
11 costs to attach to an EMC’s pole, the less broadband can be deployed.

12
13 **Q. DO YOU HAVE SPECIFIC RECOMMENDATIONS FOR HOW THE**
14 **COMMISSION SHOULD GO ABOUT ESTABLISHING THESE RATES, FEES,**
15 **TERMS, AND CONDITIONS?**

16
17 A. Yes. AT&T Georgia recommends that the Commission adopt pole attachment
18 rates for individual EMCs based on individual EMC costs, determined by following
19 FCC regulations in 47 C.F.R. §§1.1401-1.1415. Specifically, AT&T Georgia
20 recommends that the Commission require EMCs to establish pole attachment
21 rates by using what is commonly known as the New Telecom Formula as
22 promulgated in FCC regulations at 47 C.F.R. 1.1406(d)(2).

1 **Q. WHY DO YOU RECOMMEND THE USE OF THE FCC'S NEW TELECOM**
2 **FORMULA RATE RULE?**

3
4 A. FCC rate rules incorporate a known and predictable formula that has withstood the
5 test of time (and of court challenges)² and that, when applied correctly, produces
6 just, reasonable, nondiscriminatory and commercially reasonable rates. Such
7 rates will promote the deployment of broadband services generally, and in
8 unserved areas in particular, by not only creating a level playing field across
9 potential providers of such service, but also by ensuring that the playing field
10 benefits consumers by way of attachment rates that are not higher than needed to
11 cover the EMC's costs associated with attachments.

12
13 **Q IS THE NEW TELECOM FORMULA YOU ARE ADVOCATING IN USE IN**
14 **GEORGIA TODAY?**

15 Yes. Georgia has not reverse-preempted the FCC's rate regime, so here in
16 Georgia, the FCC's New Telecom Formula has already applied for nearly a decade
17 to attachments to investor-owned utilities (including investor-owned electric

² While I defer to AT&T Georgia's attorneys to address this more fully as appropriate, to put this statement in context, please see, in general: *City of Portland v. US*, 969 F.3d 1020 (9th Cir. 2020) (affirming old telecom rate as a hard cap on rates that may be charged ILECs because the old telecom rate "is higher than both CLEC and cable operator rates, and the FCC had previously determined those rates were just, reasonable, and allowed full cost recovery."); *Ameren Corp. v. FCC*, 865 F.3d 1009, 1012-1014 (8th Cir. 2017) (affirming the Commission's addition of multiple cost allocators to the new telecom formula "to eliminate the disparity between the Cable and [New] Telecom Rates"); and *AEP v. FCC*, 708 F.3d 183, 188-190 (D.C. Cir. 2013) (affirming "the Commission's decision to adopt [new] telecom rates ... that it has designed to be substantially equivalent to its already adopted cable rates.").

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(RHINEHART)**

1 utilities). It would be consistent with the many existing pole attachment
2 relationships in Georgia that currently are governed by rates set according to the
3 New Telecom Formula to apply rates established using the same formula and
4 standards for attachments to EMC poles.

5
6 **Q. DOES THE NEW TELECOM FORMULA YOU ARE ADVOCATING GOVERN**
7 **THE RATES AT&T CHARGES CABLE PROVIDERS, CLECS, AND OTHER**
8 **COMMUNICATIONS SERVICE PROVIDERS TO ATTACH TO AT&T'S POLES**
9 **IN GEORGIA?**

10
11 **A.** Yes. And if the Commission adopts AT&T Georgia's position, AT&T Georgia is
12 willing to reciprocally apply the same New Telecom Formula rates to an EMC or
13 its broadband affiliate for attachments to any poles owned by AT&T Georgia.

14
15 **Q. WILL ADOPTING THE NEW TELECOM FORMULA GUARANTEE THAT**
16 **SERVICE PROVIDERS WILL DELIVER BROADBAND SERVICE ACROSS**
17 **GEORGIA?**

18
19 **A.** No. Adopting the New Telecom Formula will, as required by HB 244, promote the
20 deployment of broadband services and ensure just, reasonable, nondiscriminatory
21 and commercially reasonable attachment rates. But, such rates will not ensure the
22 economic viability of broadband service offerings, and significantly, the Legislature
23 did not charge the Commission with ensuring such viability. Specifically, as I will

1 discuss more fully below, the Commission should not attempt to lessen this
2 uncertainty and artificially modify the economic viability equation by shifting costs
3 from new entrants onto incumbents.³
4

5 **Q. WITHIN THE EMCS' RESPECTIVE SERVICE TERRITORIES, DO THE EMCS**
6 **AND AT&T GEORGIA ATTACH TO A ROUGHLY EQUAL NUMBER OF ONE**
7 **ANOTHER'S POLES?**
8

9 A. No. Within their respective service territories in Georgia, the EMCs own a
10 supermajority of the poles. In other words, from a pure "pole ownership"
11 perspective with regard to AT&T Georgia, the EMCs enjoy a decidedly
12 disproportional amount of bargaining power when it comes to negotiating the
13 pole attachment rates, fees, terms, conditions, and specifications.
14

ISSUE 1

**After considering what is just, reasonable, nondiscriminatory, and
commercially reasonable, what rates, fees, terms, conditions, and
specifications should be set by the Commission for pole attachment
agreements entered into on and after July 1, 2021?**

15 **Q. WHAT ARE JUST AND REASONABLE RATES?**
16

³ AT&T Georgia respectfully submits that the best way to address this legitimate concern is to establish a "reverse auction" process by which all broadband providers can compete for funds to be used to deploy broadband in unserved areas. Establishing such a process, however, would require enabling legislation and, in any event, is beyond the scope of this proceeding.

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(RHINEHART)**

1 A. While I am not an attorney and will defer any legal questions to AT&T Georgia's
2 attorneys, in my experience, rates are just and reasonable if they allow the affected
3 entity to recover its costs and earn a reasonable rate of return.⁴ "Costs" under
4 FCC pole attachment rate rules are defined in terms of specific historic costs.

5
6 The concepts of just and reasonable rates have been dealt with at the state level
7 in the context of general rate cases where most, if not all, of an affected entity's
8 services are priced such that the expected quantity of all the services and all the
9 prices of those services, respectively, will produce enough after tax net income
10 such that the regulated utility has the opportunity, but not a guarantee, to earn its
11 authorized rate of return.

