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May 28, 2002

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 990649B-TP

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies Sprint-Florida's Post-Hearing Brief.

Also enclosed is a diskette containing the above Prehearing Statement originally typed in Microsoft Word 2000 format, which has been saved in Rich Text format for use with Word Perfect.

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

Thank you for your assistance in this matter.

Yours truly,

John P. Fons

Enclosures

cc: All parties of record

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into
Pricing of Unbundled Network
Elements
_____/

DOCKET NO. 990649B-TP
FILED: May 28, 2002

SPRINT-FLORIDA'S POST-HEARING BRIEF

Sprint-Florida, Incorporated ("Sprint" or "Sprint-Florida"), pursuant to Order No. PSC-01-1592-PCO-TP[1], issued August 2, 2001, submits the following Post-Hearing Brief.

Preliminary Statement

The costing and pricing of unbundled network elements ("UNEs") has been the subject of inquiry and resolution in several Florida Public Service Commission ("Commission") dockets, proceedings (combined, bifurcated and trifurcated) and hearings over a period of several years. The current proceeding has its focus on the pricing and repricing of a number of UNEs and combinations of UNEs (UNE Platform – "UNE-P" and Extended Element Loop – "EELs"), including the geographically deaveraged costs/prices for UNEs where costs differ by geographic regions. The focus is also directed at the non-recurring, as well as the recurring, costs/prices for both voice and data-capable UNE loops.

There have been two recent court decisions which address the application of the Telecommunications Act of 1996 ("Act") and the principal FCC decisions and rules implementing the Act to the provision of, and pricing for, UNEs. On May 13, 2002, the United States Supreme Court, in *Verizon Communications, Inc. v. FCC*, 122 S.Ct. 1646, (2002), upheld, among other things, the FCC's "TELRIC" pricing methodology, 47 C.F.R. § 51.505. Because the Sprint-Florida cost study is totally TELRIC compliant, there is nothing in that decision which

[1] This Order has been amended by Orders Nos. PSC-01-1676-PCO-TP and PSC-02-0090-PCO-TP.

requires any changes in the UNE prices and charges proposed by Sprint-Florida. As required by the TELRIC standard, Sprint-Florida's cost study reflects a forward-looking, least-cost, most-efficient network, and uses inputs that are based upon current and forward-looking practices and procedures. Ex. 14, pages 70-72. Contrary to the assertions of some parties, most notably FDN, Sprint-Florida's cost study does not reflect or rely upon embedded or "historical" costs or data. Ex. 10, page 335.

The second court decision is even more recent, and potentially more problematic. On Friday, May 24, 2002, the United States Court of Appeals, D.C. Circuit, in *United States Telecom Association v. FCC*, 2002 WL 1040574 (D.C. Cir. 2002), remanded the FCC's Third Report and Order and Fourth Further Notice of Proposed Rulemaking, 15 FCC Rcd 3696 (1999) ("FCC UNE Remand Decision") and vacated and remanded the FCC's Line Sharing Order. Having just received the Court's decision late on May 24th, a thorough analysis of that decision has not been completed so as to ascertain the full impact on Docket No. 990649B. Even upon a first reading, however, it is evident that this Court decision, and the required FCC further consideration in accordance with the principles laid out by the Court, could revise the terms and conditions for providing some of the UNEs for which monthly prices and non-recurring charges are to be established in this proceeding. It is too early to state which UNEs, if any, will be impacted or eliminated. In any event, Sprint-Florida wishes to reserve the right to supplement this Post-Hearing Brief to further address the impact of these two Court decisions on this proceeding should the need arise prior to the Commission's Agenda scheduled for September 6, 2002.

As has been the Commission's long-time practice, the record developed in Docket No. 990649B-TP (Verizon/Sprint-Florida track), as distinguished from Docket No. 990649A-TP (BellSouth track), is structured to respond to a pre-established list of issues. This list of issues

reflects an ongoing effort by the telecommunications industry and the Commission to meet the requirements of the Act and the various FCC decisions and rules implementing those requirements, as applied to the provision of UNEs. This is not the first time that the Commission has addressed most of these issues. In fact, the Commission addressed these same issues in the BellSouth phase of this proceeding (Docket No. 990649A) and made decisions on these issues based upon the evidence presented in that proceeding.

It is critically important to remember that whatever decisions were made in the BellSouth phase of the proceeding were based upon the unique record evidence in that proceeding. Likewise, any decision in the Sprint-Florida proceeding must be based solely upon the record evidence that has been presented through the testimony and exhibits in the Sprint-Florida proceeding. In other words, if in the BellSouth proceeding the Commission mandated a particular UNE price, recurring or non-recurring, that price was based upon what the Commission determined BellSouth's costs to be using the record evidence in that proceeding. In the Sprint-Florida proceeding, it is essential that any attempt to impose a similar UNE price on Sprint-Florida must be based upon the unique record evidence in the Sprint-Florida proceeding, not the record in the BellSouth proceeding or any other proceeding.

For the same reason, the Commission cannot accept a position taken by a party without record evidence in the Sprint-Florida proceeding supporting a position, just because that party expressed that position in its prehearing statement. One party, Florida Digital Network ("FDN"), for example, has taken a position in its Prehearing Statement on many of the listed issues, yet FDN filed no testimony in the proceeding on any issue, apparently intending to rely instead on a record developed by others to support its positions on the issues.[2] Although this may be an

[2]This would include the direct and surebuttal testimony of Sprint-Florida witnesses, the depositions of Sprint-Florida witnesses, and Sprint-Florida's discovery responses. Only Sprint-Florida has filed testimony on each of the issues.

acceptable approach in some circumstances, FDN's approach in this proceeding is not acceptable. FDN has engaged solely in speculation and conjecture, and its conclusions are not supported by record evidence, as will be discussed further as this Post-Hearing Brief addresses the individual issues. The Commission must, therefore, pay particular attention to whether FDN's Post-Hearing Brief in the Sprint-Florida proceeding is supported with citations to "competent substantial evidence," that is, testimony and exhibits entered into the record at the hearing, and not just conclusions, speculation, conjecture or citations to FDN's unsupported statements and positions in its prehearing statement.[3]

Additionally, in the Commission's Prehearing Order, Order No. PSC-02-0568-PHO-TP, issued April 25, 2002, there are several issues in the Sprint-Florida section where it shows FDN's position as being "No position at this time." Sprint-Florida is assuming that this is in error since it is contrary to the Commission's current practice that a party by the time of the hearing must state a position or "no position." In any event, Sprint-Florida is assuming that FDN has "no position" on the issue for which the Prehearing Order indicates "No position at this time." If FDN, in its Post-Hearing Brief, takes a position on an issue which the Prehearing Order indicates "No position at this time," Sprint-Florida will be unfairly disadvantaged. The Commission should, in that case, reject FDN's position as untimely and because FDN has waived its right to take a position on that issue in its Post-Hearing Brief.

For purposes of this Post-Hearing Brief, Sprint-Florida has shortened its position on some issues and has furnished expanded, more specific positions on others. These modified and expanded positions will be set off with two asterisks. Those positions which are unchanged are

[3] Because all parties are simultaneously filing post-hearing briefs, Sprint-Florida will have no opportunity to respond to FDN's Post-Hearing Brief. Consequently, Sprint-Florida must present these cautionary remarks now without the benefit of seeing how FDN actually supports its position in its post-hearing brief on the issues, especially on issues for which there is no record evidence other than Sprint-Florida's testimony and exhibits.

set off with a single asterisk. Citations to the record will be to the hearing transcript (Tr. __) or to the Exhibits (Ex. ___, page ___).[4]

Basic Position

**A fundamental objective of the Telecommunications Act of 1996 ("Act") is to open all markets, including local exchange markets, to competition. Section 251 of the Act provides new entrants alternative avenues for entering the local exchange market, including, by self-provisioning of facilities, by resale of the incumbent company's tariffed services and by obtaining unbundled network elements (UNEs) from the incumbent company. The focus of this proceeding is Sprint-Florida's costs and prices for UNEs, including geographically deaveraged costs and prices, where appropriate.

The forward-looking cost standard for UNEs provides a measure of the costs – both recurring and non-recurring costs – that would be incurred by Sprint-Florida to provide a particular network element. The Act requires that prices for UNEs be cost-based. The FCC, whose rules define cost-based to mean forward-looking economic costs, plus a reasonable share of forward-looking common costs, prescribes a costing methodology, denoted by the FCC as Total Element Long Run Incremental Cost ("TELRIC").

The Act and the FCC rules also require that UNE prices reflect forward-looking costs on a geographically deaveraged basis to the extent costs vary by geographic areas. Section 51.507(f) of the FCC Rules requires that UNEs be geographically deaveraged into at least three cost-related zones to the extent that a UNE's costs vary geographically.

The FCC rules further require that the rates for combinations of UNEs should be based on forward-looking economic costs. Although as a general principal, the rate for a UNE

[4] Exhibits consist of exhibits sponsored by witnesses whose prefiled testimony has been entered into the record, or exhibits admitted into the record consisting of deposition transcripts, late-filed deposition exhibits and discovery responses.

combination should be the sum of the rates for those UNE elements that comprise the combination, there are occasions where simply summing those individual UNEs is inappropriate.

The Act and the FCC's rules related to the pricing of UNEs do not require that Sprint-Florida's retail rate levels or rate structures be consistent with its UNE prices to the extent that such inconsistency exists. As stated earlier, the focus of this proceeding is to establish Sprint-Florida's UNE prices consistent only with the requirements of the Act and the FCC's rules. Any attempt to achieve consistency between Sprint-Florida's retail rates and its UNE prices is misplaced in this proceeding.

As noted previously, the UNE prices being proposed by Sprint-Florida in this proceeding – both recurring and non-recurring, and both deaveraged and non-deaveraged – have been developed in compliance with the cost requirements of the Act and the FCC's costing and pricing standards. These proposed prices also take into account and reflect this Commission's previous decisions – including the Commission's decision in the BellSouth proceeding – regarding cost development and pricing and price structure issues.**

Issue 1: **What factors should the Commission consider in establishing rates and charges for UNEs (including deaveraged UNEs and UNE combinations)?**

Position: *UNE rates should be based on Sprint-Florida's forward-looking economic costs as required by Section 252(d)(1) of the Telecommunications Act of 1996 and the FCC rules implementing the Act. This requirement applies to deaveraged UNEs, as well as combinations of UNEs.*

* * * *

Recurring Rates

In establishing recurring rates and charges for UNEs (including deaveraged UNEs and UNE combinations), the Commission should consider only the requirements of the Act and the FCC rules implementing the Act.

Section 252(d)(1) of the Act sets forth the pricing standards for Interconnection and Unbundled Network Elements. Specifically, it requires that rates for these elements:

a. shall be:

i. based on the cost (determined without reference to a rate-of-return or other rate-based proceeding) of providing the interconnection or network element (whichever is applicable), and

ii. nondiscriminatory, and

b. may include a reasonable profit.

In its August 8, 1996 First Report and Order in Docket 96-98, the FCC concluded that the Act requires that prices for UNEs be set at forward-looking economic costs. Specifically, the FCC adopted a version of total service long run incremental costs (TSLRIC) as the methodology to be used in determining the costs of UNEs. As noted previously, the FCC refers to its methodology as Total Element Long Run Incremental Costs (TELRIC) – a nomenclature that reflects that the methodology is applied to the costing of discrete network elements or facilities, rather than the cost of a service or services provided over that facility.[5]

Recurring Rates

The FCC's TELRIC methodology is described in Part 51.505(b) of its rules:

[5] *See Verizon Communications, inc v. FCC*, 122 S.Ct. 1646 (2002), and discussion of that decision at page 1, *supra*, upholding the FCC's TELRIC methodology.

> Total element long-run incremental cost. The total element long-run incremental cost of an element is the forward-looking cost over the long run of the total quality of the facilities and functions that are directly attributable to, or reasonably identifiable as incremental to, such element, calculated taking as given the incumbent LEC's provision of other elements.
>
> (1) Efficient network configuration. The total element long-run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC's wire centers.
>
> (2) Forward-looking cost of capital. The forward-looking cost of capital shall be used in calculating the total element long-run incremental cost of an element.
>
> (3) Depreciation rates. The depreciation rates used in calculating forward-looking economic costs of elements shall be economic depreciation rates.

The FCC's costing rules (Part 51.505(a)) define the forward-looking economic cost of an unbundled network element to be the sum of TELRIC costs plus "... a reasonable allocation of forward-looking common costs...." As such, Sprint-Florida has developed and applied a common cost factor of 12.03% to its unbundled network element costs. Tr. 16.

The forward-looking cost standard for unbundled network elements provides a measure of the costs that would be incurred by an efficient supplier to provide a particular network element. Correspondingly, it will provide the appropriate marketplace signals to competitors, creating an incentive for them to construct their own facilities when they can do it more efficiently than the incumbent LEC, and discouraging uneconomic investment where they cannot provide the facilities at a lower cost than the incumbent. Tr. 17-18.

Non-Recurring Charges

Non-recurring charges should also be based on forward-looking costs. The forward-looking costs for non-recurring charges should reflect the costs that would be incurred in performing those functions in relation to the forward-looking network that is the basis for

calculating the recurring costs and rates for the unbundled network element. Just as the recurring costs for an efficiently designed network based on current technology can differ from the embedded costs of the existing network, so can the non-recurring costs associated with provisioning elements in that forward-looking network differ from the non-recurring costs associated with provisioning elements in the existing network. Tr. 19.

Deaveraged UNE Prices

The forward-looking costs of providing an element are not necessarily uniform throughout an incumbent LEC's service territory. Prices that deviate from costs by a significant amount do not meet the Act's requirement for cost-based rates, nor do they provide the correct marketplace signals to competitors in their decision to build their own facilities or buy unbundled network elements from the incumbent. Tr. 20. Thus, deaveraging of unbundled network elements is necessary to avoid the pricing distortions inherent in rate averaging.

In Section 51.507(f) of its rules, the FCC requires that unbundled network elements be geographically deaveraged into at least three cost-related zones. These can be either the zones established for the deaveraging of interstate transport rates, or zones determined by the state commission.

UNE Combinations

As a general principle, the rate for a UNE combination should be the sum of the rates for those UNE elements that comprise that combination. However, there are occasions where simply summing those individual UNE costs is inappropriate. For example, the local switching UNE includes the cost of a line card. In the case of unbundled loops provided using a Digital Loop Carrier (DLC), two voice-grade line cards are included in the cost of the unbundled loop:

one at the DLC-remote terminal and one at the DLC-central office terminal. Tr. 21. When loop and switching are provided in combination, only the voice-grade line card at the DLC-remote terminal is required. If the UNE combination of loop and switching were priced at the sum of the individual UNEs, CLECs would be effectively paying for three line cards, although only one voice-grade line card would be used in provisioning that combination. Tr. 22. Therefore, in the situation where the loop is provided using a DLC, the appropriate price for that UNE combination would be the sum of the loop and switching UNE rates, less the costs of two line cards. Ex. 10, pages 300-301. This impact has been reflected in the loop prices proposed by Sprint-Florida. The purpose of this adjustment, and any deviations from the general principle that UNE combinations be priced at the sum of the individual UNEs included in that combination, is to accurately reflect the actual forward-looking costs of that UNE combination.

Other Factors

KMC Telecom III, Inc. ("KMC") suggests, in the testimony of Frank W. Wood, its City Director for Tallahassee, that in establishing UNE prices, the Commission "cannot end up with UNE prices" that are above ILEC retail rates. Mr. Wood concedes that "the Commission may be in a difficult position because of end user rates." Tr. 263. Despite acknowledging this dilemma, Mr. Wood forges ahead contending that "to ignore end user rates in setting UNE rates will result in UNE prices that no CLEC can afford." Tr. 263.

Sprint-Florida fully appreciates the differences between existing retail rate structures and levels and the rate levels and structures for unbundled network elements. To the extent that retail rate levels or rate structures are inconsistent with unbundled network element prices, those retail rates should be restructured to bring them into consistency with unbundled network prices. Alternatively stated, the answer lies in moving retail rates toward economic cost levels, and not

in introducing distortions in the pricing of unbundled network elements to bring them into conformance with the uneconomic pricing of incumbent LEC retail services.[6] Tr. 22-23. There is simply no requirement in the Act or the FCC rules that places any limitation on the price of UNEs relative to retail rates.

Issue 2: **(a) What is the appropriate methodology to deaverage UNEs and what is the appropriate rate structure for deaveraged UNEs?**

Position:

(a) *UNE prices should be deaveraged to the extent necessary to avoid significant deviations between the rate that is charged and the actual forward-looking costs of providing that element in a specific geographic area. At a minimum, prices should be deaveraged into at least three zones.*

* * * *

Sprint-Florida has consistently promoted deaveraging the prices for each UNE that demonstrates a significant deviation between the statewide average rate and the actual forward-looking cost of providing that UNE in a specific geographic area. Sprint-Florida has also consistently advocated the use of a 20% test for determining a "significant deviation of rates from costs and the use of a deaveraged rate schedule such that the rate in each zone is no more than 20% higher or 20% lower than the forward-looking cost of providing that element. Tr. 24-25.

