BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:	DOCKET NO. 960838-TP
Petition by Metropolitan Fiber Systems of Florida, Inc. for arbitration of certain terms and conditions of a proposed agreement with Central Telephone Company of Florida and United Telephone Company of Florida concerning interconnection and resale under the Telecommunications Act of 1996.	

FIRST DAY - AFTERNOON SESSION

VOLUME 2

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BEFORE:	CHAIRMAN SUSAN F. CLARK COMMISSIONER J. TERRY DEASON COMMISSIONER JULIA L. JOHNSON COMMISSIONER DIANE K. KIESLING COMMISSIONER JOE GARCIA
DATE:	Thursday, September 19, 1996
TIME:	Commenced at 9:30 a.m.
PLACE:	Betty Easley Conference Center Room 148 4075 Esplanade Way Tallahassee, Florida
REPORTED BY:	NANCY S. METZKE, RPR, CCR

APPEARANCES:

(As heretofore noted.)

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PROCEEDINGS

(HEARING RECONVENED AT 1:45 P.M.)

(TRANSCRIPT FOLLOWS IN SEQUENCE FROM VOLUME 1)

CHAIRMAN CLARK: We'll reconvene the hearing. Mr. Fons, you were inquiring of Mr. Devine.

MR. RINDLER: Your Honor, excuse me, during the lunch break, we prepared a diagram which we have handed out to everybody in lieu of the chalkboard talk. It might be a little bit easier to follow.

CHAIRMAN CLARK: All right. We'll label that as Exhibit 5, and it will be the handwritten schematic of termination of local traffic.

EXAMINATION

BY MR. FONS:

Q Mr. Devine, your Exhibit 5, is the only difference between your Exhibit 5 and the Exhibit 4 is that you have longer end user loops?

A No.

Q You still have the MFS switch as B, point of interconnection C, the tandem switch D-1, the end office switch D-2, and then you have two end users, but the loop is longer than in Exhibit 4?

A Well, what it shows is that it could be that situation. The loops could be both, or the distance between how far we transport a call and you do could be the

same from end point to end point. It could be that we could be taking a call a further distance or we could be taking a call the exact same distance, but the whole concept to get across through my diagram is that we are providing an equivalent facility between two end points. And they could be exactly between the same two end points, but we may be using a different topology that reflects a forward-looking technology. And clearly the FCC rules support, one, that if we are providing equivalent facility, that that's considered -- and symmetrical rates which is a second issue, that rates should be symmetrical; and third, that if we are serving a similar tandem serving area as the ILEC that compensation would be reciprocal.

Q I thought the reciprocal compensation would be for the tandem switch not for the transport?

A No, it could apply for -- what the rule talks about is applying reciprocal compensation, and it talks about tandem switching, that that's how it explains reciprocal in that nature. But if you look in the FCC rules, it's real clear that if we are providing equivalent facility that we would get reciprocal compensation, and part of that compensation is for transport.

Q If you are providing transport?

A No, that if we are providing an equivalent facility to the classical historical definition of

transport. Mr. Harris could address that in more detail if you would like to talk to him about it.

Q Could you give us the rule cite that you are relying upon?

A That is 51.701 under transport, 51.701.

Q Do you have that in front of you?

A No, I don't.

Q Let me read it to you, and it's 51.701 Subpart C, Transport: "For purposes of this part, transport is the transmission and any necessary tandem switching of the local telecommunications traffic subject to Section 251(b)(5) of the Act from the interconnection point between the two carriers to the terminating carrier's end office switch that directly serves the called party or equivalent facility provided by a carrier other than the incumbent LEC."

What is the equivalent facility that you are providing?

A The equivalent facility is the termination between the ten end points.

Q And that would be between, in my -- in Exhibit B or Exhibit 4, that would be between B and A?

A Well, what this talks about is how it could work. The first part of the -- The sentence that reads, "Between the two carriers to the terminating carrier's end

office switch that directly serves the called party," that could be talking about between the D-1 and D-2; but then it says "or equivalent facility provided by a carrier other than an incumbent LEC."

Q And that was my question. Under this scenario, which facility are you talking about between Point C and Point A?

A I'm talking about the whole end-to-end connection between A and C.

Q I thought that under the agreement that you have with Sprint that Sprint and MFS would each bear their own costs of the facilities between B and C and C and D-1.