12
13 While I realize EMCs have not traditionally been subject to the Commission's
14 jurisdiction and that these principles may have little (if any) bearing on the rates
15 EMCs charge their captive base of customers for monopoly electric service, this
16 proceeding does not address those rates for electric service. Instead, this
17 proceeding addresses rates EMCs can charge their broadband affiliates and other
18 providers that want to deploy broadband services in Georgia for attaching facilities
19 to EMC poles. The General Assembly made clear that those attachment rates
20 should be "just, reasonable, nondiscriminatory, and commercially reasonable," and
21 it made clear that the Commission is in charge of establishing compliant rates.

⁴ The seminal court decisions establishing these general principles are *FPC v. Hope Natural Gas Co.* (1944), 320 U.S. at 602–03, 64 S. Ct. at 287–88, *Bluefield Water Works v. PSC*, 262 U.S. 679 (1923) and *Farmers Union Central Exchange, Inc. v. FERC*, 734 F.2d 1486, 1502 (D.C.Cir.1984).

1
2 From a policy perspective, if the General Assembly had intended that these time-
3 honored “just and reasonable” principles with which the Commission is intimately
4 familiar should not apply, or that some interpretation of those principles other than
5 what the Commission has applied for decades in general rate cases should apply
6 in this context, it would have used different language and charged a different
7 agency or court with implementing the statute.⁵
8

9 **Q. CAN JUST AND REASONABLE RATES BE DETERMINED OUTSIDE THE**
10 **CONTEXT OF A GENERAL RATE CASE?**
11

12 A. Yes. The Commission can establish just and reasonable recurring pole
13 attachment rates by adopting a clearly specified set of pricing rules for the EMC to
14 follow when establishing attachment rates for its broadband affiliate and for all
15 other attaching communications service providers without going through a general
16 rate case. FCC rules, as interpreted from time to time by its orders, provide the
17 necessary context. They are specific, time-tested, and when correctly applied,
18 they produce just and reasonable rates that have withstood review by the courts.
19

⁵ Again, I defer to AT&T Georgia’s attorneys with regard to legal, as opposed to policy, questions about this statutory language.

ISSUE 2

What methodology or methodologies should the Commission adopt in the determination of pole attachment rates, fees, terms, conditions and specifications?

1 **Q. HOW SHOULD ANNUALLY RECURRING POLE ATTACHMENT RATES FOR**
2 **GEORGIA EMCS SUBJECT TO COMMISSION JURISDICTION BE SET?**

3
4 A. For the reasons set forth above, I recommend that the Commission require each
5 EMC apply the FCC's New Telecom Formula, found at 47 C.F.R. 1.1406(d)(2), in
6 establishing the annual recurring pole attachment rate it will charge its broadband
7 affiliate and other attaching communications service providers.

8
9 **Q. SHOULD THE COMMISSION ADOPT A UNIFORM ANNUAL RECURRING**
10 **POLE ATTACHMENT RATE FOR ALL EMCS SUBJECT TO COMMISSION**
11 **JURISDICTION?**

12
13 A. No. Individual EMCs incur company-specific costs that should be reflected in
14 company-specific annual recurring pole attachment rates. EMCs operating in or
15 near urban and suburban environments may face different operating
16 characteristics than EMCs operating in predominantly rural environments and pole
17 attachment rates should reflect company-specific costs, consistent with the
18 principles of cost-based attachment rate-making.

19
20 **Q. PLEASE DESCRIBE THE FCC'S NEW TELECOM FORMULA.**

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A. The FCC’s New Telecom Formula, which is set out in FCC rules at 47 C.F.R. § 1.1406(d)(2)(i), has two basic components: (1) a space factor that reflects the percentage of usable and unusable pole space assigned to the attacher(s) and (2) an annual pole cost, as shown in the following formula:

$$\begin{array}{ccccccc}
 \text{Rate} & = & \text{Space Factor} & \times & \text{Annual Pole Cost} \\
 & & \Downarrow & & \Downarrow \\
 \text{Rate} & = & \left[\frac{\left(\frac{\text{Space Occupied}}{\text{Pole Height}} \right) + \left(\frac{2}{3} \times \frac{\text{Unusable Space}}{\text{No. of Attaching Entities}} \right)}{\text{Pole Height}} \right] & \times & \text{Net Cost of Bare Pole} & \times & \text{Carrying Charge Rate} & \times & \text{No. of Attachers Cost Allocator}
 \end{array}$$

Q. PLEASE BRIEFLY ADDRESS THE TERMS SET OUT IN THIS FORMULA.

A. Each term is described in more detail in FCC rules or FCC decisions, but they can be summarized in the following relatively simple manner.

The “Space Factor” is used to determine the percentage of the total cost of an average pole that should be assigned to attachers in the New Telecom Formula rate. The space factor considers characteristics of a hypothetical average pole such as how tall it is (“pole height”), how much of the pole is used by an attacher (“space occupied”), how much of the pole cannot be used to make attachments (“unusable space”), and how many attachers use the pole (“attaching entities”). The formula is established in federal law and each of the named elements has an

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1 FCC-assumed value in the standard computation. That said, each value may be
2 rebutted by the pole owner or attacher with specific evidence.

3
4 The "Annual Pole Cost" represents the average annual cost of a pole owner to
5 keep a pole in its rate base, and it is comprised of three parts the FCC names the
6 Net Cost of a Bare Pole, Carrying Charge Rate and Number of Attachers Cost
7 Allocator.

8
9 The "Net Cost of a Bare Pole" consists of the investment the pole owner has in its
10 poles, reduced by accumulated depreciation and deferred taxes, all divided by the
11 number of distribution poles it owns ("net cost of a pole"). This amount is then
12 multiplied by a rebuttable "appurtenance factor." The appurtenance factor
13 accounts for items recorded in the pole account but that are not part of basic
14 vertical structure ("bare pole") such as items that hold power lines called cross
15 arms that are not used by or useful to attachers.

16
17 The "Carrying Charge Rate" is a ratio representing the sum of several types of
18 costs that that are recoverable in pole attachment rates. The cost components are
19 all familiar types of cost that are allowed in general rate cases. They include
20 maintenance costs attributable to poles, depreciation expense attributable to
21 poles, allocated operating taxes and administrative overheads and finally a rate of
22 return element.

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1 The “Number of Attachers Cost Allocator” is an element adopted by the FCC in
2 2011, and modified in 2015, that brings the results of the unmodified Telecom
3 Formula into alignment with the FCC’s cable rate formula under standard
4 assumptions. The value of this cost allocator is dependent on the number of
5 attachers used in the space factor discussed above.