In addition, Sprint-Florida has advocated that the number of resulting zones must be modified to reflect both administrative considerations of the ILEC and the CLEC and any

[6] *See* discussion by the Court in *United States Telecom Assn. v. FCC*, 2002 WL 1040574 (D.C. Cir. 2002) at *6 regarding the impact of "below-cost" pricing of basic local exchange service on local competition and the pricing of UNEs.

adverse impact on CLEC entry and investment decisions. Sprint-Florida advocated this approach in the BellSouth phase of the proceeding and, to a large degree, the Commission adopted Sprint-Florida's proposal, including use of the 20% benchmark. *See* Order No. PSC-01-1181-FOF-TP, page 41. The Commission also adopted Sprint-Florida's recommendations regarding administrative considerations and the impact upon CLEC entry and investment decisions.

In its BellSouth Order, the Commission established three zones for BellSouth's UNE loops, collapsing the number of zones that resulted from the use of the 20% benchmark. The Commission balanced the number of zones with administrative ease and the level of variation in BellSouth's costs. Tr. 50. Sprint-Florida presented evidence that clearly demonstrates that the level of cost variance in its loop costs is commensurate with the level of cost variance in the BellSouth loop cost data. Tr. 51. In recognition of that decision, and in order to further support a uniform approach between ILECs, Sprint-Florida in this proceeding proposes UNE loop rates having the three-zone approach adopted by the Commission in the BellSouth proceeding. Tr. 28, 51.

Because Sprint operates as both a CLEC and an ILEC in Florida, Sprint is concerned about the state-wide, industry-wide application of Commission decisions. First, Sprint-Florida must be treated in the same fashion as the other ILECs in Florida with regard to cost methodologies, cost input requirements and pricing principles. Second, Sprint's CLEC must be able to purchase unbundled network elements from ILECs in the state that are developed/established on a similar basis as Sprint-Florida is required to provide UNEs to CLECs in the state. This is necessary to ensure that Sprint Corporation – an ILEC and a CLEC – is not disadvantaged in the state. Tr. 23-24, 48.

Despite this effort to promote rate structure uniformity, the Commission has under consideration a stipulation in the Verizon phase of this proceeding that would result in a deaveraging rate structure for UNE loops different from the structure established in the BellSouth proceeding to which Sprint-Florida was willing to adhere. Tr. 8. Although this deviation from statewide uniformity is neither warranted nor in the best interests of consumers and competition, Sprint-Florida believes that its three-band UNE loop deaveraging proposal may no longer serve its corporate interests or the interests of those CLECs ordering UNEs in Sprint-Florida's territory. It should be noted that even the Verizon proposal was just three zones. However, the only CLECs participating in the Sprint-Florida proceeding, Florida Digital Network ("FDN") and KMC, have advocated the use of more than three zones for UNE loops, using the 20% benchmark methodology in its originally intended manner. Prehearing Order, pages 47-48. Sprint-Florida does not believe that more than three zones are warranted.

In light of these last-minute developments, Sprint-Florida proposes the use of three zones based upon the cost information. Sprint-Florida further proposes to file as part of its compliance filing deaveraged UNE loop prices that better reflect the stated needs of Sprint-Florida and CLECs. Sprint-Florida proposes to engage in negotiations with the CLECs for different deaveraged UNE loop zones and rates consistent with the previously stated criteria. As stated by Sprint-Florida's counsel at the hearing, it would be Sprint-Florida's intention to present the Commission with a stipulation on this issue prior to August 15, 2002, for inclusion in the Staff's recommendation. Tr. 930.

(b) For which of the following UNEs should the Commission set deaveraged rates?

(1) loops (all);
(2) local switching;
(3) interoffice transport (dedicated and shared);
(4) other (including combinations).

Position:

(b) **Sprint-Florida believes that the forward-looking economic costs of a number of UNEs vary by geographic area. However, because the ALECs have expressed an interest in deaveraged rates for only loops and loop combinations, only the recurring rates for loops and related combinations should be deaveraged.**

* * * *

As noted in the discussion associated with Issue 2(a), Sprint-Florida has proposed deaveraged rates for all UNE loops below DS3, together with subloops and UNE combinations containing such loops. Tr. 29. The proposed deaveraged prices are contained in Composite Ex. 1, Revised Ex. MRH-1. *See* Appendix A. Also, as noted in its Issue 2(a) discussion, Sprint-Florida is proposing to ascertain, through discussions with the CLECs, whether changes in the proposed structure and prices are necessary and appropriate. Tr. 8, 930.

With respect to UNEs other than loops, Sprint-Florida has not in this proceeding proposed any deaveraged prices. Tr. 29. This is because in the last proceeding where Sprint-Florida proposed deaveraged prices for local switching and interoffice transport, as well as loops, none of the ALECs expressed any interest in supporting deaveraged prices. Even though local switching and interoffice transport exhibit geographic cost differences, Sprint-Florida will propose deaveraged prices for those elements only when there is an identifiable interest in such prices.

Ironically, FDN, in its Prehearing Statement Position on Issue 2(a), for the first time demanded that Sprint-Florida be required to "apply its 20% rate banding methodology to all rate elements individually, such as . . . interoffice facilities." By expressing its interest in deaveraged transport prices at the eleventh hour, Sprint-Florida was foreclosed from responding to FDN's "demand." Consequently, there is not a sufficient record to support FDN's "demand" for specific deaveraged transport pricing.

FDN also raises for the first time in its Prehearing Statement Position on Issue 2(b) a concern with the "application of a deaveraging methodology where only a limited number of geographic areas have the lowest UNE prices available, and competitive activity is not economically viable for ALECs seeking to serve outside those small areas." Again, FDN raises this position at the eleventh hour and without any record support in the Sprint-Florida proceeding. Although Sprint-Florida's deaveraged UNE loop cost study will support more than three bands, Sprint-Florida has, as discussed previously in response to Issue 2(a), combined those bands into three bands because Sprint-Florida believed at the time that it was required to do so to be consistent with the UNE loop banded prices ordered in the BellSouth proceeding. Tr. 49-52. Now that it is clear that no such consistency is required by the Commission, Sprint-Florida is willing to explore with FDN, and the other ALECs, different banding methodologies, so long as any such methodology meets the criteria addressed in Sprint-Florida's position and is consistent with record evidence on Issue 2(a).

Issue 3: (a) What are xDSL-capable loops?

Position:

(a) *As a general and practical matter, at this time xDSL-capable loops are copper loops that are generally 18,000 feet in length or shorter and do not contain any DSL inhibiting

devices. As network technology evolves, this definition of an xDSL loop will also evolve to reflect these technology and provisioning changes.*

* * * *

For a loop to be xDSL-capable, its must, as a practical matter, be 18,000 feet in length or shorter and must not contain any devices that impede the xDSL frequency signaling such as repeaters, load coils or excess bridged tap. Copper loops which contain any of these inhibitors will require loop conditioning which involves the removal of the repeaters, load coils or excess bridged tap. Tr. 67-68.

To be technically correct, it should be noted that some fiber fed NGDLC vendors have recently developed plug-in cards that can be used at the NGDLC location to provide xDSL service to customers served by the NGDLC. Sprint-Florida has deployed such plug-in cards in a test environment only. Ex. 14, page 48. Additionally, at this point in time neither the FCC nor the Florida Public Service Commission has designated these plug-in cards as subject to UNE unbundling. Therefore, the current practical result in Florida is that, at this time, unbundled xDSL-capable loops must be copper end-to-end or copper distribution loop sub-elements. Tr. 68; Ex. 10, page 329; Ex. 14, pages 48-49.

The Sprint-Florida UNE loop cost study does not model an xDSL-capable loop as a unique UNE. Instead, the monthly cost of an xDSL-capable loop is the same as the forward-looking cost of an analog 2-wire loop, together with whatever TELRIC-based non-recurring conditioning costs that might be required to make the loop xDSL-capable. Tr. 62-68. There was no attempt to model a mixed fiber/copper xDSL-capable facility because, as noted previously, the technology to provide an xDSL-capable loop, particularly ADSL-capable, through a Digital Line Carrier is currently only in a test environment. Ex. 14, page 48. In the event that there are

no copper facilities available end-to-end to provision an xDSL-capable loop, because there is a fiber fed NGDLC present, then the CLEC/ALEC can collocate its DSLAM at the remote and purchase subloop elements from Sprint-Florida. Ex. 14, pages 17, 48-49.

Except for the unclear reference in the FDN Prehearing Position on Issue 3(a) that an xDSL-capable loop includes "mixed fiber/copper facilities," there is no record evidence in the Sprint-Florida proceeding supporting such a requirement.[7] While some xDSL services can be provided on "mixed fiber/copper facilities," additional equipment is required to provide full rate ADSL. The cost of an ADSL-ready loop would increase substantially to properly account for the additional equipment. For example, ATM equipment is required to carry the ADSL signal, splitters are required to separate the DSL signal from the voice, and DSLAMs are required to provide the DSL signal. Ex. 10, pages 284-285. None of this equipment has been contemplated in Sprint-Florida's cost study because Sprint-Florida is not required to provide an ADSL loop, only an "xDSL-capable loop." Ex. 10, pages 316-318, 329. Sprint-Florida's TELRIC study reflects non-recurring costs required to condition a loop to provide xDSL service. Tr. 67-68

(b) Should a cost study for xDSL-capable loops make distinctions based on loop length and/or the particular DSL technology to be deployed?

Position:

(b) *No.*

* * * *

Sprint-Florida's recurring charges require no distinction in the underlying loop cost other than for standard issues of loop length, terrain, customer density, plant mix, etc. that are already reflected in Sprint-Florida's unbundled loop cost studies. Tr. 69. In those cases where an ALEC

[7] For a further response to FDN's proposed requirement, please see Sprint-Florida discussion of "necessary" and "impair" at Issue 9(b), page 64, below.

requests xDSL-capable loops in excess of 18,000 feet in length, Sprint-Florida will provide any available copper loop in excess of 18,000 feet at the ALEC's request. Tr. 69. Sprint-Florida will perform any loop conditioning requested by the ALEC, and the ALEC will be charged for that loop conditioning work. Tr. 67-68. As a loop length in excess of 18,000 feet is beyond the generally accepted industry standard limit for xDSL, Sprint-Florida will accept no responsibility for the xDSL capabilities of conditioned copper loops longer than 18,000 feet. Tr. 68.

Issue 4: **(a) Which subloop elements, if any, should be unbundled in this proceeding, and how should prices be set?**

Position:

(a) *Sprint-Florida has developed costs and is proposing rates for feeder and distribution subloop elements because, if there is any demand, it will be for these elements. These rates do not include the costs of interconnecting these subelements to the ALEC's network.*

* * * *

To date, Sprint-Florida has not been requested to provide any subloop elements to any ALEC in Florida. Tr. 31.

In Section 51.319(a)(2) of its rules, the FCC defines the subloop network element "... as any portion of the loop that is technically feasible to access at terminals in the incumbent LEC's outside plant, including inside wire. An accessible terminal is any point on the loop where technicians can access the wire or fiber within the cable without removing a splice case to reach the wire or fiber within. Such points may include, but are not limited to, the pole or pedestal, the network interface device, the minimum point of entry, the single point of interconnection, the main distribution frame, the remote terminal, and the feeder/distribution interface."

Because subloops are, for the most part, a newly defined network element, it is impossible to determine precisely what subloop elements CLECs will seek to obtain. It would, therefore, be a difficult – if not an impossible – task to identify and develop prices for every conceivable subloop element, nor is it a useful exercise to do so in the absence of demonstrated demand for those elements. Tr. 31; Ex. 10, pages 141-144.

In any event, Sprint-Florida believes that, if there is any demand, the preponderance of demand for subloop elements will be for feeder or distribution plant. Therefore, Sprint-Florida has developed costs and proposed rates for these two components of the loop. To the extent that an ALEC requires different subloop elements, and it is technically feasible to provision such elements, Sprint-Florida will determine the rates for those subloop elements on an individual case basis, utilizing the TELRIC costing standard. If future experience demonstrates widespread demand for subloop elements in addition to feeder and distribution, Sprint-Florida will develop (and incumbent LECs generally should be required to develop) generic rates for such subloop element. Tr. 31; Ex. 10, page 141.

Rates for subloop elements should be based on the same costing and pricing principles as all other loop-related UNEs: that is, subloop elements should be based on TELRIC and should be deaveraged to the extent they exhibit significant geographical differences. Tr. 32.

(b) How should access to such subloop elements be provided, and how should prices be set?

Position:

(b) *It is not feasible at this time for Sprint-Florida to develop a generic forward-looking cost for subloop interconnection. Until such time as there is meaningful demand for subloop

interconnection, Sprint-Florida proposes to price this interconnection on an individual case basis.*

* * * *

Due to still developing industry standards, practices and experience with subloop unbundling, it is not possible to predict the forward-looking costs of establishing ALEC interconnection to subloop elements with any certainty. Therefore, the interconnection costs to access subloop elements should be handled on an individual case basis until such time as standard network arrangements, ordering and provisioning practices have developed. Tr. 32, 93. The interconnection costs that Sprint-Florida will develop on an individual case basis (ICB) are those that will vary by site. The costs will encounter issues that may include the size of the cable connecting Sprint-Florida's FDI to the CLEC presence, the type of cable (fiber or copper), the type of plant (aerial, buried, or underground), any construction costs, etc. Sprint-Florida will evaluate the costs specific to the site where sub-loop interconnection is desired on an ICB. Ex. 10, page 283.

Issue 5: **For which signaling networks and call-related databases should rates be set?**

Position: *Sprint-Florida proposes UNE rates for the following call-related database items:

- 911/E911
- STP Ports and STP Switching (SS7 Interconnection)
- Database Query Services*

* * * *

This issue has been stipulated by the parties.

Issue 6: **Under what circumstances, if any, is it appropriate to recover non-recurring costs through recurring rates?**

Position: *To the extent that high, non-recurring charges are a significant barrier to competitive entry, it may be appropriate to require some portion of non-recurring charges be recovered through recurring rates. However, absent such circumstances, non-recurring costs should be recovered through non-recurring rates.*

* * * *

Sprint-Florida does not propose to recover any non-recurring costs through recurring rates. Although the general principle is that non-recurring costs should be recovered by non-recurring rates, Section 51.507(e) of the FCC Rules permits deviations from that general principle:

> State commissions may, where reasonable, require incumbent LECs to recover non-recurring costs through recurring charges over a reasonable period of time. Non-recurring charges shall be allocated efficiently among requesting telecommunications carriers, and shall not permit an incumbent LEC to recover more than the total forward-looking economic cost of providing the applicable element.

To the extent that high, non-recurring charges are a significant barrier to competitive entry, it may be appropriate to require at least a portion of those non-recurring charges be recovered through recurring rates. Tr. 34.

Absent such compelling circumstances, non-recurring costs should be recovered through non-recurring rates. Requiring non-recurring costs to be recovered through recurring charges raises a number of difficult policy and administrative issues. On the one hand, the incumbent LEC would be financially exposed if the CLEC discontinues service before the non-recurring costs are fully recovered. On the other hand, the incumbent LEC could over-recover its non-

recurring costs unless it tracked each service installation and reduced its recurring rate at the point where the non-recurring costs built into that recurring rate were fully recovered. Tr. 34.

Issue 7: **What are the appropriate assumptions and inputs for the following items to be used in the forward-looking recurring UNE cost studies?**

(a) network design (including customer location assumptions);

Position: **The network design is based on existing wire center locations, as directed in the FCC Order, and reflects currently available technology, which is appropriate and efficient for current and reasonably foreseeable demand levels.**

* * * *

In designing the network to be used in the forward-looking recurring UNE cost studies, Sprint-Florida created a network that is based upon existing wire center locations and models an outside plant network that reflects currently available, least-cost technology to reach customer locations. Ex. 10, pages 331-332; 361-363. This network design is incorporated in the Sprint Loop Cost Model ("SLCM").

The SLCM, which is used for determining UNE costs, is a significantly modified version of the loop module contained in BCPM version 3.1. None of the USF models (BCPM, HAI, and HCPM), regardless of version, comply with the UNE requirements of the FCC's Local Competition Third Report and Order.[8] The SLCM, however, complies with the requirements found in that Order. Ex. 11, page 24.

The SLCM models its network after the industry standard Carrier Serving Area (CSA) design rules that have been in place since the 1980's. CSA design rules are an integral part of

[8] *In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket No. 96-98, Third Report and Order, FCC 99-238 (Nov. 5, 1999) ("Third Report and Order"), *remanded on other grounds, United States Telecom Assn. v. FCC*, 2002 WL 1040574 (U.S. D.C. Cir. 5/24/02).

the network loop design standards used by the T1E1.4 Standards Committee and the FCC's National Reliability and Interoperability Council (NRIC), and included in the Tecordia (Bellcore) *Notes On the Network*, and the Lucent *Outside Plant Engineering Handbook*. The use of this current industry-wide network design standard is consistent with FCC Rule 51.505 requirements for UNEs based on efficient network configuration given the existing location of the incumbent LEC's wire centers. Ex. 11, page 26.