A Oh, excuse me, sorry, yeah, from the -- well, it's from the interconnection point. So it's from the interconnection point, wherever that is defined. And as I told you, between B and D is actually a shared ring, so you could say that it begins at C. So from C, this equivalent facility would be from C back to actually to the end user, and that's what -- It's clear in the order about equivalent facilities would be compensated symmetrically with how the LEC would be compensated, and that's the clear point that's in the rule.

Q But you're asking for compensation for transport and you've agreed previously that the transport facility is the facility between the tandem switch and the end office

switch?

A I said based on historical architectures that most of the incumbents use, yes, that's correct. But in numerous locations through the FCC order, and especially when it talks about symmetrical rates, it talks about forward-looking technology, and it talks about new entrants' architecture and the like.

Q And I've asked you and I'll ask you again, what is the equivalent facility that MFS provides that is comparable to the transport between D-1 and D-2?

A As I've said previously -- I mean what you're trying to do is define -- You're not defining symmetrically how the rules define between, you know, us symmetrically taking a call between two points. It would be our equivalent function. We are talking about an equivalent function. And as I said earlier in my testimony, that our architecture and functions are different than yours. I really don't have anything else to offer on this. Mr. Harris maybe -- if you would want to ask him any more specific questions, I'm sure he could offer some testimony.

MR. FONS: I have no further questions.

CHAIRMAN CLARK: Staff.

EXAMINATION

BY MR. BILLMEIER:

Q Do you have the exhibit packet?

A Yes.

Q What we have marked Exhibit TTD-14 is your deposition transcript. It's on MFS's discovery responses and MFS's petition. Are these true and correct to the best of your knowledge and belief?

A Yes.

MR. BILLMEIER: Madam Chairman, could we have TTD-14 marked?

CHAIRMAN CLARK: Yes, the staff exhibit which consists of deposition transcripts, response to interrogatories and petition and attachments and marked by staff as TTD-14 will be Composite Exhibit 6.

MR. RINDLER: Madam Chairman, in connection with the last proceeding when we had stricken materials that were taken out of the arbitration proceeding, you determined that it was not a worthwhile exercise to do that with respect to the depositions and interrogatories. Is that the same practice you would like to follow here?

CHAIRMAN CLARK: I don't see any reason to go through the deposition to strike out what is not relevant, okay?

MR. RINDLER: That's fine.

CHAIRMAN CLARK: All right. Mr. Billmeier, do we need to mark Exhibit 15 also?

MR. BILLMEIER: Yes.

CHAIRMAN CLARK: Okay. And that's the response to Sprint-United's first set of interrogatories and MFS's response to first production of documents and MFS's response to first request for admissions. Staff has labeled them TTD-15; they will be marked as Composite Exhibit 7.

BY MR. BILLMEIER:

Q And is Composite Exhibit 7 true and correct to the best of your knowledge and belief?

A Yes.

Q Now Mr. Devine, I have a question about your deposition on Exhibit TTD-14 which is now Exhibit 6, page 21, lines 16 through 20. You state there, "And really the only area of disagreement for reciprocal compensation at this point is that you would just, that we would prefer just to have a single identical rate. Let's say it's six tenths of a penny that recovers each carrier's transport." Does this six tenths of a penny rate include end office switching, tandem switching and transport?

A Yes.

Q Then is it MFS's position that .0005 is an appropriate rate for transport?

A I think that should cover both parties' costs in those areas, yes.

Q What does Sprint want to charge MFS for transport?

A I believe they have offered up the FCC proxy transport rates.

Q Okay. There has been some discussion of a price for a cross connect element. What issue in the prehearing order does that fall under?

A I don't have the prehearing order in front of me.

(DOCUMENT TENDERED TO THE WITNESS)

Q Would it be either two or three?

(WITNESS REVIEWED DOCUMENTS)

A I'm checking. Yes, I would say three because three deals with unbundled loops in general, and as we've discussed, certainly a cross connect is inherent with providing an unbundled loop.

Q Thank you, Mr. Devine.

MR. BILLMEIER: That is all we have.

CHAIRMAN CLARK: Commissioners, questions?

(NO RESPONSE)

CHAIRMAN CLARK: Redirect, Mr. Rindler.

MR. RINDLER: I have none at this time, Your Honor

CHAIRMAN CLARK: All right. Exhibits.