6
7 **Q. WHAT INPUTS DOES THE FCC USE IN CALCULATING THE “SPACE**
8 **FACTOR?”**

9
10 A. The space factor is calculated using presumptive inputs of 1 foot for space
11 occupied by a communications attacher, 24 feet for unusable space, 37.5 feet for
12 pole height, and 5 for the average number of attaching entities in an urbanized
13 area (or 3 for non-urbanized areas) unless a pole owner rebuts these presumptive
14 values with actual data. See 47 C.F.R. §§ 1.1409(c) and 1.1410.

15
16 **Q. WHAT INPUTS DOES THE FCC USE IN CALCULATING THE ANNUAL POLE**
17 **COST?**

18
19 A. The three subparts of the annual pole cost described earlier (i.e., net cost of a bare
20 pole, carrying charge rate, and the number of attachers cost allocator) are all
21 based on FCC specifications.

22
23 The first subpart—the net cost of a bare pole—is calculated as follows:

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$$\frac{\text{Net Cost of Bare Pole}}{1} = \frac{\text{Net Pole Investment}}{\text{Number of Poles}} \times \frac{\text{Appurtenance Factor}}{1}$$

Net pole investment is calculated by reducing the gross investment shown in Account 364 (Poles, Towers & Fixtures), by the depreciation and deferred tax reserves assigned or allocated to this account. The appurtenance factor eliminates investment in non-pole appurtenances from the pole costs used to calculate rates, and it presumptively reduces investment by 15% for poles owned by investor-owned utilities. As EMCs are non-profit organizations, they should not have any deferred tax reserves to deduct. Therefore, net bare pole investments can be stated as gross investment less accumulated depreciation all reduced by 15%.

The second subpart—the carrying charge rate—is the sum of five components specified in FCC rules and decisions: an administrative element (an allocated portion of Accounts 920 to 935), maintenance element (an allocated portion of Account 593 – Maintenance of Overhead Lines), depreciation element based on company-specific pole or distribution plant depreciation rates, taxes element (inclusive of Account 408.1 – Taxes Other Than Income Taxes), and rate of return. The first four components (administrative, maintenance, depreciation, and taxes) are calculated using data, defined by the FCC and readily available from EMC records. The fifth component (rate of return or margin) should be derived from each EMC's readily available weighted average cost of capital components.

1 The third subpart—the cost allocator—is 0.66 under FCC rules based on the
2 applicable presumptive input of 5 attaching entities in urbanized areas or 0.44 in
3 the case of 3 attaching entities in non-urbanized areas. The number of attaching
4 entities is a rebuttable presumption and values of a corresponding cost allocator
5 would be interpolated between FCC set points. See 47 C.F.R. § 1.1406(d)(2)(i).

6
7 **Q. WHAT IS YOUR RECOMMENDATION ON THE MARGIN (OR RATE OF**
8 **RETURN) THAT THE COMMISSION SHOULD ALLOW EMCS IN THEIR POLE**
9 **ATTACHMENT RATE DETERMINATIONS?**

10
11 A. I recommend that the Commission follow its own precedent under the Universal
12 Access Fund (“UAF”) process and set EMC margins on a company-specific basis
13 premised on an allowed return on equity of 9.60% blended with the actual cost of
14 debt and debt-equity mix with a capped rate of return of 8.00%.

15
16 **Q. WHAT IS THE BASIS FOR USING 9.60% AS THE ALLOWED RETURN ON**
17 **EQUITY?**

18
19 A. The Edison Electric Institute (eei.org) publishes summary results of the outcomes
20 of investor-owned electric utility rate cases on a quarterly basis. The average
21 authorized return on equity is approximately 9.61% across 218 rate cases from the
22 third quarter of 2016 through the second quarter of 2020, 9.59% across 158 rate
23 cases from the third quarter of 2017 through the second quarter of 2020, and

1 approximately 9.57% across 103 rate cases from the third quarter of 2018 through
2 the second quarter of 2020. These remarkably similar and consistent values
3 represent the judgement of state regulators across the nation of power company
4 required return on equity. Based the Edison Electric Institute analyses, I conclude
5 9.60% represents a reasonable and conservatively high proxy for the EMCs in
6 Georgia.

7
8 **Q. HOW DO YOU DEFINE EMC EQUITY, DEBT AND COST OF DEBT FOR THE**
9 **COMPUTATIONS OUTLINED ABOVE?**

10
11 **A.** I define equity as the average of the prior year and current year "Total Margins and
12 Equities" reported on Rural Utilities Service (RUS) Form 7 Balance Sheet, line 36
13 (2014 Revision). I define total long-term debt as the average of the prior year and
14 current year "Total Long-Term Debt" (line 43) and "Current Maturities Long-Term
15 Debt" (lines 50 and 51) also as reported on the RUS Form 7 Balance Sheet. Cost
16 of debt is computed by dividing reported current year interest payments for the
17 year, adjusted as discussed below, by average total long-term debt.

18
19 **Q. SHOULD THE COMMISSION TAKE INTO ACCOUNT ANY OTHER FACTORS**
20 **IN DETERMINING THE COMPANY-SPECIFIC MARGIN ALLOWED FOR ANY**
21 **EMC?**

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(RHINEHART)**

1 A. Yes. Because EMCs, like all communication service providers and electric utilities,
2 are capital intensive businesses, they may have substantial assets under
3 construction at any given time. There is a process whereby companies are allowed
4 to capitalize some of the interest costs in the recorded values of the assets
5 constructed. The amount of capitalized interest is called "interest during
6 construction" ("IDC") or "allowance for funds used during construction" ("AFUDC").
7 Because these amounts are later recovered through rates in the form of
8 depreciation expense, they should be treated as a direct reduction to interest paid
9 in the cost of debt computation.

10
11 In addition, many EMCs do business with other cooperatively-based organizations.
12 Among such entities are cooperative banks, such as CoBank and the National
13 Rural Utilities Cooperative Finance Corporation ("NRU CFC"). Georgia EMCs
14 borrow substantial sums from these organizations. Cooperative banks make
15 patronage distributions to their member owners (e.g., EMCs) in the form of cash
16 or stock that may be reflected as EMC income. As stated in the SEC Form 10-K
17 from the National Rural Utilities Cooperative Finance Corporation for the fiscal year
18 ended May 31, 2020: "[O]n an annual basis, we allocate substantially all net
19 earnings to members in the form of patronage capital, which reduces our members'
20 effective cost of borrowing." To properly reflect EMC's reduced cost of borrowing
21 in pole attachment rates, the full value of cash and stock issued by cooperative
22 banks to each EMC should be reflected as a reduction to loan interest paid in the
23 cost of debt computation.