The voice grade customer location algorithms used in the SLCM are the same as those used in versions 3.0 and 3.1 of the BCPM. In order to comply with the FCC's Third Report and Order[9] element and subelement requirements, SLCM was modified further to include grid assignment for service such as ISDN BRI/PRI, DDS, DS0, DS1, DS3, HDSL, and coin. The SLCM does not use geocoded data to locate customers with the exception of DS3 customers who are identified using geocoded data. Ex. 10, pages 281-282; Ex. 11, pages 24-25.

The preprocessor module of SLCM identifies the locations of the customer within the wire center in almost the same manner as BCPM 3.0 and 3.1 although it is accomplished in 14 steps instead of the BCPM's 32 steps. The wirecenter boundaries used in the BCPM 3.0 filed with the FCC were obtained from a publicly available data source. Because these boundaries routinely assigned customers to the wrong wire center or wrong ILEC, Sprint-Florida used its actual boundaries in its SLCM preprocessing to eliminate this misassignment. The gridding was also modified from the BCPM to initially center a full size grid around the central office. Each wire center now has its own centered gridding instead of the national single grid included in BCPM. Ex. 11, page 25.

In its Prehearing Statement Position on Issue 7(a), FDN asserts that:

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[9] *Id.*

> The SLCM utilizes a grid approach that does not account for actual grouping of customers. As a result, grid boundaries may cut across natural population clusters. Under this approach, serving areas based on grids may require separate facilities to serve customers that are in close proximity, but that happen to fall in different grids. Thus, a gridding approach cannot reflect the most cost-effective method of distributing customers into serving areas. The Commission should require Sprint to use a clustering methodology, rather than a grid-based methodology, to determine serving areas.
>
> Sprint also models its recurring cost study for stand-alone UNE loops based on 100% use of universal digital loop carrier while its retail loop rates presume use of integrated digital loop carrier. The use of UDLC drives up the cost of loops by requiring digital to analog conversions in the central office as well as use of manual cross connects. Sprint models its rates for UNE-P on use of IDLC and should be required to do the same for stand-alone unbundled loops.

FDN has offered only conjecture and conclusions related to its view of SLCM and its customer location methodology. Contrary to FDN's unsupported conclusions, and as noted above, the record evidence shows that SLCM uses areas as small as a census block to locate customers, which essentially results in geocoded customer locations. Ex. 14, page 62-65. Households, housing units, and other census data by Census Block are taken from census data. The census block is a geographical area that contains approximately 400 households and varies in size according to population density. The mapped census blocks are then overlaid with a series of "microgrids" that are approximately 1500 ft. by 1700 ft. All customer density information is calculated at this microgrid level and then aggregated. Ex. 10, page 280. The levels of investment for these locations (grids) is reasonable as shown by Sprint-Florida's cost study.

FDN's additional conjecture related to the use of NGDLCs is also without merit. As discussed in Mr. Dickerson's deposition, each type of method of provisioning a loop behind a DLC, whether through an integrated configuration for UNEP or through universal configuration for stand-alone UNE loops is the least cost and most efficient means available of provisioning the UNE in question. Ex. 14, page 57. Sprint-Florida models elements as they will be provided.

If a loop is provisioned by a NGDLC, it will be provided as a double-ended loop to the CLEC as this is the only technically feasible least cost means of provisioning that loop. Ex. 10, pages 300-301; ex. 14, page 57. If FDN wishes to purchase all of its loops as single ended, Sprint-Florida offers UNEPs.

(b) depreciation;

Position: **In its UNE TELRIC studies, Sprint-Florida has used the depreciation lives ordered for BellSouth's use in Order No. PSC-01-1181-FOF-TP, issued May 25, 2001.**

* * * *

This issue has been stipulated by the parties.

(c) cost of capital;

Position: **In keeping with the forward-looking nature of the costing methodology required for unbundled elements, Sprint-Florida relies on a market-value based weighted average cost of capital. The weighted-average cost of capital for Sprint-Florida is 12.26% based on the market value capital structure of 84.02% equity and 15.98% debt; the forward-looking market value cost of common equity of 13.10%; and the forward-looking market value cost of debt of 7.81%.**

* * * *

Simply stated, the cost of capital input to the forward-looking recurring UNE cost studies must reflect the return required by an investor in a firm providing unbundled network elements. Ex. 16, pages 9-11. This analysis turns on two main elements: the use of a forward-looking capital structure, as opposed to an embedded, historical capital structure; and the makeup of the "other" enterprises used as a surrogate for Sprint-Florida, Inc. in the return on equity calculation. Will it be simply "other" telephone companies, or will it be "other" enterprises that are shown to

exhibit the same elements of risk as Sprint-Florida? The choice is one to be based upon reasoned judgment.

Section 252(d)(1) of the Telecommunications Act of 1996 (Act) states that rates for interconnection and access to unbundled network elements "may include a reasonable profit." The FCC's interconnection order (First Report and Order in CC Docket Nos. 96-98 and 96-195, released August 8, 1996) states that the concept of reasonable or "normal" profit is embodied in forward-looking costs, because the forward-looking direct cost of a network element includes "the forward-looking costs of capital (debt and equity) needed to support investments required to produce a given element" (paragraph 691). Furthermore, the FCC order states that the forward-looking cost of capital "is equal to a normal profit" (paragraph 700). The Commission should accept the use of the forward-looking, market-value based, weighted, average cost of capital of 12.26%, based on a market value capital structure.

A market value capital structure is consistent with the requirements of the Act: A capital structure based upon historical accounting values is not. Tr. 112-113. In 1996, the Massachusetts Department of Telecommunications and Energy (at that time known as the Department of Public Utilities, D.P.U.) ruled that "it would be inconsistent to use forward-looking competitive assumptions in the investment and expense components of a TELRIC study, but historical accounting-based capital structures in the cost of capital component."[10] Also, in 1997, the Michigan Public Service Commission issued an order in Case No. U-11280, approving the use of a capital structure based on market values where the market values are 75% equity and 25% debt. Ex. 16, pages 13-14, 65.[11] More recently, on August 8, 2000, the Nevada Public Service Commission issued a Modified Final Order in Docket No. 98-6004 addressing the cost

[10] Massachusetts D.P.U. Phase 4 Order, Docket 96-73/74, 96-75, 96-80/81, 96-83, 96-94-Phase 4, released December 4, 1996, p. 51.
[11] Michigan Public Service Commission, Case No. U-11280, Order issued July 14, 1997.

of unbundled network elements. In that Order, the Commission stated that it was in the public interest to consider economic, forward-looking factors in evaluating and setting the cost of capital for Nevada Bell.

The Order states:

> As such, the Commission rejects near-term dividend growth analyses, embedded book value capital structures, and embedded costs of debt . . . as vestiges of traditional ratemaking; and accepts earnings growth analyses, market value capital structures, and the market value of debt as the proper forward-looking components of the cost of capital for setting UNE prices.[12]

It is also worth noting that Staff's witness, Mr. David J. Draper, testified that the sources he relied upon in calculating his capital structure, Value Line and C.A. Turner Utilities Reports use book values for capital structure, not projections or forecasts. He concedes that embedded book values are not a sound predictor of future values. Ex. 37, pages 26-28.

In determining the forward-looking cost of capital for Sprint-Florida, investors' required return on common equity forms the basis for establishing the cost of equity. Because Sprint-Florida is not a publicly traded company, that return requirement is estimated using a group of comparable-risk companies as a surrogate. This group of comparable-risk companies is obtained by utilizing four specific risk measures; namely, the common equity ratio, the cash-flow-to-capital ratio, the pre-tax fixed charge coverage ratio, and the revenues-to-net-plant ratio. These risk measurements capture both financial risk and business risk. Through a cluster analysis, there emerges a group of 20 market-based firms which have, on average, risk comparable to the risk measures of Sprint-Florida. Tr. 121.

This is the critical analysis. Sprint-Florida's approach is more robust and accurate than simply using a group of publicly traded companies whose revenues come from providing ILEC-type services. As noted by Dr. Brian K. Staihr, Sprint-Florida's cost of capital witness:

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[12] Modified Final Order, Docket No. 98-6004, Public Utilities Commission of Nevada, August 8, 2002, p. 9.

> While that approach might be superficially appealing, it is based on a fallacious and foundationless notion that firms that operate in the same industry, or 'do the same thing', automatically exhibit the same risk characteristics. Plainly speaking, there is no reason to assume that just because two firms provide the same type of service they therefore face the same business risk and represent the same investment risk to investors. If that were true, we would not observe situations where one firm succeeds in an industry while a similar, competing firm fails. Sprint's approach to identifying comparable-risk firms uses analysis applied to data that is measurable, objective, and verifiable to determine comparable risk. There are no assumptions involved. But choosing comparable firms from the same industry simply because they do operate in the same industry is an approach that is based solely on assumption.

Tr. 123-124.

On the other hand, Mr. Draper and Dr. Ford both advocate the use of a group of telecom firms as a proxy for determining Sprint-Florida's required return, without any investigation or evidence demonstrating that the firms they've chosen represent appropriate and comparable levels of risk. They are basing their methodology on assumption, and not objective analysis. The long-established legal standard for determining a cost of capital can be found in the often-cited Supreme Court decision *FPC v. Hope Natural Gas Co.*, 320 U.S. 591, 603 (1944) ("*Hope* decision"), which states:

> the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks."

As noted by Dr. Staihr:

> There are two distinct ways that we can identify enterprises having corresponding risks: we can measure risk, or we can make assumptions about risk. Both Mr. Draper and Dr. Ford choose the second; they assume that a certain group of firms have risk that corresponds to the risk of Sprint-Florida. If either Mr. Draper or Dr. Ford were to actually *measure* risk, as Sprint's approach does, they would see that the firms they have chosen to produce a representative cost of equity (as inputs to DCF models and CAPM regressions) do *not* exhibit corresponding risk.

Tr. 137-138.

Composite Ex. 5, Ex. BKS-1 displays the risk measures for each company in Mr. Draper's group of firms, the measures for the group advocated by Dr. Ford, and for the group Sprint-Florida defined as comparable-risk firms. The average for each group is shown at the bottom of that exhibit. As this exhibit shows, when risk is actually *measured*, it is undeniable that the firms used by Sprint-Florida in its comparable-risk group are closest to being "enterprises having corresponding risk" as required by the *Hope* decision.[13] Furthermore, it is worth noting that both Mr. Draper and Dr. Ford advocate the use of telecom firms when calculating the cost of capital, and there are indeed telecom firms in Sprint-Florida's comparable-risk group. But the critical difference is that those specific telecom firms are included not because it is *assumed* that they have corresponding risk (as Mr. Draper and Dr. Ford assume because they happen to be telecommunications-related enterprises), but because it has been *demonstrated* that they have similar risk; demonstrated using observable, empirical evidence. Tr. 138-139.

In addition, there is a major inconsistency contained in Mr. Draper's testimony. In calculating his two-stage discounted cash flow model, Mr. Draper uses an "index" of firms which he believes represents a "well-managed company in the business of providing UNEs" (Draper page 2). However, in this index Mr. Draper includes two firms, AT&T and Telephone & Data, whose primary business activities have nothing to do with the provision of unbundled elements or even local telephone service. For these two companies the collective data that Mr. Draper uses in his DCF model – dividend yields, stock prices, growth rates – does not represent a company primarily offering local telephone service and "in the business of providing UNEs." By his own criteria, AT&T and Telephone and Data do not belong in his "index." Tr. 140.

[13] In *Hope*, the Court did not limit the "enterprises having corresponding risks" to those companies in the same industry or same line of business. The decision can be read in terms of "quantity" or level of risk, rather than in terms of specific industry characteristics or regulatory circumstances. *See* 21 Energy L.J. 389, at 403-404 (2000).

Dr. Staihr reproduced Mr. Draper's results when these inappropriate companies – inappropriate by use of Mr. Draper's own criteria - are removed from the index. The corrected model produced a required return of approximately 13.5%. This is significantly higher than Mr. Draper's original suggested cost of equity of 11.45%. Furthermore, it is quite close to Sprint-Florida's proposed required return on equity, as calculated by its DCF model in Dr. Staihr's direct testimony, of 13.7%. Tr. 141.

(d) tax rates;

Position: **Sprint-Florida utilizes the Federal and State income tax, state ad valorem tax, and the Regulatory assessment Fee tax rates currently in effect in Florida. The Federal and State income tax and state ad valorem tax rates are reflected in the specific inputs utilized in Sprint-Florida's annual charge factor development. The Regulatory Assessment Fee tax is included in the common cost factor development and application.**

* * * *

This issue has been stipulated by the parties.

(e) structure sharing;

Position: **Structure sharing refers to the portion of aerial structure (poles), and buried cable excavation and conduit costs, that are shared with other companies. The structure sharing inputs are expressed in terms of the percent of costs assigned to telephone, which equates to the percentage of the structure cost that is borne by the ILEC.**

* * * *

Structure sharing refers to the portion of aerial structure (poles), and buried cable excavation and conduit costs, that Sprint-Florida shares with other companies. The structure

sharing inputs are expressed in terms of the percent of costs assigned to telephone, which equates to the percentage of the structure cost that is borne by Sprint-Florida. The reciprocal of this input factor represents the portion of the structure cost that is borne by companies other than the ILEC, such as power and/or cable companies. The model inputs are segregated between feeder and distribution subloop components, by aerial, buried and underground plant mix, and by each of the nine customer density zones. Tr. 70-71.

The structure sharing inputs for underground and buried feeder and distribution cables were set at 90% for the majority of the customers served by Sprint-Florida. This level of cost sharing of 10% exceeds the degree of structure cost sharing currently experienced by Sprint-Florida and thus allows for some forward-looking increase in structure sharing opportunities. Tr. 71. In addition to the considerable difficulty in scheduling simultaneous cable placements among diverse utilities, there are work coordination, safety, and available space considerations which make significant sharing of buried and underground construction costs unlikely. Further, the locations for telephone company central offices, power company substations and cable company head-ends often do not correspond. Therefore, it is not possible to share a common trench because the feeder routes for each company's facilities do not originate from the same geographic locations. Tr. 72.

The structure sharing inputs for the plowing construction technique used for placing buried feeder and distribution cables were set at 100% to reflect the reality that when plowing, the trench is closed over during the placement of the cable, thus eliminating the possibility of other entities placing cables in the same trench. The structure sharing opportunity for buried cable is limited to the single point in time when the trench is initially opened. Trenches must be backfilled prior to cable being placed into service. Tr. 72-73; *see* also, Ex. 10, pages 84-85.

The structure sharing input for poles was set at 31% for all density zones. This input is based on an analysis of Sprint-Florida's experience, both with renting pole space from other entities and with allowing other entities to rent space on Sprint-Florida owned poles. Tr. 71; *see* also Ex. 10, pages 83, 86, 88.

In its Prehearing Statement Position on Issue 7(e), FDN states:

> Understating the structure sharing percentages increases the investment cost in the model since the telephone company bears more than its forward-looking sharing of the structure costs.

FDN goes on to recommend that the Commission use the FCC "default" percentages for purposes of adjusting Sprint-Florida's cost study results.

Basically, FDN believes that the structure sharing data provided by Sprint-Florida is inaccurate and is not truly reflective of Sprint-Florida's experience with its network. FDN believes that the FCC's "one-size-fits-all" default inputs for determining costs for universal service are more appropriate than state and company-specific experience. Unlike FDN, which has provided no evidence to support its recommendation, Sprint-Florida has provided support for its structure sharing.

The FCC default inputs for structure sharing do not reflect Sprint-Florida's actual experience. In fact, as stated by Mr. Dickerson, the structure sharing inputs used in SLCM reflect more sharing that what Sprint-Florida actually experiences. Tr. 71; Ex. 14, pages 29-31. As explained above, there are numerous reasons why structure sharing opportunities are limited. Using the FCC default inputs for Sprint-Florida's cost studies would not be specific to Sprint-Florida, Inc., would not accurately predict the forward-looking structure costs Sprint-Florida would incur, and thus, would understate the investment for loops.

(f) structure costs;

Position: **Structure costs are the costs for structures (conduit systems, trenches, poles) supporting copper and fiber feeder and distribution cable. Sprint-Florida's Florida-specific structure cost inputs were developed based on an analysis of the entire 1999 and 2000 contractor construction costs and activities.**

* * * *

Structure costs are the costs for structures (conduit systems, trenches, poles) supporting copper and fiber feeder and distribution cable. The structure cost inputs fall into two basic categories: the type of construction activity (e.g., trench and backfill, cut and restore sod, plowing, bore cable) and the percent of construction done using the various construction activities (e.g., buried distribution cable construction done using plowing 37% of the time and boring 59% of the time for the high customer density zones). Tr. 73. The placement of buried cable is its structure. Ex. 10, pages 369-370. The cost of actually placing the buried cable is the contract labor rates Sprint-Florida pays its contractors to place the buried cable. Ex. 10, page 370.

Sprint's Florida-specific structure cost inputs were developed based on an analysis of the entire 1999 and 2000 contractor construction costs and activities as tracked in Sprint's Network Construction Activity Program (NETCAP). As such, Sprint-Florida's inputs provide the most current, verifiable and pertinent data available for predicting the forward-looking costs of construction in the same markets from which the data was drawn. Tr. 73-74.