MR. FONS: I'll move Exhibit 4.

CHAIRMAN CLARK: Without objection, Exhibit 4 is admitted in the record.

Mr. Rindler, do you --

MR. RINDLER: Yes, I would move Exhibits 1 through 5.

CHAIRMAN CLARK: Well, it would be 2 and 3. And I have a question about 5. We were handed a copy of a hand-drawn schematic, but we didn't do anything with it.

MR. RINDLER: I believe that Mr. Devine testified and Mr. Fons asked him about the difference between the two schematics, the schematic 3 and schematic 5, as to whether or not it was just a difference between loop lengths, and there was a discussion concerning the two of them, that the issue was really the end to end termination.

CHAIRMAN CLARK: All right. Do we need --

MR. FONS: I have no objection to 5 going in.

CHAIRMAN CLARK: All right. We'll admit Exhibit 5.

And staff moves 6 and 7?

MR. BILLMEIER: Staff moves 6 and 7.

CHAIRMAN CLARK: Without objection they will be admitted in the record.

Thank you Mr. Devine.

WITNESS DEVINE: Thank you.

MR. RINDLER: Madam Chairman, in light of the way

the case has evolved, we discussed with Mr. Fons the fact that Mr. Harris probably would make more sense to go on at this point rather than after Mr. Cheek if no one has an objection to that.

CHAIRMAN CLARK: Okay. And Mr. Harris, was he sworn in?

MR. RINDLER: No, he was not.

CHAIRMAN CLARK: Okay. If he would come to the witness stand, we will take up Mr. Harris who is adopting Mr. -- is it Doctor Porter or Mr. Porter's testimony?

WITNESS HARRIS: Mister.

CHAIRMAN CLARK: Mr. Porter, okay.

(WHEREUPON, THE WITNESS WAS DULY SWORN BY THE CHAIRMAN)

CHAIRMAN CLARK: Thank you. You may be seated.

* * * *

Whereupon,

ALEX JOHN HARRIS

was called as a witness by the MFS and, after being first duly sworn, was examined and testified as follows:

EXAMINATION

BY MR. RINDLER:

Q Good morning, Mr. Harris -- Good afternoon, Mr. Harris. Did you adopt the testimony that was filed by Mr. Porter in this proceeding which was 38 pages -- sorry, let me take that back; I've got the wrong sheet -- which is 25 pages?

A Yes.

Q And is it correct that you are adopting it and you have substituted for the introduction in your motion to substitute Pages 1 through 4.4 which is the biographical information?

A Yes.

Q In light of the way the case has evolved, are there any deletions or corrections you'd make to this testimony?

A Based on the agreement we reached this morning, quite a few. We are -- based on having come to an agreement this morning with Sprint, we are withdrawing testimony beginning on page 4, lines 7 through page 6, line

7. We are further withdrawing testimony beginning page 8 line 1 through to page 19, line 19. We are further withdrawing testimony --

COMMISSIONER KIESLING: You are going to have to slow down.

WITNESS HARRIS: I'm sorry.

COMMISSIONER KIESLING: I'm still on page 14 marking it out.

A Okay. And then deleted testimony beginning page 21, line 1 through line 11. In addition on page 25, delete the sentence on, beginning on line 11, that first sentence and ending on line 10.

CHAIRMAN CLARK: I'm sorry, what was that?

WITNESS HARRIS: Page 25.

CHAIRMAN CLARK: Yes.

WITNESS HARRIS: The sentence that begins on line 9 and ends on line 10 is deleted. In addition, we are also withdrawing Exhibit 2 to the testimony. And then as one final correction, on page 22 of the testimony at line 11, we would add the sentence, "We have performed a deaveraging analysis of the proxy based on input data from the BCM which is contained in Exhibit 5."

CHAIRMAN CLARK: I take it that will go after the sentence that ends, "cost ceiling?"

WITNESS HARRIS: Yes, that is correct.

CHAIRMAN CLARK: Okay.

BY MR. RINDLER:

Q With those changes, Mr. Harris, would the answers be the same as they are here if I asked those questions today?

A Yes.

MR. RINDLER: I'm going to move that the revised testimony adopted by Mr. Harris be read into the record -- included in the record as if read.