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**Q. WILL EMCS HAVE ALL THE DATA NECESSARY TO APPLY THE FCC’S NEW
TELECOM FORMULA FOR POLE ATTACHMENT RATES?**

A. Yes. My understanding is that most, if not all, EMCs maintain their books of account following the uniform system of accounts (“USOA”) specified by the U.S. Department of Commerce for Rural Utility Service (“RUS”) borrowers. The RUS USOA closely parallels the USOA in use by the Federal Energy Regulatory Commission (“FERC”) to which FCC rules and decisions relating to the development of pole attachment rates refer. Operational data, such as the number of poles, is maintained in the ordinary course of business and unless an EMC wants to challenge any of the rebuttable presumptions in the FCC New Telecom attachment rate formula, no additional data will be necessary.

**Q. HAVE YOU PREPARED AN EXHIBIT THAT DEMONSTRATES THE PROCESS
FOR DETERMINING POLE ATTACHMENT RATES UNDER THE FCC’S NEW
TELECOM FORMULA?**

A. Yes. Exhibit DPR-2 demonstrates that pole attachment rates can be derived in a very straight-forward and easily replicated process.

Q. PLEASE DESCRIBE THE COMPONENTS OF EXHIBIT DPR-2.

1 A. Exhibit DPR-2 is displayed on two pages, and it is best reviewed in reverse order.
2 That is, it is best to start with page two, and then move to the bottom of page one.
3 Page two displays what I call intermediate calculations that take several readily
4 available accounting inputs and create five ratios or subtotals that will be used on
5 page one. The ratios or subtotals are: A. Distribution Plant Reserve Ratio; B. Net
6 Utility Investment; C. Net Investment in Accounts 364, 365 and 369; D. Deferred
7 Income Taxes; and, E. Operating Taxes.

8
9 Page one, Section IV computes the Carrying Charge Rate that sums the elements
10 of cost permitted under the FCC's New Telecom Formula. Displayed as
11 percentages, they are: General and Administrative Expense, Maintenance
12 Expense, Distribution Plant Depreciation Rate, Operating Tax and Rate of Return.

13
14 Page one, Section III computes the Net Cost Per Bare Pole based net pole
15 investment, divided by the number of poles owned by the EMC and multiplied by
16 an "appurtenance" factor that adjusts investment downward in order to eliminate
17 book cost of pole components not used or useful by attachers – such as cross
18 arms and equipment mounts.

19
20 Page one, Section II computes the Space Factor, the proportion of the pole
21 attributable to an attaching entity given select rebuttable presumptions regarding
22 average pole height, usable space, unusable space, and the number of attaching
23 entities.

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Page one, Section I computes the New Telecom Rate by multiplying the Space Factor (Section II), the Net Cost Per Bare Pole (Section III), the Carrying Charge Rate (Section IV) and an FCC-specified Cost Allocator that corresponds to the number of attaching entities on an average pole with attachers. The result is an annual rate per pole supposing an attaching entity uses one foot of space on an average pole.

Q. HOW WOULD YOU RECOMMEND THAT THE RATE DEVELOPED IN THIS PROCESS BE APPLIED?

A. The computed attachment rate is an annual rate per pole supposing an attaching entity uses one foot of space on an average pole. It is not a per-foot-of-occupancy rate. Should an attacher occupy more than one foot of space on a pole, the Space Factor would be adjusted to reflect the space occupied and the rate recomputed. Alternatively, an EMC could establish a first and additional foot rate design for its pole attachment rates. AT&T follows this second approach in its pole attachment rate design.

Q. IS THERE TIME TO COMPUTE AND IMPLEMENT NEW TELECOM FORMULA POLE ATTACHMENT RATES ON A COMPANY-BY-COMPANY BASIS WITHIN THE TIME LIMITS ESTABLISHED BY STATUTE?

**DIRECT TESTIMONY
(RHINEHART)**

1 A. Yes. As I have previously indicated, all of the standard inputs needed to develop
2 pole attachment rates should be readily available to each of the EMCs and AT&T
3 Georgia is providing all parties Exhibit DPR-2 in native Excel format so it may be
4 used to determine rates immediately.

5
6 **Q. SHOULD INTERVENORS HAVE ACCESS TO EACH EMC'S INPUTS,**
7 **COMPUTATIONS AND SUPPORTING DOCUMENTATION TO ASSESS**
8 **WHETHER RATES WERE DEVELOPED CORRECTLY?**

9
10 A. Yes. Making EMC inputs, computations and supporting documentation available
11 to intervenors is critically important, especially if and when an EMC modifies any
12 of the rebuttable presumptions in the standard computation. I recommend that the
13 Commission require each EMC to explain with specificity (and supporting
14 rationale) any changes it proposes to any rebuttable presumption.

15
16 I further recommend that, just as in the Commission's annual consideration of rural
17 telephone company requests for Universal Access Fund support in Docket 32235,
18 all non-trade secret information should be filed publicly with the Commission in a
19 common docket. Non-trade secret information should include USDA RUS Form 7
20 (current and prior year), pole counts, derivation of the company-specific rate of
21 return, and any documents relied upon to support rebutted presumptions.

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ISSUE 3

What terms and conditions should be included in pole attachment agreements?

Q. WHAT IS AT&T GEORGIA’S POSITION ON THIS ISSUE?

A. AT&T Georgia witness Mark Peters presents AT&T Georgia’s position on this Issue in his prefiled direct testimony.

ISSUE 4

Are EMC pole-owner costs, such as actual net investment, associated expenses and plant-in-service data relevant to the determination of rates, fees, terms, conditions and specifications? If so, how much are these costs, and how should they be considered for purposes of making this determination?

Q. WHAT IS AT&T GEORGIA’S POSITION ON THIS ISSUE?

A. As described above, EMC pole-owner costs are central to the determination of just, reasonable, nondiscriminatory, and commercially reasonable pole attachment rates. If EMC actual investment and expenses are not considered, then the risk of pole attachment rates being set too high (which, as explained above, thwarts the legislative intent of promoting the deployment of broadband throughout the State) rises significantly.

ISSUE 5

In setting rates, fees, terms, conditions, and specifications, should the Commission consider whether they will promote the deployment of broadband services in this state? If so, how should such consideration be factored into the rates, fees, terms, conditions, and specifications?