Sprint-Florida's Position and record evidence on Issue 7(f) is unopposed by any party.

(g) fill factors;

Position: **Sprint-Florida's feeder cable fill factors were developed based on Florida wire center-specific data for feeder cable fills, and reflect Sprint-Florida's real-life experience.**

* * * *

Fill factors are the percentage of available network capacity utilized. Utilization is dependent upon anticipation of future needs, capacity acquired in "blocks," and construction timeframes. Tr. 74. Sprint-Florida's feeder cable fill factors were developed based on Florida wire center-specific data for feeder cable fills. The feeder cable fill inputs were adjusted to reflect the reality that the cost model must select the ultimate cable size from the available cable sizes which results in some additional non-utilized cable pairs. The distribution cable fill inputs were set at 100% in concert with a model input of two distribution pairs per household. The assumption of two distribution pairs per household reflects the actual and forward-looking, least-cost practice of placing two distribution cable pairs at each house at the point of initial construction. Tr. 75-76.

In its Prehearing Statement Position on Issue 7(g), FDN contends that:

> Sprint's fill factors are generally too low and do not reflect a forward-looking, least-cost network built for a reasonable projection of actual demand. Sprint has included large amounts of spare facilities to accommodate anticipated growth in demand by future customers, which is inappropriate in a TELRIC setting. Use of digital loop carrier and fiber feeder allow for carriers to better manage capacity eliminating the need for excess spare capacity. The Commission should find the fill factors to be no lower than 90%. Sprint also assumes use of two residential lines per household and six business lines per business which far exceed current levels of demand.

FDN's unsupported suggestion that fill factors be set to 90% is contrary to reality, forward-looking network design, and FCC requirements. *See* Ex. 14, page 73; FCC First Report and Order, para. 682. As noted above, Sprint-Florida fill factors reflect its current experience with cable utilization in its Florida network. *See* Composite Ex. 2, Ex. KWD-2, Vol. I of III, B. Loops, Section 4.2.a Cable Sizing Factor (Fill Factor). The inputs entered into SLCM reflect the

true fill that Sprint-Florida experiences and reflects the least-cost, most-efficient cable utilization. Tr. 75; Ex. 11, pages 1-2. FDN, on the other hand, has provided no evidence that a forward-looking fill for Sprint-Florida, Inc. should be any different. Sprint-Florida could not operate in an efficient manner if it assumes the level of fill FDN suggests. If that level of fill were assumed and used in the network, costs would dramatically increase through constant plant construction, and result in the inability to provide retail and wholesale services in a timely manner. Ex. 14, pages 72-77. No efficient company would try to operate at such an implausible fill level.

FDN also suggests that Sprint-Florida's assumption of two lines per residential household and six lines per business location far exceed current levels of demand. Again, FDN's suggestion is inconsistent with reality and unsupported by the record. If Sprint-Florida were to practice placing only one-line at a time, loop costs would dramatically increase through constant construction and would lead to the inability to meet the needs for retail and wholesale services. Ex. 14, pages 72-73. Sprint-Florida's assumptions and inputs into SLCM are consistent with quality of service requirements.

(h) manholes;

Position: **Sprint-Florida's Florida-specific material and labor costs and manhole/handhole spacing was used.**

* * * *

Sprint-Florida's cost model inputs for manholes are based upon Sprint's Florida-specific material and labor costs and manhole/handhole spacing. Ex. 10, pages 338-339. The structure sharing inputs for manholes were set at a conservative level in excess of Sprint-Florida's actual experience to allow for some possible increase in structure sharing for manholes and handholes

on a forward-looking basis. Tr. 76. The sharing input for conduit is set at 100%, consistent with the fact the model places no conduits in excess of those necessary for underground telephone cables and thus there is no spare conduit (or associated cost) to sell to an outside party. Tr. 76.

Sprint-Florida's Position and record evidence on Issue 7(h) was unopposed by any party.

(i) fiber cable (material and placement costs);

Position: **The material cost inputs for fiber and copper cable were developed using Sprint-Florida's current vendor costs and an analysis of Sprint-Florida's cable installations for 1998-2000.**

* * * *

The material cost portion of Sprint-Florida's inputs for fiber and copper cable was developed using Sprint-Florida's current vendor cost for purchasing cable and adding Florida-specific sales tax due on those purchases. Tr. 77. An analysis of Sprint-Florida's cable installations in Florida for 1998-2000 was done to develop a cost that includes exempt and other material (such as splice enclosures and cable mounting hardware) (*see* Ex. 10, pages 340-342), overheads, and cable placement, splicing and engineering costs. Ex. 10, pages 330, 348. The data analyzed for this Florida-specific cost input was obtained from Sprint's Project Administration and Costing System (PACS). Tr. 77.

FDN contends in its Prehearing Statement Position on Issue 7(i) that:

> If the Commission declines to adjust the fill factors for dark fiber, then the Commission must reduce the material and placement costs for fiber cable in the recurring loop and interoffice facility (IOF) cost studies to preclude double recovery for Sprint. Also Sprint weighs its feeder plant mix too much towards higher cost underground and buried cable.

FDN's contention that "the Commission must reduce the material and placement costs for fiber cable in the recurring loop and interoffice (IOF) cost studies to preclude double recovery

for Sprint," is unsupported by any record evidence. By linking "fill factors for dark fiber" to fiber cable costs, FDN misses the point. The fill factor for fiber is not for dark fiber; it is for fiber cables. To meet quality of service requirements, Sprint-Florida must maintain some excess fiber cable that allows for testing, spare for breakage, and growth. Sprint-Florida is not double recovering and does not know to where in Sprint-Florida's cost study FDN refers. Sprint-Florida has not sold any dark fiber in Florida in six years, nor has it even had any requests for dark fiber in Florida in six years. Ex. 14, page 67. In the event dark fiber sales are ever made, they will most likely be substitutes for the lit fiber. Even when new dark fiber is called into service, the proper least-cost maintenance of fiber inventory (i.e., 75% fill) would require new fiber construction. Fill factors should be representative over the life of the asset, not the relief trigger point. Ex. 14, page 20.

The plant mix in Sprint-Florida's cost study reflects the reality of the Florida network. Ex. 11, page 32. Pursuant to Commission rules, new distribution cables must be placed below ground. Rule 25-4.008, et seq., Florida Administrative Code. Also, Florida experiences hurricanes, which can wreak havoc on aerial plant. Thus, Sprint-Florida's plant mix reflects the reality of a large amount of buried and underground plant. Ex. 11, pages 32-33. FDN offers no evidence that Sprint-Florida's forward-looking plant mix should be more aerial than buried or underground, nor does FDN offer evidence that aerial plant is the least cost most efficient type of plant for Sprint-Florida's service territory.

(j) copper cable (material and placement costs);

Position: **Please refer to Sprint-Florida's Position on Issue 7(i).**

* * * *

FDN asserts in its Prehearing Statement Position on Issue 7(j) that:

> Sprint's copper cable costs are overstated because Sprint assumes that there will be two distribution pairs per residence both fully wired back to the SAI. Sprint weighs its feeder plant mix too much towards higher cost underground and buried cable.

FDN believes copper cable costs are overstated because Sprint-Florida assumes that there are two distribution pairs per residence. Contrary to what FDN may "believe," Sprint-Florida's costs are accurately stated. As noted in the discussion of Issue 7(g), above, provisioning two pairs per household is the least-cost, most efficient means of constructing loop plant. By not assuming two pairs per household, Sprint-Florida's costs would be higher as a result of the need for construction every time an end user ordered a second line. As noted by Mr. Dickerson: "It's an absolute disaster to undersize the distribution cable in the network" in terms of "coming back in and constructing through existing infrastructure: streets, sidewalks, driveways, landscaping and so on." Ex. 14, pages 72-73.

Again, the plant mix in Sprint-Florida's cost study reflects the reality of its network in Florida. As noted in the discussion of Issue 7(i), above, in Florida, new distribution cables must be placed below ground. Rule 25-4.088, et seq., Florida Administrative Code. Florida also experiences hurricanes, which wreak havoc on aerial plant. Ex. 11, pages 32-33. FDN offers no evidence that Sprint's forward-looking plant mix should be more aerial than buried or underground.

(k) drops;

Position: **The drop wire and terminal inputs reflect Sprint-Florida's current vendor material costs and applicable Florida-specific sales tax and exempt material loadings. The placement cost portion of the inputs for aerial drops and both aerial and buried terminals are based on Florida-specific labor hour costs and labor hour estimates. The placement cost for a

buried drop is based on Sprint-Florida's Florida-specific contractor cost for buried drop placement.**

* * * *

Sprint-Florida's cost model inputs for drop wire and terminals reflect Sprint-Florida's current vendor material costs and applicable Florida-specific sales tax and exempt material loadings. The placement cost inputs for aerial drops and both aerial and buried terminals are based on Florida-specific labor hours costs and labor hour estimates provided by Sprint-Florida outside plant experts working in Florida. The placement cost for a buried drop is based on Sprint-Florida's contractor cost for buried drop placement. Tr. 77-78.

Sprint-Florida's Position and record evidence on Issue 7(k) is unopposed by any party.

(l) network interface devices;

Position: **Sprint-Florida has provided the cost for 6-line and 25-line NIDs suitable for POTS applications and the cost for a Smartjack for DS1 applications. The material cost portion of these UNEs reflects Sprint-Florida's current vendor purchase cost for the three respective NID types.**

* * * *

Sprint-Florida has provided separate material costs for residential and business Network Interface Devices (NIDs). These are the costs for 6-line and 25-line NIDs suitable for POTS applications and the cost for a Smartjack for DS1 applications. The material cost portion of these UNEs reflects Sprint-Florida's current vendor purchase cost for the three respective NID types. Tr. 78. In actuality, the housing for the NID is the housing for a 6-line NID, but the study cost is for just the materials inside sufficient to serve two lines. Ex. 14, page 50.

Sprint-Florida's Position and record evidence on Issue 7(l) was unopposed by any party.

(m) digital loop carrier costs;

Position: **The DLC inputs reflect the combined material cost and engineering, outside plant, and central office installation labor costs for an installed DLC. The material costs reflect Sprint-Florida's current vendor purchase prices and Florida-specific labor rates for engineering and installation.**

* * * *

The DLC inputs reflect the combined material cost and engineering, outside plant and central office installation labor costs for an installed DLC. The inputs include the cost of DLC site preparation, including obtaining permits, and concrete pad site engineering and installation. The material costs reflect Sprint-Florida's current vendor purchase prices and Florida-specific labor rates for engineering and installation. The labor hours for engineering and installation were provided by Sprint-Florida employees responsible for DLC engineering and installation. Tr. 79.

Sprint-Florida DLC inputs for stand-alone unbundled loops reflect the additional equipment necessary to deliver dedicated unbundled loops to ALEC customers collocated at the central office. Composite Ex. 2, Ex. KWD-2, Volume I of III Loop, Section III.B.4.2.6, page 16-22 of 40; Ex. 14, page 86. This additional equipment is the Central Office Terminal and DS-0 level line card. The DLC inputs are appropriately modified to reflect a lower cost GR-303 Integrated DLC (IDLC) configuration when predicting the cost of loops in a UNEP application. This IDLC configuration can be utilized in UNEP applications because the link between the DLC and the switch can be combined with other customers served by the DLC and integrated straight into the switch on a common path. This reduces the cost of the DLC inputs by removing the central office equipment and DS-0 level line card costs necessary in stand-alone UNE loop applications. Tr. 79-80.

In its Prehearing Statement Position on Issue 7(m), FDN contends that Sprint-Florida:

> Sprint does not model its stand alone UNE loop model on such a configuration (a lower cost GR-303 Integrated DLC (IDLC) configuration) and instead uses a much more expensive DLC configuration.

FDN has produced no record evidence to support its position that this is inappropriate. Sprint-Florida, on the other hand, has supported this position with compelling evidence. Sprint-Florida's SLCM models elements as they will be provided. As noted above, in Composite Ex. 2, Ex. KWD-2, Volume I of III, Section III.B. Loop, Sprint-Florida explains why there is a difference between the stand-alone UNE loops and loops for UNEP. Further, as discussed in Mr. Dickerson's deposition, each type of method of provisioning a loop behind a DLC, whether through an integrated configuration for UNEP or through universal configuration for stand-alone UNE loops is the least-cost, most efficient means available of provisioning the UNE in question. Ex. 14, pages 54-58. If a loop is provisioned via NGDLC, it will be provided as a double ended loop to the CLEC as this is the only technically feasible, least-cost means of provisioning that loop on a stand-alone UNE basis. Ex. 14, pages 55-56. If FDN wishes to purchase all of its loops as single ended, Sprint-Florida offers UNEP, which would also provide FDN a port.

(n) terminal costs;

Position: **Please refer to Sprint-Florida's Position on Issue 7(k).**

* * * *

The terminal inputs reflect Sprint-Florida's current vendor material costs and applicable Florida-specific sales tax and exempt material loadings. The placement cost portion of the inputs for aerial drops and both aerial and buried terminals are based on Florida-specific labor hour costs and labor hour estimates provided by Sprint-Florida outside plant experts working in Florida. Tr. 77-78.

Sprint-Florida's Position and record evidence on Issue 7(n) was unopposed by any party.

(o) switching costs and associated variables;

Position: **Sprint-Florida has developed costs for local switching and associated variables via three separate components: usage sensitive switching, a flat-rated port, and flat-rated features.**

* * * *

In general, Sprint-Florida's approach for switching cost development is to distinguish between the fixed and variable switch cost components. The variable components' investment in the switch are divided by the call attempts and minutes of use (MOU), while the fixed components of the switch are divided by the lines in the switch. Tr. 172.

The costing methodology for circuit switching is developed using an Excel-based Switching Cost Module (SCM) described in Composite Ex. 2, Ex. KWD-2, Vol. I of III. Total investment is derived from the Telcordia SCIS (Switching Cost Information System) model, and combined with actual usage information and company-specific vendor switch discounts to derive TELRIC investment results for each host office complex. The SCIS model is a widely used and accepted industry model for determining switching investment. Tr. 173.

Because SCIS only considers vendor-specific hardware investments in each central office, software and power investment required to provide basic switching functionality are determined separately and included with the SCIS results in the SCM investment inputs. Tr. 173. Switching costs are provided on a per exchange basis. Each exchange reflects the cost characteristics of the host/remote switching complex providing service to that exchange. These exchange level results are weighted to reflect a study area/state weighted average result. Tr. 176.

Sprint-Florida's Position and record evidence on Issue 7(o) was unopposed by any party.

(p) traffic data;

Position: **The switching traffic data inputs consist of line call attempts, trunk call attempts, line minutes of use, trunk minutes of use, host line counts, are remote line counts.**

* * * *

See Ex. 10, pages 218-221.

Sprint-Florida's Position and record evidence on Issue 7(p) was unopposed by any party.

(q) signaling system costs;

Position: **The major determinant of cost on the SS7 network is demand on all traffic-sensitive components of the network. These components consist of port-related and switching-related elements.**

* * * *

Signaling System Seven (SS7) interconnection consists of Signal Transfer Point (STP) ports, interconnecting facilities, and STP switching usage. The TELRIC methodology and costing assumptions associated with STP Ports and Switching are detailed in Composite Ex. 2, Ex. KWD-2, Volume I of III, Tab SS7. Port costs have been excluded from the STP switching usage investment. Florida-specific annual charge factors, equipment fill factors, and demand are used in the calculations. The applicable transport link and multiplexing costs are calculated in the Transport and Multiplexing Cost Modules. Tr. 225-226.

Sprint-Florida's Position and record evidence on Issue 7(q) was unopposed by any party.

(r) transport system costs and associated variables;

Position: **Sprint-Florida's development of interoffice transport costs and associated variables for UNEs includes all of the direct cost components required for the service to be fully

functional. These inputs include material costs of terminal equipment, transport media, volumes of traffic, and distance.**

* * * *

Sprint-Florida's development of interoffice transport system costs for transport UNEs includes all of the direct cost components required for the service to be fully functional.

The largest single determinant in the unit cost of a DS0, DS1, DS3, OC3 or OC12 transport circuit is the volume of telecommunications traffic transmitted over a specific transport route. Demand determines both the appropriate capacity sizing of the terminal equipment and fiber cable. Additionally, it defines the units over which these costs are spread. As volumes of traffic vary across specific transport routes, so do the sizing and utilization of terminals and fiber cable, and ultimately the resulting unit costs. Tr. 157.

Use of larger terminals associated with increased traffic volume results in greater economies and lower unit costs. Tr. 157. A basic characteristic of fiber cable is that the volume of traffic is a function of the optical terminal's bandwidth/capacity (OC3, OC12 and OC48) placed on the fiber ring. From this basic principle, it follows that the same traffic volume that drives the unit cost of the terminals is also a major determinant in the transport unit cost of the fiber. The same relationship exists for fiber as for terminals, in that the more traffic that a specific transport route carries the lower the unit cost of DS0, DS1, DS3, OC3 or OC12 on that route. Tr. 157-158.