CHAIRMAN CLARK: The rebuttal testimony of Mr. Porter as adopted by Mr. Harris and as revised on the stand today will be inserted in the record as though read.

* * * *

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the matter of MFS COMMUNICATIONS COMPANY, INC. Petition for Arbitration Pursuant to 47 U.S.C. § 252(b) of Interconnection Rates, Terms, and Conditions with SPRINT UNITED-CENTEL OF FLORIDA, INC. (also known as CENTRAL TELEPHONE COMPANY AND UNITED TELEPHONE COMPANY OF FLORIDA	Docket No. 960838-TP

REBUTTAL TESTIMONY OF DAVID N. PORTER ON BEHALF OF MFS COMMUNICATIONS COMPANY, INC.

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Dated: August 22, 1996

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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Adopted by HAEELS

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is David N. Porter. My business address is MFS Communications Company, Inc. ("MFS"), 3000 K Street, N.W., Suite 300, Washington, D.C. 20007.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT ARE YOUR RESPONSIBILITIES?

A. I am the Vice President of Government Affairs for MFS. I work with senior managers of MFS and its subsidiaries to develop positions in public policy discussions before state, federal and international regulatory and legislative bodies. I oversee MFS filings before the Federal Communications Commission ("FCC"), coordinate MFS' Congressional activities, advise on certain state proceedings and, recently, have collaborated on our ongoing interconnection negotiations driven by the Telecommunications Act of 1996 that was signed by the President of the United States on February 8, 1996.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. I graduated from the University of Illinois in 1968 with a Bachelor of Science degree in General Engineering and from Roosevelt University, Chicago, and in 1974 with a Masters in Business Administration. I am Registered as a Professional Engineer in Illinois, New Jersey and New York.

I began my telecommunications career in 1967 as an engineer for Illinois Bell. After assignments in traffic, outside plant, local and toll central office and toll facility engineering, I assumed duties as a service cost engineer responsible for designing and completing cost studies to support Illinois Bell rate filings and for establishing the price of equipment, land and buildings to be sold to or purchased from customers and other utilities. In 1976, I transferred to AT&T and was responsible for supervising numerous studies being completed by academicians and scientists intended to demonstrate the technical and economic harms of interconnecting competing communications networks and equipment. Later, I worked on the AT&T team that negotiated and implemented the breakup of the Bell System. For two years following AT&T's divestiture of BellSouth and the other Bell

Operating Companies in 1984, I managed the state and federal regulatory activities for AT&T Information Systems including its attempts to gain state approvals to offer shared tenant services. After that assignment, I was responsible for creating certain AT&T responses in the first triennial review of the Modification of Final Judgment. In the late 1980's, I was responsible for developing policy positions related to state regulatory issues and for managing AT&T's intrastate financial results. For several years thereafter, I advocated AT&T's interests at the FCC on matters concerning enhanced services and wireless services including spectrum management issues. Prior to assuming my current duties I was Director - Technology and Infrastructure responsible for advocating AT&T's interests with Members of Congress, the FCC and their staffs on technical matters surrounding local exchange competition.

During the past several years, I traveled in eastern and central Europe and South America with employees of the U.S. State Department and the U.S. Department of Commerce as their industry representative at bilateral and other meetings during which the U.S. encouraged other governments to adopt laws and policies that would foster telecommunications development and competition. I have

conducted multi-day training sessions for State Department embassy trade personnel worldwide. I have spoken before many state regulatory and legislative bodies and have attended and made presentations to numerous industry meetings and training sessions.

INTRODUCTION AND SUMMARY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony analyzes the unbundled loop cost studies presented by Sprint United-Centel of Florida's ("Sprint") witness James Dunbar and the costing testimony presented by Sprint's witness Randy Farrar and generally presents MFS's position with regards to the costing evidence presented by Sprint. In particular, my testimony summarizes and compares the pricing and costing requirements for unbundled network elements presented in the FCC's recently released Interconnection Order[1/] with the methodology Sprint uses in its cost studies. Because of the immediate impact of FCC's Interconnection Order on the pricing provisions of this agreement and the size and complexity of the FCC's

1/ Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, First Report and Order, CC Docket 96-98 (released August 8, 1996). Hereafter cited as "Interconnection Order" The rules implementing the FCC's decision are cited as "FCC Interconnection Rules §51.xxx."