1 **Q. HAS THE LEGISLATURE ALREADY PROVIDED CLEAR GUIDANCE ON THIS**
2 **ISSUE?**

3
4 A. Yes. HB244 clearly and emphatically states that the very purpose of this
5 proceeding is “to promote the deployment of broadband services in this state”

6
7 No party can legitimately dispute the simple reality that, all other things being
8 equal, lower pole attachment rates promote more deployment of broadband
9 service than higher pole attachment rates. Competitive broadband providers must
10 cover their costs (including their costs of attaching to EMC poles) in the prices they
11 charge for their services. And thanks to SB2, an EMC’s broadband affiliate must
12 do so as well.

13
14 In light of that, every dollar that a competitive provider or an EMC’s broadband
15 affiliate must pay the EMC to attach to its poles is a dollar the competitive provider
16 or the EMC’s affiliate cannot invest in the facilities that are desperately needed to
17 bring broadband to unserved areas of the state.

ISSUE 6

In setting rates, fees, terms, conditions, and specifications, should the Commission consider whether they will promote the deployment of broadband services in unserved or underserved areas, such as the areas identified as unserved in the Georgia Department of Community Affairs' Georgia Broadband Deployment Initiative Georgia Broadband Map?

1 **Q. WHAT IS AT&T GEORGIA'S POSITION ON THIS ISSUE?**

2

3 A. AT&T Georgia's position is that these concepts should not be considered in this
4 proceeding.

5

6 **Q. CAN YOU BRIEFLY EXPLAIN YOUR ANSWER?**

7

8 A. Yes. Without waiving AT&T Georgia's position, I would briefly make the following
9 points.

10

11 First, while I defer to AT&T Georgia's attorneys to expound on the significance of
12 this statement, I cannot find any reference to either the term "unserved" or
13 "underserved" in SB2 or in HB244.

14

15 Second, even if SB2 or HB244 included such a reference (and neither do), the
16 Georgia Department of Community Affairs' Georgia Broadband Deployment
17 Initiative Georgia Broadband Map would provide no meaningful guidance to the
18 Commission in considering the concepts of "unserved" or "underserved" in this
19 docket.

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Q. WHY DO YOU SAY THAT?

A. For at least two reasons.

First, the Map (available at <https://broadband.georgia.gov/maps>) was published on June 30, 2020. Given the pace of the highly-competitive broadband marketplace, that data likely is stale already.

Second, the map, by its own terms, makes clear that it does not purport to convey a thorough and accurate depiction of the availability of broadband in the state of Georgia.

Q. WHY DO YOU SAY THAT THE MAP, BY ITS OWN TERMS, MAKES CLEAR THAT IT DOES NOT PURPORT TO CONVEY A THOROUGH AND ACCURATE DEPICTION OF THE AVAILABILITY OF BROADBAND IN THE STATE OF GEORGIA?

A. Because upon clicking on the “GBDI Unserved Georgia by County” link on the website I reference above, a “description” states that the map only purports to depict the availability of “fixed, terrestrial broadband” In other words, the map does not even purport to take into account the availability of broadband from non-

**DIRECT TESTIMONY
(RHINEHART)**

1 wired sources (including, without limitation, fixed wireless internet, wireless, or
2 satellite).

3
4 And upon clicking on the “GBDI Unserved Georgia” link on that website, you must
5 click a box acknowledging that “I have read and understood the limitations of the
6 data” as described above before you can even access the map.

7
8 Finally, like SB2 and HB244, nothing on the website addressing the map
9 references “underserved.”

10
ISSUE 6a
**How should such consideration be factored into the rates,
fees, terms, conditions, and specifications?**

11 **Q. WHAT IS AT&T GEORGIA’S POSITION ON THIS ISSUE?**

12
13 A. Per above, no such considerations should be factored into these rates, fees, terms,
14 conditions, and specifications.

15
ISSUE 6b
**Should the Commission set different rates, fees, terms, conditions, or
specifications for unserved or underserved areas in order to promote the
deployment of broadband in such areas? If so, how should they be determined?**

16 **Q. WHAT IS AT&T GEORGIA’S POSITION ON THIS ISSUE?**

17
18 A. Per above, no.

1

ISSUE 6c

Can the Georgia Broadband Map be incorporated into the cost model or methodology approved by the Commission and, if so, how?

2 **Q. WHAT IS AT&T GEORGIA'S POSITION ON THIS ISSUE?**

3

4 **A. Per above, no.**

5

ISSUE 6d

Can the rates and fees set for areas identified as served be used, indirectly or directly, to offset rates and fees for areas identified as unserved or underserved? If so, how should this be done?

6 **Q. WHAT IS AT&T GEORGIA'S POSITION ON THIS ISSUE?**

7

8 **A. Per above, no. Rates established by application of the FCC New Telecom**
9 **Formula, or any other method, should not be modified based on the geographic**
10 **location within a given EMC's service territory. Modifying rates in this way could**
11 **introduce discrimination among broadband service providers and will impose non-**
12 **cost-based cross-subsidy burdens on attachment rates in served areas. There**
13 **would also be significant implementation issues related to determining which pole**
14 **attachments on which pole lines would be eligible for subsidized or reduced**
15 **attachment rates. As before, I defer to my lawyers to discern statutory**
16 **interpretation and construction, but it seems to me that discrimination among**
17 **attaching entities would be at odds with the plain reading of Georgia statutes.**

18

**DIRECT TESTIMONY
(RHINEHART)**

1

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3 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

4

5 **A. Yes.**

DANIEL RHINEHART

9505 Arboretum Blvd. 9S12 ♦ Austin, Texas 78759

214-729-7948 ♦ rhinehart@att.com

Proficient in performing and directing performance of cost analysis, regulatory functions and regulatory litigation.

- Financial and product cost analyst with expertise in fundamentals of accounting, auditing, embedded and incremental costs, cost allocations, margin analysis, capital costs, and depreciation.
- Regulatory manager experienced in interpreting statutes and regulations; and drafting, advocating, and ensuring compliance with agency regulations.
- Litigation support manager skilled in discovery, developing and delivering cost and policy testimony, preparing work papers and post-hearing briefs.

PROFESSIONAL EXPERIENCE

AT&T Services Inc. and Predecessors

Director – Regulatory, National Regulatory Organization

2015 - Present

Director providing pole attachment rate development, cost analysis and regulatory advocacy supporting company strategic initiatives.

Director – Financial Analysis, ATTCost/Capital Planning Division

2012 - 2015

Director providing product cost analysis support and regulatory advocacy supporting company strategic initiatives.

Lead Financial Analyst, Finance Costing Division

2006 - 2012

Senior analyst and regulatory advocate supporting company negotiations, arbitrations and regulatory policy.