Sprint-Florida's cost model inputs for terminals are filed in Volume II of Ex. KWD-2, under the Transport section. The interoffice transport terminal cost inputs reflect Sprint-Florida's current vendor material costs and applicable Florida-specific sales tax. The engineering/installation labor inputs were developed by Sprint Engineering as typical work durations considered appropriate for this cost study. Ex. 10, pages 371-373. Florida-specific

labor rates were also utilized. Tr. 160. It would be inappropriate to use inputs for Sprint-Florida's TELRIC study from any other proceedings. Ex. 12, page 55.

As the distance around a transport ring increases, more fiber cable must be placed, thereby increasing the cost of bandwidth on that ring. Related to the impacts of distance on transport unit costs is the fact that as distance increases, the likelihood for needing multiple survivable SONET rings to connect the two network end points increases. The potential use of multiple rings to transport traffic between certain end offices is unavoidable due to ultimate capacity constraints of terminal equipment and the need to construct fiber rings that link the predominant communities which originate and terminate the largest volumes of traffic on any given ring. Two communities with a relatively smaller need (i.e., volume) for transporting traffic between themselves would normally not exist on the same ring, and multiple rings are required to establish the circuit. Tr. 158.

Sprint-Florida's Position and record evidence on Issue 7(r) was unopposed by any party, but *See* FDN's position on Issue 9(a) and Sprint-Florida's discussion.

(s) loadings;

Position: **In addition to the cable material costs, there are engineering, placing and splicing labor that are added on a "per foot" basis. Overheads, such as supervisory labor for the engineers or outside plant construction workers, are added as a "per foot" amount because the activities do not vary by cable size. These "loadings" are based upon the most current, Florida-specific, geographic-specific information available. There are also "loadings" applicable to structure costs that are similar to the material costs.**

* * * *

To the extent that Sprint-Florida uses "loadings" as inputs to the cost model, those inputs – and their development – are identified at Composite Ex. 2, Ex. KWD-2, Volume I of III, Tab B Loop, pages 8 to 39 of 40.

Sprint-Florida's Position and record evidence on Issue 7(s) was unopposed by any party.

(t) expenses;

Position: **The incorporation of forward-looking expense estimates in Sprint-Florida's UNE cost study process falls into four basic categories and/or processes: 1. The direct maintenance associated with capital investments underlying the various UNEs (e.g., buried copper cable maintenance, digital circuit equipment maintenance); 2. Other Direct Expenses associated with capital investments underlying UNEs (e.g., circuit engineering, cable pair record maintenance, trunk engineering); 3. Forward-looking common cost loadings; and 4. Expenses avoided when selling wholesale level UNEs vs. retail sales costs (e.g., billing and postage costs).**

* * * *

The direct maintenance expenses associated with UNE capital investments are applied in the UNE cost study process by including a direct maintenance expense component in the Annual Charge Factor. Using the relationship of Florida-specific 2000 direct maintenance to the associated gross capital investment, the direct maintenance expense loadings were developed. By applying these Florida-specific direct maintenance loadings to the corresponding forward-looking capital investment, an estimate of forward-looking direct maintenance is included in Sprint-Florida's UNE cost study. Tr. 80-81.

In Sprint-Florida's UNE cost study process, it is necessary to consider forward-looking direct expenses beyond the direct maintenance expenses. Sprint-Florida has developed the Other

Direct and Common (ODC) cost study model and process. This study identifies the additional forward-looking direct expenses, such as traffic engineering or assignment functions, and develops loading relationships to the applicable UNE. The loading relationships for each Other Direct Expense account is based on four basic approaches explained in the ODC cost study narrative. Within the ODC study, the Assignment Driver provides the basis for each direct expense assignment to the various UNEs. The forward-looking TELRIC UNE investments are used to develop the other direct expense loading percentages, thus assuring a forward-looking level of expense estimate. Tr. 81.

Common costs such as furniture, office equipment, general purpose computers and corporate operations are also developed in the ODC study process. Tr. 82. An integral part of the Other Direct and Common Cost study process is the consideration of expenses that can be avoided when selling UNEs on a wholesale basis versus sales of services on a retail basis. Sprint-Florida's expense study processes identify these "avoided costs" using its Avoided Cost model and study process (ACS) which is explained in detail in the ACS section of the documentation. The result of the ACS is fed into the ODC cost study described above. The ACS is an activity-based cost study process that identifies the avoided expense by expense category (subaccount) and assigns these expenses to service groups, based on an activity driver. The use of the ACS study process assures that Sprint's UNE cost study results properly exclude retail expenses that can be avoided when selling UNEs on a wholesale basis. Tr. 82.

FDN has asserted in its Prehearing Statement Position on Issue 7(t) that:

> Sprint has overstated the maintenance and support factors for recurring UNE costs by overstating operating expenses using a 'top-down' methodology. The Commission should require Sprint to derive forward-looking expenses through a 'bottom up' determination of the expenses needed to operate and support a forward-looking network. Sprint's maintenance expense component also does not properly reflect annual productivity increases.

Not only does FDN fail to support its contention with any record testimony, its position is fundamentally flawed. Indeed, Sprint-Florida is unsure as to what FDN is referring to in its position on Issue 7(t). As provided in Sprint-Florida's cost study, and as discussed in Mr. Dickerson's deposition, Sprint-Florida used its most recent experience of owning and maintaining a network reflected in the various Part 32 accounts for Florida and applied those relationships among the accounts to forward-looking investments. Ex. 14, page 70.

FDN's unsupported assertion that Sprint-Florida's expenses do not reflect annual productivity increases is also incorrect and shows a limited understanding of Sprint-Florida's cost study. As discussed in Mr. Dickerson's deposition, the productivity gains are reflected in TELRIC through a flash-cut network design and investment. Ex. 14, pages 70-72. Further, if Sprint-Florida were to assume an explicit variable representing productivity, it would also have to assume an explicit variable for inflation to account for increases in labor and material. When variables for productivity and inflation are used together, they would basically offset each other, bringing the result back to what has already been provided.

(u) common costs;

Position: **Common costs such as furniture, office equipment, general purpose computers and corporate operations are also developed in the Other Direct and Company Cost study process.**

* * * *

Please refer to Sprint-Florida's discussion of Issue 7(t).

Sprint-Florida's Position and record evidence on Issue 7(u) was unopposed by any party.

(v) other.

Position: **Sprint-Florida has not identified any "other" TELRIC inputs.**

* * * *

No party to this proceeding provided a position on, or record evidence supporting, any "other" inputs to the TELRIC study in response to Issue 7(v).

Issue 8: **What are the appropriate assumptions and inputs for the following items to be used in the forward-looking non-recurring UNE cost studies?**

(a) network design;

Position: **Sprint-Florida assumes a "Forward-Looking" network as defined by the FCC. This design meets the FCC's dual test of being "Most Efficient" and "Currently Available." Specifically, Sprint-Florida assumes Next Generation Digital Loop Carriers (NGDLCs) in the development of non-recurring charges for unbundled loops and the availability of an "Electronic" means for the Competitive Local Exchange Carrier (CLEC) to submit local service requests.**

* * * *

Non-recurring charges (NRCs) are one-time charges assessed for activities performed by Sprint-Florida on behalf of ALECs which involve the processing of orders and the installation of UNEs. The purpose of the NRC study is to determine the cost of initiating, changing and providing unbundled element services for ALEC customers. These charges are based on the amount of time required to complete an activity and the cost of performing that activity. The NRC represent the most current wage rates and time components related to UNE services. A contribution for common costs was included as a component in the total non-recurring cost. Tr. 193.

For the non-recurring charges' "network design," Sprint-Florida utilizes principles set out by the FCC and this Commission. First, Sprint-Florida assumes a "forward-looking" network as defined by the FCC. That is, the network utilized in the development of NRCs meets the FCC

criteria of being "the most efficient, least-cost and reasonable technology currently available for purchase." Tr. 191-192. In compliance with these principles, Sprint-Florida assumesd the use of Next Generation Digital Loop Carriers ("NGDLCs") in the development of NRCs for unbundled loops and assumed the availability of a "fully automated" Operations Support System (OSS) for an ALEC to submit Local Service Requests ("LSRs") to the Company. Tr. 192. Automated facility assignment, order routing, switch activation and dispatch have also been assumed as part of the Company's forward-looking network. Tr. 191-192.

Again, assuming a forward-looking network, Sprint-Florida developed NRCs that relate as closely as possible to actual costs incurred, rather than developing a single "average" charge. Consequently, ALECs will pay non-recurring charges that relate directly to work actually performed on their behalf which, in turn, will ensure that Sprint-Florida neither over-recovers, nor under-recovers, non-recurring costs. Tr. 192.

In its Prehearing Statement Position on Issue 8(a), FDN contends, but provides no record evidence, that:

> NRCs should be based on forward-looking, least-cost network design and processes and exclude the need for expensive labor-intensive manual intervention. Sprint's assumption of use of 100% UDLC for stand alone UNE loops significantly increases the non-recurring costs for such loops by requiring use of manual cross connects.

FDN's contention shows it does not have a solid understanding of telecommunications through its repeated assertion that integrated IDLC digital loop carrier is more efficient than universal digital loop carrier (UDLC) for providing stand-alone UNE loops. The only technically feasible least-cost, efficient means of providing a loop that is served via NGDLC is to double-end the loop and make manual cross-connections. Ex. 13, page 93. The use of electronic cross-connects is an option. However, these were not assumed in Sprint-Florida's cost study because it would increase investment immensely for each central office and is an inefficient

utilization of the equipment for the limited demand for local loops Sprint-Florida is experiencing. Sprint-Florida would still require time to program the cross-connections and set up the electronic cross-connect device, both of which would serve to increase investment and non-recurring costs related to provisioning the loop Composite Ex. 2, Ex. KWD-2, Vol. I of III, Section III.B.Loop 4.2.6, pages 16-22 of 40.

(b) OSS design;

Position: **Sprint-Florida has, for non-recurring cost study purposes, assumed the availability of a fully automated Operations Support System (OSS).**

* * * *

Sprint has developed the Service Order Charges based on the availability of a fully automated OSS for ordering service using two general categories of Service Order Charges: Electronic Service Order Charges and Manual Service Order Charges. Tr. 195. Sprint-Florida's development of Electronic and Manual Service Order Charges is consistent with the utilization of a least-cost, forward-looking technology. In order to be considered forward looking, a technology must be currently available, most-efficient and least-cost. Sprint-Florida's proposed Electronic/Manual service order structure best meets these criteria in a broad range of situations. Tr. 196.

An automated service ordering interface requires investment on the part of both the ALEC that is sending the orders and the ILEC that receives them. A decision as to whether an automated ordering system is "most efficient" must consider the financial impact on both parties. Tr. 197. Sprint-Florida has an automated platform in place to serve ALECs that find it more economical to use this method. It is assumed that a service order will directly flow into the OSS on a fully automated basis. Tr. 195. Sprint-Florida also provides a manual process that ALECs

may elect to use if implementing an automated interface is not economical for them due to low order volume or other reasons. ALECs presently use both methods to transmit orders to Sprint-Florida. Since it is likely that ALECs will use the ordering option, which is in their best economic interest, both manual and automated ordering are forward-looking approaches. Tr. 197.

There is a difference in the cost to Sprint-Florida for processing electronic and manual service orders. As one might expect, the NRC for processing a manual service order is higher. This methodology results in charges that relate as closely as possible to actual non-recurring costs incurred, rather than developing a single "average" charge." Tr. 197.

FDN contends in its Prehearing Statement Position on Issue 8(b) that:

> Sprint admits that its OSS is not fully automated and asserts that it is holding back on full automation due to a lack of demand. Clearly Sprint's cost study is not reflecting use of least cost, forward-looking technology. As a result, there is an excessive amount of manual intervention. Sprint assumes that an excessive amount or orders will not flow through, thus significantly overstating NRCs.

Not only is FDN's position not supported by any record evidence, it is clearly contrary to the record evidence. Sprint-Florida's cost studies reflect 100% automation. Tr. 195; Ex. 13, page 20. This includes 100% flow-through for switch port and enhanced custom calling features. Tr. 209.

FDN's additional assertion that Sprint-Florida assumes an "excessive amount of orders" do not flow through its OSS is again contrary to the record evidence. Sprint-Florida based its cost studies on an assumption of improvement over time of its service order handling. In its cost study, Sprint-Florida assumes a flow-through rate of 85%, when in actuality the flow-through rate is only 51%. Ex. 11, page 6. The flow-through amount is related to the quality of the orders received from CLECs; if the order is incomplete or inaccurate, it falls out of the system. Ex. 13, pages 22-24, 75.

(c) labor rates;

Position: **Sprint-Florida's non-recurring labor rates associated with provisioning UNEs are specific to the job/position performing the work. These labor rates are Florida-specific.**

* * * *

Sprint-Florida's non-recurring charge (NRC) study uses the most current Florida-specific wage rates for each work group that completes the activity associated with initiating, changing and providing UNEs for ALEC customers. Tr. 193. *See* also Ex. 10, page 77.

Sprint-Florida's Position and record evidence in support of Issue 8(c) was unopposed by any party.

(d) required activities;

Position: **Sprint-Florida's NRC study consists of four main steps:

1. Identify the activities performed to complete service order, installation and other related service functions for each unbundled element.
2. Identify the time related with each function performed above.
3. Identify the labor rates for each work group that completes the activity and multiply that amount by the work time.
4. Group the costs by appropriate activities to develop a cost by unbundled element.**

* * * *

The three general categories of functions reflected in the Sprint-Florida TELRIC study of non-recurring charges are Service Order Charges, Installation Charges, and Other Installation

Charges. Each of the four main study steps is performed with respect to each of these categories of non-recurring charges. Tr. 194.

A Service Order Charge covers the cost of work performed by Sprint-Florida in connection with receiving, recording and processing ALEC requests for service. Sprint-Florida has developed three categories of Service Order Charges. A Service Order Charge is applied to all orders for new service received from ALECs. A Listing Only Charge is applied to orders received through the Local Service Request (LSR) process to provide directory listings only. (Note: Sprint also provides a "batch" process that is generally used by ALECs for providing directory listings.) A Change Order Charge is applied when an ALEC requests a change in a port feature. Tr. 194-195.

The Installation Charge section of the NRC cost study is subcategorized into 13 different UNE types, including loops (all types), pre-order loop qualification, loop conditioning, dark fiber, UNE-P, EELs, switching, features, customized routing, operator services and transport. Each subsection contains a description of the costing methodology or elements utilized to derive the applicable NRC rates. Tr. 199. For analog, digital, xDSL-capable loops and subloops, the NRC recovers the cost of work performed for connection or reconnection of 2-Wire and/or 4-Wire loops. A new install charge recovers the cost of installing an unbundled loop on behalf of an ALEC for an end user who is not an existing customer of Sprint. The charge will also apply to a loop where there is no existing "Cut Through" or "Dedicated Central Office Plant" in place. Tr. 199-200.

The Re-install or Migrate charge recovers the cost of installing an unbundled loop when an existing Sprint end user is migrating to an ALEC, or when there is an existing "Cut Through" or "Dedicated Central Office Plant" in place. Tr. 200. Trouble Isolation and Testing Charge is billed when an ALEC reports trouble on a facility and it is discovered that the cause is outside of

Sprint's network, as in the case of inside wire or trouble in the ALEC's network. The trouble isolation charge includes two components. The first recovers the cost of conducting tests at the central office, and the second recovers the cost of dispatching an outside technician to determine the cause. Tr. 213. Other UNE charges found within the installation category includes those associated with *Originating Point Code Service, Global Address Translations, Nid Installation, Cooperative Testing, Trip Charges, Dark Fiber End-to-End Testing and Loop Tag and Label.* The costing methodology utilized for each of these NRCs can be found in the description and methodology sections within the "Other Charges" category of the NRC cost study. Tr. 213.

In its Prehearing Statement Position on Issue 8(d), FDN asserts:

> Sprint's work times used in support of its NRCs were based on a combination of subject matter expert ("SME") input and observation. The SME input was based on informal input from SMEs. No formal instructions were given to the SMEs nor were they required to assume use of efficient practices. No adjustments were made to the work times to reflect possible bias or use of forward-looking processes. No statistical or third party review of the work times was conducted.
>
> What Sprint characterizes as "time and motion studies" was unstructured observation of technicians completing certain tasks. The observations were ancillary to review of other aspects of technicians' work such as safety practices. Furthermore, no effort was made to discern whether the work times reflected use of forward-looking, efficient practices.
>
> The Commission should adjust Sprint's NRCs to reflect forward-looking network design assumptions and processes. Sprint's NRCs should also be adjusted to reflect greater use of dedicated outside plant and dedicated central office plant.

FDN's assertion that the work times used in the Sprint-Florida NRC study are based on "informal" SME opinion is again made without any foundation. Sprint-Florida did indeed instruct the SMEs to assume an efficient process when providing time estimates. Ex. 13, pages 82-86. In some cases, Sprint-Florida relied upon time and motion studies that were used as part of a larger project to determine the best practices of Sprint-Florida technicians. Ex. 13, pages 38-43, 81-82. These were independent observations of the same work necessary to provision

UNEs. Ex. 10, pages 115-117, 145, 149-206, 383-384 These observations were gathered while observing technicians who were randomly picked, so it is a non-biased sample. Ex. 10, page 383.