Interconnection Order, I have included with my testimony a summary of the FCC costing requirements, Exhibit ___ (DNP-1). The summary reflects my understanding of the requirements of the FCC's Interconnection Order with respect to pricing and costing of interconnection and unbundled network elements. I have also included a summary of the entire Interconnection Order as Exhibit ___ (DNP-2).

Q. PLEASE SUMMARIZE YOUR CONCLUSIONS AND RECOMMENDATIONS.

A. The costing methodologies proposed by Sprint do not comply with the requirements established by the FCC. Until Sprint develops (and the Florida Commission approves) cost studies that do conform with the FCC's costing requirements, the Florida Commission should apply the default proxy cost ceilings established by the FCC for arbitrated interconnection agreements. Specifically, the Florida Commission should apply the proxy cost standard prescribed by the FCC for Florida for unbundled loops. Applying data from Sprint's Benchmark Cost Model to the FCC's proxy cost ceiling implies that Sprint's average unbundled loop rate should be no higher than $9.39 per

unbundled loop per month disaggregated into at least three geographic zones. Because the cost studies described by Randy Farrar do not comply with the requirements set out in the FCC's Interconnection Order, the Florida Commission should also apply the default proxy cost rates established by the FCC for tandem switching and transport rather than the rates proposed by Sprint.

I. COSTING REQUIREMENTS OF THE FCC'S INTERCONNECTION ORDER

Q. PLEASE DESCRIBE THE COSTING STANDARD THE FCC SET OUT IN ITS INTERCONNECTION ORDER.

A. As I describe in Exhibit ___ (DNP-1), the FCC adopted a pricing standard for interconnection and unbundled network elements that is intended to emulate the cost-based pricing of a competitive market.[2/] When state commissions arbitrate interconnection agreements, the FCC requires that they establish the incumbent's prices for interconnection and access to unbundled network elements based on "economic costs."

2/ Interconnection Order at ¶679.

Recognizing that it may not be possible for supporting cost studies to be performed, analyzed and adopted by states within the statutory time frames set out to resolve interconnection arbitrations, the FCC adopted a variety of proxy cost price ceilings for unbundled local loops and other unbundled network elements. States were directed to use these proxy cost ceilings in the interim until estimates of economic costs were developed and approved by states. States are free to set interim rates below the proxy cost ceiling. States are also directed to geographically deaverage unbundled loop prices by establishing at least three cost-based zones so that the average over all the zones is less than the proxy cost ceiling established by the FCC for the state.

Q. DO THE PROXY COST CEILINGS ESTABLISHED BY THE FCC APPLY TO INDIVIDUAL COMPANIES?

A. No. As described in Exhibit 8 (DNP-1), the FCC developed the proxy cost ceilings based on state-wide data drawn from proxy cost models and combined with statewide and national average data. Plainly, the proxy cost ceilings developed by the FCC are not specific to any single company, but represent state-wide averages.

Q. HOW DID THE FCC DEFINE "ECONOMIC COSTS"?

A. The FCC defines "economic costs" as the sum of Total Element Long Run Incremental Costs (TELRIC) of providing each network element plus a reasonable allocation of forward-looking common costs related only to the provision of each network element.[2/]

Q. HOW DID THE FCC DEFINE TELRIC?

A. TELRIC are the forward-looking costs over the long run of the facilities and functions that are directly attributable to a particular element. Generally speaking, TELRIC has three major components -- operating expenses, depreciation cost and the appropriate risk-adjusted cost of capital associated with the assets used to the provide the unbundled network element.[3/] In addition, the FCC specified several aspects of TELRIC, including:

- ***Efficient Network Configuration.*** TELRIC is properly estimated assuming the most efficient telecommunications technology available and the least-cost network configuration

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2/ FCC Interconnection Rules §51.505(a).

3/ Interconnection Order at ¶ 703.

given the existing location of the incumbent provider's wire centers.[6]

- ***Forward-looking Cost of Capital.*** TELRIC is calculated using a forward-looking cost of capital that presumably projects market growth, increased competition and other factors that affect risk and return. The cost of capital in TELRIC is what investors must be paid to induce them to invest in the assets used to provide the unbundled network element. In a sense, it is the profit or return associated with the unbundled network element.[6]
- ***Depreciation.*** TELRIC is calculated using forward-looking economic depreciation rates. Depreciation in a TELRIC study is economic depreciation which measures the expected change in the economic value of assets used to provide the unbundled network element.[7]
- ***Directly Attributable Costs.*** TELRIC includes all costs and only those costs that are directly attributable to or caused by a

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[6] Interconnection Order at ¶ 682.