Senior Specialist, Global Access Management

2005 - 2006

Senior analyst and regulatory advocate supporting company negotiations, arbitrations and regulatory policy.

Professional, Law and Government Affairs, National Cost Team

2001 - 2004

Senior cost analyst and national regulatory advocate auditing supplier costs and clearly presenting company positions to regulators.

District Manager, State Government Affairs

1995 - 2001

Senior regional regulatory advocate and cost analyst responsible for developing and implementing company policy in five states.

Manager, State Government Affairs, Exchange Carrier Cost Analysis

1985 - 1995

Cost analyst and regulatory advocate responsible for developing regulatory policy toward local telephone companies in California.

Supervisor

1984 - 1985

Separations and Settlements analyst for company regulated costs.

EDUCATION

MBA, St. Mary's College, Moraga, CA, with honors.

BS – Education, University of Nevada – Reno, Math Major, with High Distinction

PROFESSIONAL DEVELOPMENT

The Brookings Institution–Understanding Federal Government Operations

University of Southern California–Middle Management Program in Telecommunications

PREVIOUS TESTIMONY OF DANIEL P. RHINEHART

Date Filed	State	Proceeding Number	Subjects Addressed
9/20	FCC	20-293 EB-20-MD-004	Pole Attachment Rates
8/20	FCC	20-276 EB-20-MD-003	Pole Attachment Rates
7/19 11/19	FCC	19-187 EB-19-MD-006	Pole Attachment Rates
4/19 7/19	FCC	19-119 EB-19-MD-002	Pole Attachment Rates
12/18	Minnesota	0:18-cv-00247	Paul Bunyan Rural Telephone Cooperative v. AT&T Corp. – Access Charges
7/18 8/18	Georgia	32235	Universal Access Fund Rate of Return and related issues
2/18 5/18 6/18	FCC	WC 18-60 Transmittal No. 36	Iowa Network Services Centralized Equal Access Rates
6/17 7/17 8/17	FCC	17-56 EB-17-MD-001	Iowa Network Services Centralized Equal Access Rates
3/17	Kentucky	2016-00370 2016-00371	Pole Attachment Rates
11/16 1/17	Illinois	16-0378	Illinois USF – IITA/AT&T Stipulation
12/15 4/16	South Dakota	1:14-cv-01018	Northern Valley Communications v. AT&T Corp. – Traffic Pumping
10/15	Arkansas	150019-R	Pole Attachment Rates, terms and conditions. [Panel testimony sponsoring Joint Parties Comments]
6/15	California	Truckee Donner PUD	Pole Attachment Rates
3/14	Maine	2013-00340	FairPoint Maine USF Request – Revenue, Rate Base, Rate of Return, Expenses, FLEC Model.
10/13	Nevada	13-060007	Rio Virgin Telephone Rate Case – Access Rates and Cost Allocations
2/13	Alaska	U-12-120 et al	Switched Access Demand
12/12 2/13	Oklahoma	PUD 201200040	Oklahoma High Cost Fund
7/12	Georgia	35068	Rate Cases for [UAF Year 16] Track 2 Applicants – Public Service Telephone.
1/12	Oklahoma	PUD 201000211 PUD 201100145	Settlement Agreement related to state High Cost Fund and State Universal Service Fund
11/11	Nebraska	FC-1332, FC-1335	OrbitCom Access Service Rates
10/11	Iowa	FCU-2011-0002	Aventure Communications Cost of High Volume Access (HVAS) Traffic
8/11	Georgia	32235	Ringgold - Track 2 UAF Revenue Requirement
8/11	Georgia	32235	Public Service - Track 2 UAF Revenue Requirement

Date Filed	State	Proceeding Number	Subjects Addressed
8/11	Georgia	32235	Chickamauga - Track 2 UAF Revenue Requirement
3/11 5/11	Georgia	32235	Universal Access Fund cost of capital and caps on UAF distributions.
7/10 3/11	Texas	PUC Docket No. 36633 SOAH No.473-09-5470	Pole attachment rates, cost of capital.
12/09	Alaska	U-09-081, U-09-082, U-09-083, U-09-084, U-09-085, U-09-086, U-09-087, U-09-088 [Unconsolidated]	Switched access revenue requirements for various companies. Addressed variously non-regulated cost assignments, depreciation expense, corporate operations expenses, and other disallowances.
6/09 8/09	Iowa	TF-2009-0030	Switched Access cost study for Kalona Cooperative Telephone Company
2/09	Alaska	U-08-081	Switched Access Demand for pooled access rates
12/08	Alaska	U-08-084, U-08-086, U-08-087, U-08-088, U-08-089, U-08-090, U-08-112, U-08-113 [Unconsolidated]	Switched access revenue requirements for various companies. Included variously, depreciation expense, corporate operations expense, and cost of capital.
11/08	Nebraska	Application C-3745/ NUSF-60.02/PI-138	Switched Access Rates and Cost of Capital
2/08 3/08	Oklahoma	Cause No. PUD 200700370	Medicine Park Tel. Co. request for Oklahoma USF Support
6/07 7/07	Iowa	Docket RPU-07-1	South Slope Coop – Separations Cost Study and CCL Rate
4/07 10/07	Texas	Docket 33545	McLeodUSA Access Cost Model – Cost of Capital, Asset Lives, Factors, Common Costs, Rate Development
3/07	Oklahoma	Cause No. PUD 200600374	Medicine Park Tel. Co. separations study supporting request for High Cost Funds
6/05 7/05	Missouri	Case No. TT-2002-129	AT&T Instate Connection Fee
5/05	Missouri	Case No. TO-2005-0336	UNE Policy Issues (dedicated transport, combinations/commingling, EELs, ILEC obligations, etc.), UNE Rider, Pricing
3/05 4/05	Texas	Docket 28821	UNE Policy (dedicated transport, combinations and commingling, EELs, ILEC obligations, etc.)
2/05 3/05	Kansas	Docket 05-AT&T-366-ARB	Call Flows, UNE Policy Issues
1/05 2/05 3/05	Oklahoma	Cause No. PUD 200400493	Interim contract pricing terms (1/05), call flows and permanent pricing (2/05), UNE Issues and pricing (3/05)
3/04	Oklahoma	Cause No. PUD 200300646	Track I Triennial Review Impairment Analysis (Sponsored with Robert Flappan)
12/03 1/04	Texas	Docket No. 28600	Asset Lives, Capital Cost Factors, Annual Cost Factors, Shared and Common Costs
5/03 6/03	Illinois	Docket No. 03-0329	Reciprocal compensation, 8YY compensation, space license