Where possible, Sprint-Florida relied upon facts to develop its time estimates. However, some NRCs required the use of SME opinion, which is based on experience and having done the tasks in question. Ex. 13, page 85. The labor times Sprint-Florida assumed in its cost studies were consistent with those found in the commission-approved costs for BellSouth for similar tasks or even shorter. FDN has provided no supporting evidence or a time and motion study of its own that proves that Sprint-Florida's labor times are inconsistent with the most efficient means of providing the service.

FDN's suggestion that Sprint's NRC's should be adjusted "to reflect greater use of dedicated outside plant and dedicated control office plant," is both unsupported by the record and is inconsistent with FDN's suggestion that the network needs to operate at a 90% fill factor. "Dedicated plant" is end-to-end loops ready for service but not yet "in service." Fill factor is the relationship of working pair to total pair. Increasing dedicated plant would mean that more vacant pair would have to be made available. Increasing vacant pair means decreasing fill factors.

(e) mix of manual versus electronic activities;

Position: **Sprint-Florida's non-recurring cost study assumes the availability of a "fully automated" Operations Support System (OSS) for an ALEC to submit Local Service Requests ("LSRs") to the Company. Sprint-Florida also assumes the availability of a manual ordering system for orders not placed through the automated OSS. Automated facility assignment, order

routing, switch activation and dispatch have also been assumed as part of the Company's forward-looking network.**

* * * *

Please refer to Sprint-Florida's discussion of Issue 8(b).

(f) other.

Position: **Sprint-Florida has not identified any "other" inputs to its non-recurring cost study.**

* * * *

Neither Sprint-Florida, nor any other party identified any "other" inputs to the non-recurring cost study.

Issue 9: **(a) What are the appropriate recurring rates (averaged or deaveraged as the case may be) and non-recurring charges for each of the following UNEs?**

(1) 2-wire voice grade loop;
(2) 4-wire analog loop;
(3) 2-wire ISDN/IDSL loop;
(4) 2-wire xDSL-capable loop;
(5) 4-wire xDSL-capable loop;
(6) 4-wire 56 kbps loop;
(7) 4-wire 64 kbps loop;
(8) DS-1 loop;
(9) high capacity loops (DS3 and above);
(10) dark fiber loop;
(11) subloop elements (to the extent required by the Commission in Issue 4);
(12) network interface devices;
(13) circuit switching (where required);
(14) packet switching (where required;
(15) shared interoffice transmission;
(16) dedicated interoffice transmission;
(17) dark fiber interoffice facilities;
(18) signaling networks and call-related databases;
(19) OS/DA (where required).

Position:

(a) **The appropriate recurring and non-recurring rates for the listed UNEs (where required) and interconnection at issue in this proceeding are set forth in Composite Ex. 1, Revised Exs. MRH-1, MRH-2, MRH-3 and MRH-4 to the prefiled direct testimony of Michael R. Hunsucker, dated November 7, 2001, and in the Revised Exs. MRH-1 and MRH-2 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002. The appropriateness of these rates is discussed in Mr. Hunsucker's direct and supplemental direct testimony.**

* * * *

Sprint-Florida's proposed UNE rates are summarized in Composite Ex. 1, Revised Ex. MRH-1, "Network Element Price List-Sprint Florida." *See* Appendix A. The proposed UNE rates were derived from the cost studies presented by the Sprint-Florida cost witnesses in this proceeding. The proposed rates are calculated as the sum of TELRIC costs plus allocated common costs. Tr. 36.

Loops

Sprint-Florida's proposed rates and rate structure for unbundled loops is provided in Composite Ex. 1, Revised Ex. MRH-2. The proposed rate bands were developed consistent with the deaveraging criteria described previously.[14] Strictly applying the 20% deviation rule resulted in 9 bands as shown in Composite Ex. 1, Ex. MRH-3. However, consistent with what the Commission mandated in the Phase II proceeding (BellSouth), Sprint-Florida aggregated wire

[14] The deaveraged rate bands were developed pursuant to Sprint-Florida's proposed criteria for deaveraging, as discussed previously at issue 2(a). First, wire center specific costs were developed for each element to be deaveraged. Second, the wire centers were then grouped or banded such that the actual cost of each wire center in the band does not deviate from the proposed rate in the band by more than 20%. Tr. 36 . Finally, consistent with the BellSouth decision, Sprint-Florida then collapses zones one and two into new zones one, collapses zones three and four into new zone two and collapses zones five through nine into new zone three. Tr. 51.

centers in the high-cost and low-cost bands such that the distribution of lines in each band is consistent with the distribution required for BellSouth. Tr. 37, 50.

This results in 2-wire analog prices of $18.58, $30.26 and $66.91 for zones one, two and three, respectively. Composite Ex. 1, Revised Ex. MRH-2. The same 3 bands were also used for analog 4-wire, 2-wire ISDN, DS-0 digital data and DS1 loops to be consistent with what Sprint-Florida believes the Commission established for all loop-related elements consistent with the rate bands established for 2-wire analog loops. Tr. 37. The banded rates for these loops are provided in Composite Ex. 1, Revised Ex. MRH-1.

Subloops

Sprint-Florida has developed generic rates for the feeder and distribution subloops elements. Sprint-Florida's proposed deaveraged rates for feeder and distribution are provided in Composite Ex. 1, Revised Ex. MRH-1. Again, in accordance with Sprint-Florida's understanding of what the Commission ordered in the Phase II proceeding, Sprint-Florida utilized the same rate bands for the feeder sub-elements as the 2-wire analog loop resulting in 3 rate bands. The same 3 rate bands were used for the 4-wire feeder and distribution subloop elements. The rates for these two elements were calculated by adding to the respective 2-wire feeder and distribution rate a uniform amount equal to the additional costs of provisioning these types of loops. Tr. 38. The banded rates for the 4-wire feeder and distribution subloop elements are also provided in Composite Ex. 1, Revised Ex. MRH-1.

Local Switching

Local switching pricing is comprised of two distinct elements: usage and ports. The switch port element includes the fixed or per line cost associated with the provision of local switching, and therefore Sprint-Florida proposes that the port charge be assessed on a per line

basis. The usage component includes costs that are usage sensitive, and therefore Sprint proposes that these costs be recovered through a per minute of use charge. The cost of a switch port for a PBX trunk is significantly more than the cost of a switch port for a basic access line interconnection. Therefore, separate switch port rates were developed for each of these service types. Tr. 39. Sprint-Florida's proposed local switching rates are provided in Composite Ex. 1, Revised Ex. MRH-1.

The cost of switching a telephone call consists of two distinct cost components. One is incurred on a per message basis, the other on a per minute basis. The per message cost, also known as call setup cost, consists primarily of the amount of time the switch's central processor requires to set up the call. Understanding that the length of all calls vary significantly, Sprint-Florida utilized a bifurcated rate structure (segregating the switching charge into a call setup charge and a call duration charge) which most accurately matches the charges to the underlying costs, thereby ensuring that the costs are recovered appropriately. Switching costs can be easily separated into call setup and per MOU costs to support this bifurcated cost development process. Tr. 40. Sprint-Florida proposed bifurcated switching rates are provided in Composite Ex. 1, Revised Ex. MRH-1, under the heading Reciprocal Compensation.

Sprint-Florida has developed feature packages that may be purchased with a switching port. Individual feature packages for Custom Calling, CLASS, Centrex and BRI-ISDN may be selected to provision on individual access lines. *See* Ex. 10, page 296. This will alleviate ALECs from having to purchase feature capability for their customers who do not desire features, while allowing Sprint-Florida to recover its feature-related costs on a per port basis. Tr. 179. As supported by the FCC, feature capability is an integral part of the switch. Ex. 10, pages 297-298. The ALEC may customize the switching ports it purchases from Sprint-Florida, but it cannot purchase feature capability without first purchasing the switching port. Tr. 180.

Dedicated Transport

As explained in the testimony of Sprint-Florida witness Cox, interoffice transport costs are developed on a route-by-route (i.e., wire center-to-wire center) basis. Dedicated transport costs were developed for DS1, DS3, OC3 and OC12. However, OC3 and OC12 service is not available on all routes in Florida. Tr. 40. Sprint-Florida has developed weighted statewide average termination and transit rates in accordance with Sprint-Florida's understanding of the Commission's ruling in the Phase II proceeding. The weighted average termination and transit rates were then applied on a route-by-route basis to determine route-specific dedicated transport rates. Tr. 40-41. Sprint-Florida's proposed dedicated transport rates are provided in Composite Ex. 1, Ex. MRH-4.

Common Transport

Sprint-Florida witness Cox developed the weighted average DS1 cost for transport within each local and EAS calling area for each exchange. This weighted average DS1 rate was then divided by 353,092, which is based on a Florida-specific traffic study of common use switched trunks. Tr. 41; Ex. 10, page 230. Sprint-Florida has filed statewide average common transport rates in accordance with its understanding of the Commission's ruling in the Phase II proceeding. Sprint-Florida's proposed common transport rate is provided in Composite Ex. 1, Revised Ex. MRH-1.

Local Transport

Sprint-Florida is proposing local transport rates for common transport per minute of use and dedicated transport for the DS0, DS1, DS3, OC3, and OC12 bandwidths. Ex. 10, page 358.

Tandem Switching

The tandem switching rate was developed following the same approach that was used for common transport. Tr. 41. Sprint-Florida has proposed a statewide average tandem switching rate found in Composite Ex. 1, Revised Ex. MRH-1.

Dark Fiber

Dark fiber costs were developed for interoffice, feeder and distribution plant dark fiber. The costs for interoffice fiber were developed on a per foot, per fiber basis, while the costs for feeder and distribution fiber were developed on a per fiber basis. Sprint-Florida believes that the cost variances derived for the interoffice fiber are not sufficient to warrant deaveraging. Tr. 42. Therefore, Sprint-Florida proposes a statewide average interoffice dark fiber rate as shown in Composite Ex. 1, Revised Ex. MRH-1.

Sprint-Florida proposes a statewide average feeder dark fiber rate as shown in Composite Ex. 1, Revised Ex. MRH-1. Sprint-Florida has limited fiber distribution plant, and therefore lacks sufficient data to develop a deaveraged dark fiber cost for fiber distribution plant. Sprint-Florida therefore proposes to use an average cost as the rate for distribution fiber. Tr. 42. The proposed rate is provided in Composite Ex. 1, Revised Ex. MRH-1. The rate for a dark fiber loop would be the sum of the statewide averaged dark fiber feeder and distribution rates.

In its Prehearing Statement Position on Issue 9(a), FDN asserts the following:

> The Commission should adjust Sprint's recurring UNE rates and nonrecurring UNE rates to correct for the errors noted above.
>
> For loops served by Sprint's remote switches, the Commission should require Sprint to charge the applicable UNE loop recurring and nonrecurring rates.
>
> In addition, for fiber interoffice facilities, Sprint's ring network should be modeled on the use of higher capacity OC48 facilities to accommodate base-load traffic, and the deployment of smaller rings to accommodate incremental traffic. Sprint should also be required to assume use of least cost, forward-looking

technology. Sprint's fill factors for interoffice facilities should be increased to 85%. Also rates for dark fiber loops and interoffice transport should be reduced to reflect the fact that Sprint is already recovering capacity costs for these facilities via its loop and interoffice facility rates. The fill factor for dark fiber loops and interoffice facilities should be 100%.

FDN's assertions are without record factual support and are just plain wrong. For example, FDN's suggestion of modeling OC-48 transport rings everywhere in Sprint-Florida's network would not be the least-cost most efficient forward-looking design. Sprint-Florida models OC48 rings where the demand warrants use of that equipment. In his deposition, Mr. Talmage Cox stated that the transport rings modeled were made up of 55 OC-48 bandwidth rings out of 97 rings. Ex. 12, page 69. Because Sprint-Florida's service areas are substantially rural, it does not have sufficient interoffice traffic to maintain a high utilization factor. Tr. 169.

Contrary to FDN's assertion, the equipment and fill factors assumed are the most efficient, least-cost currently available. Tr. 168-169. If Sprint-Florida were to assume an equipment fill factor of 85%, Sprint-Florida would be unable to meet the service quality needs for maintenance and installation. Tr. 168-169. Additionally, fill is also a function of the nature of transmission capacity. When, for example, an OC-3 system exhausts and is replaced with the next larger OC-12 system, its maximum utilization at cutover is only 25%. Tr. 169. For the same reasons, FDN's proposal that "the fill factor for dark fiber loops and interoffice facilities should be 100%" is ludicrous.

(b) Subject to the standards of the FCC's Third Report and Order, should the Commission require ILECs to unbundle any other elements or combinations of elements? If so, what are they and how should they be priced.

Position:

(b) *No.*

* * * *

In order for this Commission to require the unbundling of any other elements or combinations of elements, the Commission must follow the "necessary and impair" standards imposed by the Act. Act § 251(d)(2), *AT&T Corp. v. Iowa Utilities Board*, 119 S.Ct. 721 (1999). No party to this phase of the proceeding has presented any record evidence in support of unbundling other elements or combinations of elements which meets the "necessary and impair" standards.

Despite this fact, FDN, in its Prehearing Statement Position on Issue 9(b), contends that:

> The Commission should consider requiring Sprint to provide hybrid fiber/copper and copper/copper loops consistent with the Commission's requirements for BellSouth in Docket No. 990649A-TP.

Not only does FDN's contention fail to meet the Act's "necessary and impair" standard, it is contrary to the only record evidence in this proceeding.[15] As stated by Mr. Dickerson in his deposition, where an ALEC requests xDSL loops served by digital loop carriers, Sprint-Florida will "look for available copper pair that would get to the customer premise, and . . . make available those copper pairs to the extent they exist." Ex. 14, page 17. If those copper pairs don't exist, because the customer is served by a fiber-fed NGDLC, then the ALEC/CLEC can buy subloops and place its own DSLAM equipment out at the remote terminal location. Ex. 14, pages 17, 48-49. To date, Sprint-Florida has not deployed DSLAMs at its DLC locations. Ex. 14, page 48. Nor has Sprint-Florida deployed NGDLC configured with combo cards anywhere in Florida, except in a test environment. Ex. 14, page 48. At this point in time, neither the FCC nor this Commission has determined that these combo cards are subject to unbundling as a separate UNE. Tr. 68. Because Sprint-Florida has not deployed the DSLAM technology at its

[15] FDN's contention also appears to fail to meet the requirements of the U.S. Court of Appeals (D.C. Circuit) as set forth in *United States Telecom Assn v. FCC*, 2002 WL 1040574 (D.C. Cir. 2002) in remanding the FCC's Third Report and Order for failing to correctly analyze the "impair" standard.

DLC locations, nor has it denied collocation in remote locations, the FCC's four criteria for unbundling packet switching at the remote terminal have not been met. Ex. 10, pages 284-285; Ex. 14, pages 48-49.

Issue 10: **What is the appropriate rate, if any, for customized routing?**

Position: *Sprint-Florida proposes three non-recurring charges for customized routing, namely; switch analysis charge, host switch translations and remote switch translations. These charges are set forth in the Cost Study, Composite Ex. 2, Ex. KWD-2, Volume I of III, Tab VIII. NRC, pages 26 and 27.*

* * * *

The appropriate charges for customized routing are non-recurring charges. Three separate non-recurring charges have been identified for customized routing. Only those charges applicable to a specific customized routing request would apply. Those charges are Switch Analysis Charge, Host Switch Translations, and Remote Switch Translations. Time estimates and Florida-specific loaded labor rates were used to develop the charges shown in the cost study. Tr. 201.

Sprint-Florida's Position and record evidence on Issue 10 is unopposed by any other party.

Issue 11: **(a) What is the appropriate rate, if any, for line conditioning, and in what situations should the rate apply?**

Position:

(a) **The appropriate rate for line conditioning is that rate which compensates Sprint-Florida for the work performed at the ALEC's request to provide a facility that will allow for

transmission of high-speed digital service, such as DSL. This rate should apply in each instance in which inhibiting network components are present in the loop.**

* * * *

TELRIC principles must be applied to loop conditioning non-recurring cost methodologies. Sections 51.319(a)(3)(B) and (C) of the FCC Rules state that line conditioning costs must be recovered "in accordance with the Commission's forward-looking pricing principles. . .," and that ILECs shall recover non-recurring loop conditioning costs "in compliance with rules governing non-recurring costs in Section 51.507(e)," that is, based on the ILECs' forward-looking economic costs.

Line conditioning (Loop Conditioning) is the process that may be used in conjunction with Loop Qualification for provisioning an xDSL-capable loop. After receiving the loop make-up data, it is the customer's option to request Loop Conditioning. This includes the necessary work in the outside plant needed to provide a facility that will allow the transmission of high-speed digital service, such as xDSL. This work may include the removal of load coils, repeaters and/or bridged taps. Tr. 202-203.