[6] Interconnection Order at ¶¶ 699-700.

[7] Interconnection Order at ¶ 703.

particular unbundled network element. Retailing costs, marketing expenses, billing and collection costs, and all other costs associated with retail offerings cannot be included in the directly attributable costs of an unbundled network element. The FCC also requires that an incumbent carrier's cost study must explain why or how a specific function included in a TELRIC estimate is necessary to provide a particular element.[8/]

- ***No Embedded Costs, Universal Service Support or Opportunity Costs***. The FCC expressly prohibits the use of embedded costs or costs incurred by the incumbent carrier in the past as the basis for TELRIC.[9/] The FCC also prohibits the inclusion of universal service subsidies or opportunity costs (*i.e.*, the revenues the incumbent carrier expected to earn but for offering a particular unbundled network element).[10/]

Q. HOW DOES THE FCC DEFINE A REASONABLE ALLOCATION OF COMMON COSTS?

8/ Interconnection Order at ¶¶ 682, 691 and FCC Interconnection Rules §51.505(d)

9/ Interconnection Order at ¶¶704-707.

10/ Interconnection Order at ¶¶708-711, 713.

A. The FCC indicated that a reasonable allocation of forward-looking common costs would be determined by each carrier subject to approval by state commissions. In general, it held that the common costs to be allocated were the common costs of offering unbundled network elements and not the common costs associated with retail activities.[11/] The FCC indicated that reasonable allocation methodologies might include a fixed allocator (*i.e.*, a uniform percentage markup applied over TELRIC for all unbundled network elements) or an allocation of a small percentage of common costs to critical unbundled network elements. The FCC indicated that a Ramsey pricing method (*i.e.*, high allocations of common costs to elements with low elasticities) is an unreasonable allocation methodology.[12/] Further, the FCC required that the sum of the TELRIC and the reasonable allocation of common costs should not exceed the stand-alone costs of the unbundled network element (*i.e.*, the costs that an efficient firm would incur if it produced only the unbundled element in question).[13/] The FCC also required that the sum of the

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11/ Interconnection Order at ¶694.

12/ Interconnection Order at ¶ 696.

13/ FCC Interconnection Rules § 51.505(c)(2)(A).

common costs associated with unbundled network elements (as common costs are defined by the FCC) should not exceed the total common costs associated with unbundled network elements.

II. SPRINT'S COST STUDIES AND ANALYSES DO NOT CONFORM WITH THE FCC'S COSTING REQUIREMENTS

A. Sprint's Cost Studies are Fatally Flawed

Q. DO SPRINT'S LOOP COST STUDIES FOR FLORIDA COMPLY WITH THE FCC'S COST STANDARD FOR UNBUNDLED NETWORK ELEMENTS?

A. Absolutely not. There are a host of fatal problems associated with using the Benchmark Cost Model (BCM) presented by Mr. Dunbar as an estimate of economic costs:

- ***The BCM is not intended to estimate the costs of unbundled elements.*** As Mr. Dunbar indicates in his testimony, the BCM estimates the cost of an entire service -- namely residential local service[14/] -- and is not designed to estimate the economic costs of various unbundled network

[14/] Testimony of James Dunbar on Behalf of United Telephone Company, pg. 7 (Aug. 12, 1996).

elements. The BCM was initially designed to identify high-cost service areas in the context of defining appropriate universal service support and was never intended to develop forward-looking estimates of the costs of unbundled network elements. However, to the extent that the BCM is an estimate of the economic costs of an entire service, it oviously creates a cost ceiling for the economic costs of an unbundled network element. Said differently, the economic costs of unbundled loops, a component of residential telephone service, cannot be greater than the economic costs of residential service which includes loops as a component.