Date Filed	State	Proceeding Number	Subjects Addressed
11/02 2/03	Texas	Docket 25834	Depreciation, Annual Cost Factors, Investment Factors, Inflation and Productivity, Common Costs
10/01	Missouri	Case No. TO-2001-438	Depreciation, Cost Factors, Labor Rates, Common Costs
4/01	Missouri	Case No. TO-2001-455	AT&T Interconnection Agreement Arbitration – Intellectual Property, Stand-alone Services Resale, Audit Rights, UNE Costs
2/01	Kansas	Docket 99-GIMT-326-GIT	Universal Service Fund Portability (Sponsored at hearing by R. Flappan)
12/00	Oklahoma	Cause No. PUD 2000000587	Intellectual Property, Reciprocal Compensation for ISP-bound traffic, Vertical Services Resale, Access to OSS and CPNI, OSS Audit, Definitions
8/00	Kansas	Docket 00-GIMT-1054-GIT	Reciprocal Compensation for ISP-bound traffic
6/00	Texas	PUC Docket 22315	Intellectual Property and Access to Operational Support Systems
5/00	Texas	PUC Docket 21425 SOAH No. 473-99-2071	Resale obligations under FTA for vertical features, Local Plus and LDMTS service offers
3/00	Texas	Docket 21982	SWBT Cost Study for Internet-Bound Traffic
1/00	FCC	Docket 00-4	SWBT Long Distance Entry in Texas, Glue Charges and Intellectual Property
1/00	Kansas	Docket 97-SCCC-149-GIT	Resale Discount Levels
1/00	Missouri	Docket TT-2000-258	Local Plus Resale Issues
12/99	Texas	Docket 20047	GTE Directory Assistance Listing Information Service
11/99	Kansas	Docket 99-GIMT-326-GIT	Kansas Universal Service Fund Issues (Sharing of USF Support)
10/99	Texas	Docket 21392	SWBT Switched Access Optional Payment Plan
10/99	Texas	Project 18515	Texas USF Further Implementation Issues
6/99 7/99	Texas	Project 18515 Project 18516	Texas USF Implementation Issues
4/99 5/99	Kansas	Docket 99-GIMT-326-GIT	Kansas Universal Service Fund Issues
4/99 5/99 6/99	Missouri	Case No. TO-98-329	Missouri Universal Service Fund Issues
12/98	Texas	Project 16251	Right-to-Use Adder costs
10/98	Texas	Project 18516	Texas Universal Service Fund Issues for Small LECs
9/98	Missouri	Docket TO-98-115	Arbitration Cost Studies of SWBT (Sponsored at hearing by D. Crombie)
6/98 7/98 8/98	Kansas	Docket 97-SCCC-149-GIT	Generic Cost Docket for SWBT. Depreciation, cost factors, fill factors.
4/98	Texas	Docket 16251	Non-cost basis of certain Arbitration rates for SWBT – TX

Date Filed	State	Proceeding Number	Subjects Addressed
1/98	Oklahoma	Cause No. PUD 970000442	Permanent Rates for SWBT Services
1/98	Oklahoma	Cause No. PUD 970000213	Permanent Rates for SWBT Unbundled Network Elements
8/97	Texas	Docket No. 16226	Restatement of SWBT Arbitration Cost Studies
3/97	Kansas	Docket 97 SCCC 149-GIT	Generic Cost Proceeding for SWBT
1/97	Arkansas	Docket No. 96-395-U	Arbitration Cost Studies of SWBT – AR
1/97	Kansas	Docket 97-AT&T-290-ARB	Arbitration Cost Studies of SWBT – KS
10/96	Texas	Docket 16300	Arbitration Cost Studies of GTE – TX
10/96	Missouri	Case No. TO-97-63	Arbitration Cost Studies of GTE – MO
10/96	Oklahoma	Cause 960000242	Arbitration Cost Studies of GTE – OK
10/96	Missouri	Case No. TO-97-40	Arbitration Cost Studies of SWBT – MO
9/96	Oklahoma	Cause No. PUD 960000218	Arbitration Cost Studies of SWBT – OK
9/96	Texas	Docket 16226	Arbitration Cost Studies of SWBT – TX
6/96 7/96	Kansas	190,492-U	Universal Service Fund, Alternative Regulation, Imputation
1/96	Texas	Docket 14659	Costs of SWBT and GTE loop facilities
1/96	Texas	Docket 14658	Resale of SWBT and GTE services under PURA
9/95	California	A.95-02-011 A.95-05-018	Uniform System of Accounts Rewrite rate adjustments
6/95	Missouri	Case TR-95-241	SWBT Local Plus service offering
8/94 2/95	California	A.93-12-005 I.94-02-020	Citizens Utilities General Rate Case, Access Pricing, Price Cap, IntraLATA Equal Access, Imputation
4/93	California	A.92-05-002 A.92-05-004 I.87-11-033	First Price Cap Review, productivity factors, sharing
6/92	California	I.87-11-033	Centrex and PBX trunk Pricing
10/91	California	I.87-11-033	Competitive entry issues
1/91	California	A.85-01-034	High Cost Funding
10/90	California	I.87-11-033	Expansion of Local Calling Areas, Touch Tone