Load coils are placed at regular intervals on copper cable pairs that are 18,000 feet or longer. Their purpose is to improve the transmission quality for voice grade services on these longer pairs by reducing the signal loss caused by the capacitance of the telephone cable. Copper pairs that are less that 18,000 feet long do not require loading to provide voice grade services. However, load coils will block the transmission of digital services, including xDSL-based services for both copper-fed and NGDLC-provisioned xDSL-capable loops. This is the reason that forward-looking networks are designed with loops that are short enough to avoid the need for load coils. Tr. 203.

Bridged taps occur at random in Sprint-Florida's network rather than in 25 pair complements like load coils. Many locations may only have one bridged tap in a particular splice. As in load coils, no plant is actually removed. The two wires of the cable pair are simply cut off and capped. Excessive bridged tap can be removed the majority of the time in above ground enclosures like the customer's serving terminal (where the customer's drop wire connects to the distribution cable). Tr. 206.

Sprint-Florida's loop conditioning cost methodology is TELRIC compliant and is based upon unit costs contained in current contracts Sprint-Florida has with outside plant contractors in Florida to perform the work functions necessary to condition cable pairs. For load coil removal on loops over 18,000 feet, all bridged tap and repeater removals, the costs are determined on a per location basis, dependent upon the type of outside plant facilities. Tr. 207. This methodology enables Sprint-Florida to recover costs that vary with the different types of plant conditions encountered when performing loop conditioning activities. For instance, it is more time consuming to perform loop conditioning activities in manholes than it is to perform the same procedures on aerial or buried outside plant (OSP) facilities. Unlike the aerial and buried OSP environments, a single technician cannot perform (loop conditioning) work activities in the manholes because a minimum of two technicians is required for safety reasons. The time required for pumping out water and purging potentially dangerous gases is also not required when working in aerial and buried OSP facilities. Since manholes are usually located and accessed in city streets, there are additional costs associated with setting up traffic control, as opposed to aerial and buried environments where utility trucks can usually pull off the roadway. Tr. 207-208.

Sprint-Florida also assumes that the majority of cable pair access locations involve quick and easy access to the cable pairs via "ready access" splice enclosures when working in both

aerial and buried plant facilities. The utilization of such enclosures is common industry practice – even in buried plant environments as the cable pair access locations are usually brought above ground into a pedestal. Tr. 208. Sprint-Florida's costing methodology accounts for the significant labor cost differences associated with accessing cable pairs to perform loop conditioning activities when working in these different OSP environments.

The costing methodology utilized by Sprint-Florida represents the "least cost, most efficient" standard established by the FCC. To avoid the potential problem with double counting engineering and travel time when multiple conditioning activities occur on one cable pair, Sprint-Florida calculated a separate one time per loop charge for "Engineering" and "Travel." Tr. 208. Perhaps more important, Sprint-Florida offers an alternate, TELRIC-based view of load coil removal for loops under 18,000 feet in length. Because cable pairs are generally loaded in groups of 25, and loading is not required at all on loops under 18,000 feet, separate costs were determined based on a more efficient load coil removal process. Sprint-Florida considers it reasonable to spread the fixed costs of accessing the cable pairs across all pairs that would be unloaded in a 25 pair binder group. The incremental labor costs associated with unloading 24 more cable pairs was added to a single engineering and travel charge and then divided by 25 to determine the cost per pair for the entire binder group. Tr. 208-209. Only 3.2% of Sprint-Florida's loops under 18,000 feet contain load coils. Ex. 10, page 75.

In its Prehearing Statement Position on Issue 11(a), FDN asserts that:

> A forward-looking network would not require voice-enhancing devices (i.e., disturbers such as load coils and repeaters) and use of bridged tap on loops. Sprint claims the forward-looking model it bases its cost models on utilizes next generation digital loop carrier with a fiber crossover point at 12,000 feet. Such a network would not require use of inhibitors. Thus, there should be no charge for loop conditioning regardless of loop length. Any cost recovery for line conditioning, including non-recurring costs, must comply with the FCC's TELRIC pricing rules. The forward-looking recurring costs of such loops provide cost recovery for the ILEC, and there is no need to impose a separate non-

recurring rate. If the Commission nevertheless allows a charge for loop conditioning, the charge should be based on the assumption that multiple loops will be conditioned at a time, regardless of loop length. The charge should also be assessed as a recurring charge.

FDN's assertion that loops – regardless of length – should be conditioned in multiples is inconsistent with reality, inconsistent with TELRIC, and would not comply with the FCC guidelines related to NRCs. FCC's Third Report and Order addresses loop conditioning and how it applies. FCC 99-238, paras. 192-194. Sprint-Florida's NRCs for loop conditioning are consistent with the FCC's order and are consistent with TELRIC as discussed in Composite Ex. 2, Ex. KWD-2, Volume I of III, Section VIII, NRC. The costs of removing disturbers from loops is non-recurring in nature, therefore, the costs should be recovered in a non-recurring manner.

Sprint-Florida also disagrees with FDN's assertion that xDSL-capable loops can provide the media for xDSL services without modification. It is a technical fact that modification to the loop is necessary to provide xDSL services. For example, load coils, bridged tap, and repeaters all interfere with the xDSL signal. The loop must be modified to eliminate the interfering devices to provision xDSL service. Tr. 202-203.

Sprint-Florida's cost structure for loop conditioning contains separate NRCs to be applied on a per occurrence basis for bridged tap, repeater, and load coil removal in long loops (loops longer than 18,000 feet). In addition, Sprint-Florida's cost structure provides separate NRCs for the different outside plant environments, i.e., aerial, buried and underground. Advantages to this approach are 1) conditioning costs are incurred only if inhibitors are found, and 2) the user of the loop is given the opportunity to be selective by requesting that excessive (greater than 2,500 feet)

bridged tap be removed first in the less expensive environments of aerial and buried. Ex. 10, page 299.

Finally, FDN's assertion that, "the charge should be based on the assumption that multiple loops will be conditioned at a time, regardless of loop length," is clearly wrong. The record shows that Sprint-Florida's cost structure for load coil removal in loops shorter than 18,000 feet does incorporate multipair conditioning because load coils are not needed in loops of that length going forward. However, load coils are needed for loops longer than 18,000 to ensure voice quality. Sprint-Florida's field operations would therefore not remove additional load coils in longer loops because all load coils previously removed would have to be reinstalled for voice service. (Ex. 13, pages 96-97).

(b) What is the appropriate rate, if any, for loop qualification information, and in what situations should the rate apply?

Position:

(b) **The appropriate rate for loop qualification information is that rate which compensates Sprint-Florida for the work performed at the ALEC's request to provide loop makeup and electrical parameter data.**

* * * *

Sprint-Florida has filed a NRC of $37.55 for a manual loop make up report. This charge reflects the time required to complete a loop make up report. Ex. 10, page 206. 251. A loop make up can be requested at the discretion of the CLEC. This NRC appears on summary page 3 of the cost study with the supporting cost study beginning on page 22 of the "Unbundled Network Elements Non-Recurring Cost Study." The supporting narrative appears in Section 4 of the "Non Recurring Charges Study Narrative." Ex. 10, page 73.

FDN contends that:

> Since inhibitors should not be present in a forward-looking network, there would be no need for loop qualification in a forward-looking network. Therefore, Sprint should not be allowed to impose a loop qualification charge. To the extent the Commission permits Sprint to impose any charge for loop qualification, it should reject the inflated charges proposed by Sprint and set any permissible charge for access to Sprint's loop qualification information as if the ALEC were getting full electronic access to databases that would include the information.

FDN's contention that the Commission should require Sprint-Florida to calculate its cost of loop qualification as if the CLEC had full access to an electronic database is without foundation. First, Sprint-Florida is not qualifying the loop for the CLEC - Sprint-Florida is providing loop makeup information. By bottoming its contention on this erroneous assumption, FDN has shown it has not reviewed Sprint-Florida's cost studies as it should have. Second, an electronic database of the loop makeup information does not exist. Ex. 13, pages 104-106. Sprint-Florida is only required to provide the information to CLECs in the same manner in which it provides it to itself, and the loop qualification process is the same for Sprint-Florida's retail DSL service. Ex. 13, page 106. The costs for loop makeup information in Sprint-Florida's cost studies are reflective of the costs Sprint-Florida incurs in providing the same loop makeup information for both its retail operations and the CLECs. Composite Ex. 2, Ex. KWD-2, Vol. I of III, VIII. NRC, pages 12 and 13 of 42.

Issue 12: **Without deciding the situations in which such combinations are required, what are the appropriate recurring and non-recurring rates for the following UNE combinations:**

(a) "UNE platform" consisting of: loop (all), local (including packet, where required) switching (with signaling), and dedicated and shared transport (through and including local termination);

Position:

(a) **The UNE platform consists of the loop, switch port, usage sensitive switching, and transport. With the exception of the loop, the rate for the UNE platform should be the sum of the statewide average rates for each individual element. In the case of loop and switch port, costs (such as line card costs associated with loops provisioned through a DLC) that are included in each element when bought on a standalone basis can be eliminated when they are provided in combination.**

* * * *

The UNE platform consists of the loop, switch port, usage sensitive switching, and transport. With the exception of the loop, the rate for the UNE platform should be the sum of the statewide average rates for each individual element. In the case of loop and switch port, costs (such as line card costs associated with loops provisioned through a DLC) that are included in each element when bought on a standalone basis can be eliminated when they are provided in combination. Therefore, it was necessary to develop a combined loop and port cost for each wire center. Tr. 44-45. The combined costs were then banded based on the 2-wire banding results, resulting in three rate bands as shown in Composite Ex. 1, Revised Ex. MRH-1.

FDN, in its Prehearing Statement Position on Issue 12(a), asserts that:

> Recurring charges for UNE combinations should be the sum of the recurring charges for the UNE components. The nonrecurring charge for UNE combinations where the UNE combination already exists in Sprint's network should be zero or at most provide for a nominal service order charge.

Once again, FDN has made an assertion that is both unsupported in the record and is incorrect as a matter of principle. In fact, if the Commission were to grant FDN's assertion, FDN and other ALECs would pay more on a monthly basis for a UNE platform than the charge

Sprint-Florida has proposed. Sprint-Florida, as noted previously, proposes to provide loops in the most efficient, least-cost manner when such loops are provided in a combination. Tr. 96.

Likewise, FDN's proposal that where UNE combinations already exist in Sprint's network, the NRC for provisioning "should be zero or at most provide for a nominal service order charge" is without factual support and is inconsistent with TELRIC methodology. The NRC for provisioning any element should be the cost of doing the work to provide the element to the CLEC. Sprint-Florida has built its NRCs to reflect the actual work activities required to provide the element. Tr. 193-194. FDN has not disputed Sprint-Florida's work activities, nor has FDN provided any alternative means of provisioning the element.

(b) "extended links," consisting of:

(1) loop, DSO/1 multiplexing, DS1 interoffice transport;
(2) DS1 loop, DS1 interoffice transport;
(3) DS1 loop, DS1/3 multiplexing, DS3 interoffice transport.

Position:

(b) **Because extended links (EELs) consist of the loop and transport unbundled elements, Sprint-Florida proposes that the rate for an EEL will be calculated as the sum of the banded loop rate and route-specific dedicated transport rate in the combination. Furthermore, multiplexing rates necessary for EEL have been developed as shown in Composite Ex. 1, Revised Ex. MRH-1.**

* * * *

Extended loops or "links" (EELs) consist of the loop and transport unbundled elements. Sprint-Florida proposes that the recurring rate for an EEL will be calculated as the sum of the banded loop rate and route-specific dedicated transport rate in the combination. Tr. 45.

Furthermore, multiplexing rates necessary for EEL have been developed as shown in Composite Ex. 1, Revised Ex. MRH-1.

With respect to the EEL non-recurring rates, the following scenarios apply:

EEL 1 – includes the DS0 loop, DS0/1 multiplexing and DS1 transport. For the first line, the NRC consists of the labor required for a field visit to connect the service at a cross-connect, terminal, and NID/Protector (equal to the loop installation charge) which is added to the labor associated with performing the DS0/1 multiplexing and DS1 transport provisioning functions. For the 2nd through 24th lines that are to share this initial DS1 transport facility, a reduced NRC per line occurs since an additional DS1 transport facility installation charge is not required. Tr. 212.

EEL 2 – includes a DS1 loop, DS1/0 multiplexing and DS1 transport. The NRC is the simple addition of the NRCs for these individual UNEs. This includes the labor required for a field visit to connect the service at a cross-connect, terminal, and NID/Protector which is added to the labor associated with the DS1 transport provisioning function. Tr. 212.

EEL 3 – includes a DS1 loop, DS1/3 multiplexing and DS3 transport. The NRC for the initial line includes the labor required for a field visit to connect the service at a cross-connect, terminal, and NID/Protector (equal to the DS1 loop installation charge) which is added to the labor associated with the DS1/3 multiplexing and DS3 transport provisioning functions. For the 2nd through 28th DS1s that are to share this initial DS3 transport facility, a reduced NRC per DS1 line occurs since an additional DS3 transport facility installation charge is not required. Tr. 212.

FDN, again without any record support, contends in its Prehearing Position on Issue 12(b) that:

Recurring charges for UNE combinations should be the sum of the recurring charges for the UNE components. The nonrecurring charge for UNE combinations where the UNE combination already exists in Sprint's network should be zero or at most provide for a nominal service order charge.

For Sprint-Florida's response to FDN's contention, please refer to Sprint-Florida's response to FDN's contention with respect to Issue 12(a).

Issue 13: When should the recurring and non-recurring rates and charges take effect?

Position: *Sprint-Florida recommends that it be required to file UNE rates that conform to any Commission order 60 days after release of that order. The rates would become effective on the date they are filed.*

* * * *

Sprint-Florida's proposed 60-day effective date interval is a requirement placed on Sprint-Florida to file conforming rates with the Commission. Sprint-Florida also proposes that the conforming rates should be effective on the date that they are filed. The BellSouth Order does not require the rates to be effective until an amendment to an existing contract is filed and approved by the Commission, which could occur well past Sprint-Florida's proposed 60-day interval, given that the Commission has 90 days to approve or reject an agreement adopted through negotiation. Ex. 10, page 308. Sprint-Florida is willing to comply with the Commission precedent established for BellSouth if the Commission were to allow either party to immediately submit the revised interconnection agreement to the Commission for approval with the rates to become effective retroactive to the 60th day after the Commission's Order is issued.

FDN, in its Prehearing Statement Position on Issue 13, proposes that:

The Commission should adopt the procedure used in the BellSouth phase of this docket.

FDN's proposal is without any record evidence support. The only record evidence in this proceeding is Sprint-Florida's testimony and discovery responses, Ex. 10, page 308. In the

BellSouth proceeding, the Commission adopted BellSouth's proposed effective date based upon the record in that proceeding. *See* Order No. PSC-01-1181-FOF-TP, pages 546-47. The Commission does not have the same record in this proceeding.

Respectfully submitted this 28th day of May, 2002.

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ATTORNEYS FOR SPRINT

APPENDIX A

Network Element Price List Sprint-Florida

Description	MRC	NRC
Service Orders		
Manual Service Order		$ 28.10
Manual Service Order - Listing Only		$ 14.81
Manual Service Order - Change Only		$ 13.76
Electronic Service Order		$ 3.82
Electronic Service Order - Listing Only		$ 0.42
Electronic Service Order - Change Only		$ 1.66
LNP Administrative Charge		$ 8.11
Analog Loops		
2-Wire Analog		
Band 1	$ 18.58	
Band 2	$ 30.26	
Band 3	$ 66.91	
2-Wire New (w/NID)		$ 119.74
2-Wire New (w/o NID)		$ 111.24
2-Wire New, Addt'l or Second Line (same time)		$ 52.73
2 Wire Re-install (Cut Thru and Dedicated/Vacant)		$ 65.81
2 Wire Disconnect		$ 31.75
Analog Loops - Continued		
4-Wire Analog		
Band 1	$ 35.15	
Band 2	$ 58.41	
Band 3	$ 131.54	
4-Wire New (w/NID)		$ 152.83
4-Wire New (w/o NID)		$ 144.33
4-Wire New, Addt'l or Second Line (same time)		$ 85.82
4 Wire Re-install (Cut Thru and Dedicated/Vacant)		$ 81.70
4 Wire Disconnect		$ 36.47
Pre-Order Loop Qualification		
Loop Make-Up Information		$ 37.55

Loop Conditioning Per Line		
This charge applies to all digital UNEs, line sharing and xDSL capable loops that are shorter than 18,000 feet in length Separate Engineering and Travel charges DO NOT apply as these costs reflect 25 pair economies.		$ 1.65

Loop Conditioning - Per Location		
The following charge applies to all loops that are 18,000 feet in length or longer that require load coil removal.		
Engineering Charge - per loop		$ 39 11
Trip Charge - per location		$ 16 41
Load Coil Removal: Loops 18kft or longer		
Unload cable pair, per Underground location		$ 445 21
Unload addt'l cable pair, UG same time, same location and cable		$ 3 43
Unload cable pair, per Aerial Location		$ 7.80
Unload addt'l cable pari, AE, same time, location and cable		$ 1.80
Unload cable pair, per Buried Location		$ 7 80
Unload addt'l cable pair, BU, same time, location and cable		$ 1 80
The following charges apply to all loops of any length that require Bridged Tap or Repeater removal.		
Engineering Charge - per loop		$ 39 11
Trip Charge - per location		$ 16.41
Bridge Tap Removal; Any Loop Length		
Remove Bridged Tap, per Underground Location		$ 442.28
Remove one (1) addt'l Bridged Tap, UG same time, location and cable		$ 0.50
Remove Bridged Tap, per Aerial Location		$ 6.43
Remove one (1) addt'l Bridged Tap, AE same time, location and cable		$ 0.44
Remove Bridged Tap, per Buried Location		$ 6.43
Remove one (1) addt'l Bridged Tap, Bu same time, location and cable		$ 0 44
Repeater Removal; Any Loop Length		
Remove Repeater; per Underground Location		$ 442 28
Remove addt'l Repeater, UG, same time, location and cable		$ 0 50
Remove Repeater, per Aerial Location		$ 6.43
Remove addt'l Repeater, AE, same time, location and cable		$ 0 44

Remove Repeater, per Buried Location			$	6.43
Remove addt'l Repeater, BU, same time, location and cable			$	0 44
xDSL Capable Loops				
2-Wire xDSL-capable Loop				
	Band 1	$ 18.58		
	Band 2	$ 30.26		
	Band 3	$ 66 91		
2-Wire xDSL-capable Loop - First Line			$	115.31
2-Wire xDSL-capable Loop - Addt'l or Second Line			$	48 30
2-Wire xDSL-capable Loop - Re-install (Cut Thru and Dedicated/Vacant)			$	63 55
2 Wire Disconnect			$	31 75
4-Wire xDSL-capable Loop				
	Band 1	$ 35.15		
	Band 2	$ 58 41		
	Band 3	$ 131.54		
4-Wire xDSL-capable Loop - First Line			$	146.73
4-Wire xDSL-capable Loop - Addt'l or Second Line			$	79.72
4-Wire xDSL-capable Loop - Re-install (Cut Thru and Dedicated/Vacant)			$	78 59
4 Wire Disconnect			$	36 47
Digital Loops				
2-Wire Digital Loop				
	Band 1	$ 18.58		
	Band 2	$ 30 26		
	Band 3	$ 66.91		
2-Wire New, First Line (w/NID)			$	177.64

2-Wire New, First Line (w/o NID)			$	169.14
2-Wire New, Addt'l or Second Line			$	108 10
2 Wire Disconnect			$	31 75
Digital 56k/64k Loop				
	Band 1	$ 39.24		
	Band 2	$ 52.18		
	Band 3	$ 94.15		
Digital 56k / 64k New, First Line (w/NID)			$	177.64
Digital 56k / 64k New, First Line (w/o NID)			$	169 14
Digital 56k / 64k New, Addt'l or Second Line			$	108 10
2 Wire Disconnect			$	31.75
2-Wire ISDN/BRI Loop				
	Band 1	$ 35.81		
	Band 2	$ 52 52		
	Band 3	$ 108.87		
2-Wire ISDN/BRI New, First Line (w/NID)			$	177 64
2-Wire ISDN/BRI New, First Line (w/o NID)			$	169.14
2-Wire ISDN/BRI New, Addt'l or Second Line			$	108 10
2 Wire Disconnect			$	31 75
4-Wire Digital Loop				
	Band 1	$ 35.15		
	Band 2	$ 58.41		
	Band 3	$ 131.54		
4-Wire New, First Line (w/NID)			$	249 39
4-Wire New, First Line (w/o NID)			$	240 90
4-Wire New, Addt'l or Second Line			$	179 85
4 Wire Disconnect			$	36 47

Digital Loops - Continued		
DS1 Service		
Band 1	$ 211 37	
Band 2	$ 219 26	
Band 3	$ 418 09	
DS1 Service New, First Line		$ 334 38
DS1 Service New, First Line (w/o NID)		$ 325.88
DS1 Service New, Addt'l or Second Line		$ 177.61
DS1 Disconnect		$ 36.47
Dark Fiber Loops		
Interoffice, per Foot per Fiber - Statewide Average	$ 0 0048	
Feeder, per fiber - Statewide Average	$ 287 27	
Distribution Price Per Fiber	$ 58 29	
Fiber Patch Cord, per fiber	$ 0.82	
Initial Patch Cord Installation, Field Location		$ 22.92
Additional Patch Cord Installation, Field Location, Same Time, Same Location		$ 7 64
Central Office Interconnection, 1-4 Patch Cords, per C O.		$ 193 55
Dark Fiber Quote Preparation Charge		$ 270 47
Fiber Patch Panel, per fiber	$ 0.79	
Special Construction for Fiber Pigtail		ICB

Sub-Loops			
Sub-Loop Interconnection (Stub Cable)			ICB
2-Wire Feeder			
Band 1	$	12.10	
Band 2	$	17.90	
Band 3	$	45.07	
2-Wire Feeder First Line			$ 88 72
2-Wire Feeder Addt'l or Second Line			$ 42 43
2-Wire Feeder Disconnect Charge			$ 31 75
2-Wire Distribution			
Band 1	$	6 48	
Band 2	$	12 48	
Band 3	$	23.86	
2-Wire Distribution First Line			$ 127 65
2-Wire Distribution Addt'l or Second Line			$ 40 65
2-Wire Distribution Disconnect Charge			$ 51 98
Sub-Loops - Continued			
4-Wire Feeder			
Band 1	$	23.19	
Band 2	$	34 32	
Band 3	$	86 42	
4-Wire Feeder First Line			$ 122 84
4-Wire Feeder Addt'l or Second Line			$ 66 12
4-Wire Feeder Disconnect Charge			$ 36.47
4-Wire Distribution			
Band 1	$	12.43	

	Band 2	$	23.94	
	Band 3	$	45.75	
4-Wire Distribution First Line				$ 173.06
4-Wire Distribution Addt'l or Second Line				$ 65.20
4-Wire Distribution Disconnect Charge				$ 63 31
High-Capacity Loops				
DS-3				
Per DS-3, both ends		$	1,485.46	$ 109 19
OC-3				
single termination, per OC-3 terminal		$	749 53	$ 109 19
DS-3 Bandwidth, single termination per DS-3 card		$	106.50	
OC-12				
single termination per OC-12 terminal		$	832 27	$ 109 19
DS-3 Bandwith, single termination per quad DS-3 card		$	92 18	
OC-3 Bandwidth, single termination per OC-3 card		$	168.07	
OC-48				
single termination per OC-48 terminal		$	1,193 98	$ 109 19
DS-3 Bandwith, single termination per quad DS-3 card		$	82.19	
OC-3 Bandwidth, single termination per OC-3 card		$	69.32	
OC-12 Bandwidth, single termination per OC-12 card		$	131.83	

Local Switching			
PBX Trunks			
PBX Trunk Connection Analog	$	5 82	$ 167 80
PBX Trunk Connection (DS0)	$	5 82	$ 264 36
PBX Trunk Connection (DS1)	$	139.75	$ 349.35
UNE Stand Alone Ports			
Residential 1	$	2.28	
Business 1	$	2.28	
Key System	$	2.28	
CENTREX	$	2 28	
Pay Station	$	2.44	
DS-1	$	139 64	
BRI-ISDN	$	13.42	
PRI-ISDN	$	201 55	
Local Switching Usage, per MOU - Statewide Average	$	0.002274	
Customized Routing			
Switch Analysis			$ 119 74
Host Switch Translations			$ 2,394.81
Remote Switch Translations			$ 1,796.10

Features		
Feature Packages		

CCF Package	$ 0 36	
CLASS Package	$ 5 49	
CENTREX Package	$ 10 98	$ 29.65
ISDN Package	$ 6 92	$ 6.70
Individual Features		
3 Way Conf / Consult / Hold Transfer	$ 1.80	$ 18 77
Conf Calling - 6 Way Station Control	$ 2.56	$ 18.77
Dial Transfer to Tandem Tie Line	$ 0.13	$ 100.48
Direct Connect	$ 0 02	$ 18.77
Meet Me Conference	$ 17 20	$ 28 63
Multi-Hunt Service	$ 0 11	$ 18 77

TANDEM SWITCHING		
Tandem Switching per MOU - Statewide Average	$ 0 002213	

Transport		
Transport - DS0 Dedicated - Install	Dedicated Transport Price List	$ 192.85
Transport - DS1 Dedicated - Install	Dedicated Transport Price List	$ 182.15
Transport - DS3 Dedicated - Install	Dedicated Transport Price List	$ 192 85
Transport - OC3 Dedicated	Dedicated Transport Price List	$ 192.85
Transport - OC12 Dedicated	Dedicated Transport Price List	$ 192.85
DS1 to DS1 Cross Connect		$ 182.15
DS3 to DS3 Cross Connect		$ 192 85
OC3 to OC3 Cross Connect		$ 192.85
OC12 to OC12 Cross Connect		$ 192 85
Dark Fiber Transport - Initial Installation, 1-4 Patch Cords, per C.O.		$ 193 55
Common Transport, per minute of use	$ 0.000947	

911 and E911 Database Access		
911 Trunk 2 Wire Analog		$ 151 80
DS-0 transport to Sprint's 911 tandem office	Dedicated Transport & Multiplexing	$ 192 85

MULTIPLEXING		
Multiplexing - DS1-DS0 (Mux1/0 Common Equipment)	$ 179.10	$ 93 62
Multiplexing - DS3-DS1 (M13 Multiplexer - per DS3)	$ 215.79	$ 119 88
D4 Channel Unit	$ 4.71	
D4 OCU DP	$ 3.28	
D4 ISDN U-Brite	$ 3.61	

UNE Combinations		
UNE Platform (UNE-P)		
UNE-P 2-Wire Analog Loop, Switching, Common Transport		
Band 1	$ 16 96	
Band 2	$ 28.55	
Band 3	$ 66.21	
UNE-P 2-Wire Analog Loop w/NID - First Line, Switching, Common Transport		$ 119 74
UNE-P 2-Wire Analog Loop w/o NID - First Line, Switching, Common Transport		$ 111 24
UNE-P 2-Wire Analog Loop - Addt'l Line ordered same time to same location		$ 52 73
UNE-P 2-Wire Analog Loop - Reinstall Loop, Switching, Common Transport		$ 16.14
UNE-P 2-Wire Analog loop - Voice Grade Migration from Resale		$ 20.80
UNE-P 2-Wire Analog loop - Disconnect Charge		$ 5 38
UNE-P ISDN/BRI Loop & Port Combination		
Band 1	$ 39.48	
Band 2	$ 55.87	
Band 3	$ 116.21	
UNE-P ISDN/BRI Loop New, First Line (w/NID) & Port Combination		$ 177 64
UNE-P ISDN/BRI Loop New, First Line (w/o NID) & Port Combination		$ 169.14
UNE-P ISDN/BRI Loop New, Addt'l or Second Line & Port Combination		$ 108.10
UNE-P ISDN-BRI Disconnect		$ 31 75
Usage, per MOU	See UNE Switching MOU Prices	

UNE Combinations - Continued		
Enhanced Extended Link ; DS0 Loop, 1/0 Mux, DS1 Transport		
DS0 Loop	See Loop UNE prices	

DS1 Transport	See Transport UNE Prices	
Channel Bank Shelf/Common (per DS1)	$ 179 10	
Channel Bank Card (per DS0)	$ 4.71	
Enhanced Extended Link; DS0 Loop, DS0 Transport		
EEL New 2-Wire Analog Loop, DS0 Transport		$ 312.59
EEL New 4-Wire Analog Loop, DS0 Transport		$ 345.68
EEL New 2-Wire DS0 Digital Loop, DS0 Transport		$ 370.49
EEL New 4-Wire DS0 Digital Loop, DS0 Transport		$ 442 24
Enhanced Extended Link; DS0 Loop, D4 Channels, DS1 Transport		
EEL New 2-Wire Analog Loop, D4 Channel, Dedicated DS1 Transport		$ 395 51
EEL New 2-Wire Analog Loop, D4 Channel		$ 213 36
EEL Addt'l 2-Wire Analog Loop same time same location, D4 Channel		$ 146 35
EEL 2-Wire Analog - Disconnect Charge		$ 31 75
EEL New 4-Wire Analog Loop, D4 Channel, Dedicated DS1 Transport		$ 428 60
EEL New 4-Wire Analog Loop, D4 Channel		$ 246 45
EEL Addt'l 4-Wire Analog Loop same time same location, D4 Channel		$ 179 44
EEL 4 -Wire Analog - Disconnect Charge		$ 36.47
EEL New 2-Wire DS0 Digital Loop, D4 Channel, Dedicated DS1 Transport		$ 453 41
EEL New 2-Wire DS0 Digital Loop, D4 Channel		$ 271 26
EEL Addt'l 2-Wire DS0 Digital Loop same time same location, D4 Channel		$ 201 72
EEL 2-Wire DS0 Digital Disconnect Charge		$ 31 75
EEL New 4-Wire DS0 Digital Loop, D4 Channel, Dedicated DS1 Transport		$ 525.17
EEL New 4-Wire DS0 Digital Loop, D4 Channel		$ 343.01
EEL Addt'l 4-Wire DS0 Digital Loop same time same location, D4 Channel		$ 273.47
EEL 4-Wire DS0 Digital Disconnect Charge		$ 36 47
Enhanced Extended Link ; DS1 Loop, DS1 Transport		
DS1 Loop		
DS1 Transport		
EEL New DS1 Loop, DS1 Interoffice Transport		$ 516.53
EEL DS1 Loop Disconnect Charge		$ 36 47
Enhanced Extended Link ; DS1 Loop, 3/1 Mux, DS3 Transport		
DS1 Loop		
DS3 Transport		
3/1 Multiplexing (per DS3)		
EEL New DS1 Loop, 3/1 Multiplexing, DS3 Interoffice Transport		$ 647.11
EEL New DS1 Loop, 3/1 Multiplexing		$ 454 26
EEL Addt'l DS1 Loop same time same location, 3/1 Multiplexing		$ 297 49
EEL DS1 Loop Disconect Charge		$ 36 47
Enhanced Extended Link ; DS3 Loop, DS3 Transport		
EEL New DS3 Loop, DS3 Interoffice Transport		$ 494 89
Enhanced Extended Link Loop Transport Migrations		$ 76 71
COMMON CHANNEL SIGNALING		

Interoffice Transmission - STP Ports	$ 279 17	$ 281.69
STP Switching	$ 0.36	
STP Transport Link 56 0 Kbps SS7 Link per month - Interoffice transmission	Dedicated Transport & Multiplexing	$ 184.79
STP Transport Link 1 544 Mbps SS7 Link per month	Dedicated Transport & Multiplexing	$ 184 79
D4 Channel Units	$ 4.71	
SS7 - Originating Point Code Service		$ 29.94
SS7 - Global Title Address Translation		$ 14 97
Reciprocal Compensation		
Local End Office Call Attempt (Setup)	$ 0.003861	
Local End Office MOU	$ 0.001535	
Tandem Call Attempt (Setup)	$ 0.003916	
Tandem MOU	$ 0 001341	
Tandem Transport MOU	$ 0 000947	
CALL-RELATED DATABASES SERVICES		
LIDB Database per query	$ 0.012474	
Toll Free Code Access Service query	$ 0.001034	
Calling Name Delivery per query	$ 0.000864	
Local Number Portability per query	$ 0.001403	
Other Charges		
Nid Installation		$ 8.50
Nid Connection - 2 Line	$ 0 96	$ 8.50
Nid Connection - 4 Wire		$ 16.99
25 Line	$ 12 40	Installed via Workorder
SmartJack	$ 8 86	$ 56 65
Trip Charge		$ 18 88
2-Wire Digital Data Loop Cooperative Testing		$ 46 71
4-Wire Digital Data Loop Cooperative Testing		$ 66 99
Trouble Isolation and Testing		$ 48 47
Dark Fiber End-to-End Testing, Initial Strand		$ 53 48
Dark Fiber End-to-End Testing, Subsequent Strands		$ 15 28
Tag & Label loop not ordered with loop installation		$ 9.44
Tag & Label loop at same location and time		$ 3 78
Tag & Label loop ordered with loop installation		$ 4 72
UNE_P Telephone Number Change Charge		$ 14 66
Non 10 Digit Trigger Charge for LNP - first 10 numbers ported		$ 47.33
Non 10 Digit Trigger Charge for LNP - each additional number ported		$ 4.24

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by e-mail transmission, U. S. Mail, or hand delivery(*) this 28th day of May, 2002, to the following:

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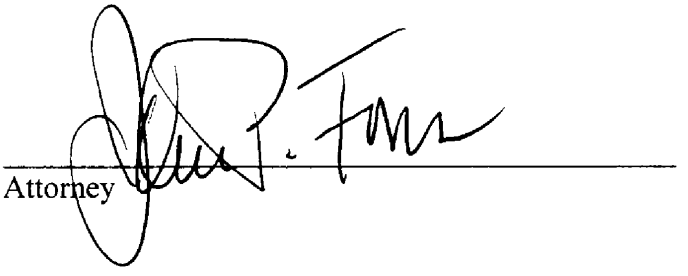

Attorney

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