Exhibit DPR-2 (Page 1 of 2)
EMC Pole Rate Calculations

I. Summary - Rate Development				
Line #	Description	2017 Rate	Source	Notes
1	Space Factor	11.20%	[13]	
2	Net Cost Per Bare Pole	\$ 600.00	[20]	
3	Carrying Charge Rate	22.83%	[21]	
4	Cost Allocator	0.66	FCC Urban Default	See 47 CFR § 1.1406(d)(2)(i)
5	New Telecom Rate	\$ 10.13	[1] * [2] * [3] * [4]	See 47 CFR § 1.1406(d)(2)(i)
II. Space Factor				
Line #	Description	Value	Source	Notes
6	Space Occupied	1.0	FCC Default	See 47 CFR § 1.14010
7	Two Thirds	0.667	FCC Default	See 47 CFR § 1.1406(d)(2)(i)
8	Pole Height	37.5	FCC Default	See 47 CFR § 1.14010
9	Usable Space	13.5	FCC Default	See 47 CFR § 1.14010
10	Unusable Space	24.0	FCC Default	See 47 CFR § 1.14010
11	Number of Attaching Entities	5	FCC Default	See 47 CFR § 1.1409(c) and (d)
12	Space Factor	11.20%	{ [6] + ([7] * [10] / [11]) } / [8]	See 47 CFR § 1.1406(d)(2)
III. Net Cost Per Bare Pole				
Line #	Description	2016 Data	Source	Notes
13	Gross Pole Investment	\$ 10,000,000	[C1]	
14	Pole Accumulated Depreciation	\$ 4,000,000	[13] * [A3]	
15	Pole Accumulated Deferred Taxes	\$ -	[13] * [D7]	
16	Net Pole Investment	\$ 6,000,000	[13] - [14] - [15]	
17	Number of Poles	8,500	EMC Distribution Pole Count	
18	Appurtenance Factor	0.85	FCC Default	2 FCC Rcd 4387 ¶ 19 (1987)
19	Net Cost Per Bare Pole	\$ 600.00	[16] / [17] * [18]	
IV. Carrying Charge Rate				
Line #	Description	2016 Data	Source	Notes
20	Total Carrying Charge Rate	22.83%	[23] + [26] + [30] + [33] + [34]	
21	General and Administrative Expense	\$ 3,280,000	FERC Form 1, p. 323, Line/Col 197b	FERC Form 1 references here and below are illustrative in order to provide EMCs with clear indications of the data expected to be used. Equivalent data should be found in USDA RUS Form 7 or detailed account records maintained by each EMC. It is expected that EMCs will follow the Uniform System of Accounts (USOA) mandated for RUS borrowers that is generally equivalent to the FERC USOA.
22	Net Utility Investment	\$ 164,000,000	[B4]	
23	General And Administrative Rate	2.00%	[21] / [22]	
24	Maintenance Expense	\$ 950,000	FERC Form 1, p. 322, Line/Col 149b	
25	Net Investment Acct 364, 365, 369	\$ 15,000,000	[C7]	
26	Maintenance Rate	6.33%	[24] / [25]	
27	Distribution Plant Depreciation Rate	3.30%	FERC Form 1, 337	
28	Gross Pole Investment	\$ 10,000,000	[13]	
29	Net Pole Investment	\$ 6,000,000	[16]	
30	Distribution Depreciation Rate	5.50%	[27] * [28] / [29]	
31	Operating Taxes	\$ 1,640,000	[E7]	
32	Net Utility Investment	\$ 164,000,000	[B4]	
33	Tax Rate	1.00%	[31] / [32]	
34	Rate of Return	8.00%	Commission-Specified Value or Method	Rhinehart Testimony

Exhibit DPR-2 (Page 2 of 2)
EMC Pole Rate Calculations

Intermediate Calculations				
Line #	Description	2016 Data	Source	Notes
<i>Distribution Plant Reserve Ratio</i>				Actual accumulated depreciation for Accounts 364, 365 and 369 should be used when available. Modify sections "A" and "C" as appropriate.
A1	Distribution Plant	\$ 60,000,000	FERC Form 1, p. 207, Line/Col 75g	
A2	Accumulated Depreciation - Distribution	\$ 24,000,000	FERC Form 1, p. 219, Line/Col 26c	
A3	Distribution Plant Reserve Ratio	0.4000	[A2] / [A1]	
<i>Net Utility Investment</i>				
B1	Total Utility Plant	\$ 278,000,000	FERC Form 1, p. 200, Line/Col 13c	
B2	Total Plant Accumulated Depreciation	\$ 114,000,000	FERC Form 1, p. 200, Line/Col 14c	
B3	Total Plant Accumulated Deferred Income Taxes	\$ -	[D5]	
B4	Net Utility Investment	\$ 164,000,000	[B1] - [B2] - [B3]	
<i>Net Investment Acct 364, 365, 369</i>				
C1	Acct 364 Poles, Towers and Fixtures	\$ 10,000,000	FERC Form 1, p. 207, Line/Col 64g	
C2	Acct 365 Overhead Conductors and Devices	\$ 10,000,000	FERC Form 1, p. 207, Line/Col 65g	
C3	Acct 369 Services	\$ 5,000,000	FERC Form 1, p. 207, Line/Col 69g	
C4	Total Acct 364, 365, 369	\$ 25,000,000	[C1] + [C2] + [C3]	
C5	Accumulated Depreciation Acct 364, 365, 369	\$ 10,000,000	[C4] * [A3]	
C6	Accumulated Deferred Income Taxes Acct 364, 365, 369	\$ -	[C4] * [D7]	
C7	Net Investment Acct 364, 365, 369	\$ 15,000,000	[C4] - [C5] - [C6]	
<i>Deferred Income Taxes</i>				
D1	Acct 190 (dr)	\$ -	FERC Form 1, p. 234, Line/Col 8c	It is expected that the deferred tax entries will have values of zero because of the non-profit character of EMCs.
D2	Acct 281 (cr)	\$ -	FERC Form 1, p. 273, Line/Col 8k	
D3	Acct 282 (cr)	\$ -	FERC Form 1, p. 275, Line/Col 2k	
D4	Acct 283 (cr)	\$ -	FERC Form 1, p. 277, Line/Col 9k	
D5	Total (-190+(281 to 283))	\$ -	- [D1] + [D2] + [D3] + [D4]	
D6	Total Utility Plant	\$ 278,000,000	[B1]	
D7	Accumulated Deferred Tax Ratio	0.0000	[D5] / [D6]	
<i>Operating Taxes</i>				
E1	Acct 408.1 Taxes Other Than Income Taxes	\$ 1,500,000	FERC Form 1, p. 114, Line/Col 14c	Several tax entries are expected to have values of zero because of the non-profit character of EMCs.
E2	Acct 409.1 Income Taxes - Federal	\$ -	FERC Form 1, p. 114, Line/Col 15c	
E3	Acct 409.1 Income Taxes - Other	\$ -	FERC Form 1, p. 114, Line/Col 16c	
E4	Acct 410.1 Provision for Deferred Income Taxes	\$ -	FERC Form 1, p. 114, Line/Col 17c	
E5	Acct 411.4 Investment Tax Credit Adj	\$ -	FERC Form 1, p. 114, Line/Col 19c	
E6	Less Acct 411.1 Prov for Def Income Taxes-Cr	\$ -	FERC Form 1, p. 114, Line/Col 18c	
E7	Operating Taxes	\$ 1,500,000	[E1] + [E2] + [E3] + [E4] + [E5] - [E6]	

**BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF GEORGIA**

In Re:	)	
Generic Proceeding to Implement	)	Docket No. 43453
House Bill 244	)	
	)	

CERTIFICATE OF SERVICE

This is to certify that on this 7th day of October, 2020, I served a copy of the foregoing, upon known parties of record, via electronic mail as follows:

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