- ***The Florida Commission cannot be certain what the updated BCM presented by Sprint measures.*** The BCM model is grossly complex, and it is nearly impossible to determine and analyze all of the "simplifying" assumptions embedded in the model. The BCM, for example, allows users to specify 57 different numerical assumptions that affect the results of the model and the data used as input for the BCM model requires a CD-ROM for computer storage. The model consists of about 360 variable inputs, more than 20 tables with

170 calculations and a spreadsheet with more than 160 calculations for each census block. As a practical matter, the Florida Commission has no way to check the validity or accuracy of the data employed or the calculations absent simply trusting Mr. Dunbar. The BCM that Mr. Dunbar sponsors in this proceeding is actually an update of an earlier version of the same model. It is interesting to note that when Sprint first released the BCM, it reported national average loop and switching costs of $23.04, but the BCM 2 that Mr. Dunbar sponsors yields national average loop and switching costs of $29.98, an increase of about 30%. Such a large increase hardly seems reasonable, and implies that the BCM results Mr. Dunbar sponsors are unstable and unreliable.

The BCM does not develop an estimate of common costs (as defined by the FCC) or allocate those costs among all unbundled network elements. Certainly, the model employs technologies that are common among various network elements. For example, the feeder technologies are used by all types of loops. However, it is unclear whether the models allocation of common costs complies with the FCC's

requirements. For example, the FCC requires that the TELRIC and the allocation of stand-alone costs be less than stand-alone costs. The BCM does not produce a stand-alone cost estimate, so it is impossible to determine whether it complies with this requirement. Also, the model does not develop an estimate of total common costs, so it is impossible to determine whether the allocation used in the model exceeds total common costs, or whether the allocation is in any way consistent with the pro-competition requirements of the Telecommunications Act.

▸ ***The BCM does not develop an estimate of forward-looking costs since it is based on current equipment prices and currently deployed technologies rather than the technologies and prices might be anticipated.*** The BCM uses depreciation levels and rates embedded in incumbent carriers' practices and make no attempt to develop an estimate of the change in the economic value of assets used to provide unbundled local loops. Other than simply assuming the depreciation rate embodied in ARMIS data, the BCM fails to provide any analysis of the economic depreciation associated with the assets used to provide unbundled network elements as

required by the FCC. Likewise, the BCM assumes a cost of capital (11.25%), but does not provides an analysis or objective estimate of the forward-looking, risk adjusted cost of capital as required by the FCC.

- ***The BCM fails to provide usable definitions of the geographic zones that might be used for a cost-based geographic deaveraging of prices.*** The FCC requires that state commissions geographically deaverage prices for interconnection and unbundled network elements by establishing zones that reflect differences in economic costs. While the BCM develops costs by the physical characteristics of census blocks, it makes little sense to establish 226,000 cost "zones" throughout the United States.
- ***The BCM includes embedded costs when it develops its ARMIS-based factors used to annualize loop investments.*** The FCC specifically excludes the embedded costs of incumbent providers from the development of TELRIC. Using ARMIS-based factors to develop mark-ups uses the embedded costs (revenue requirements) of incumbent providers as the

basis for annualizing loop investments rather than a forward-looking, incremental methodology as required by the FCC.

- ***The BCM develops estimates of switching costs and combines it with loop costs, but fails to develop a separate estimate of the line-side and trunk-side port costs associated with switching as required by the FCC.*** It is not clear, for example, whether the line side port costs (which the FCC indicated should by recovered with a per line charge) are bundled with the loop costs reported in the BCM or the switching costs. Since the model was not designed to estimate the incremental costs of unbundled network elements, such a breakdown would have been unnecessary from Mr. Dunbar's vantage and thus, excluded from the model.

Q. DOES THE COST STUDY DESCRIBED BY MR. FARRAR COMPLY WITH THE REQUIREMENTS ESTABLISHED BY THE FCC FOR UNBUNDLED NETWORK ELEMENTS AND INTERCONNECTION?

A. No. Again, Mr. Farrar's study appears to have been designed for another purpose -- to estimate the Total Service Long Run Incremental Cost -- rather than to develop estimates that conform with the FCC's

requirements. In particular, Mr. Farrar's study suffers from at least the following major deficiencies:

- ***The allowance for joint and common costs (15%) is completely arbitrary***. The FCC allows for a reasonable allocation of common costs (as common costs are defined and limited by the FCC), including a fixed allocator. However, Sprint is not proposing to calculate its total joint and common costs and allocate an equal proportion among its unbundled network elements. It is simply adding 15% to its estimate of incremental costs. Such a methodology virtually guarantees the over-recovery of common costs that the FCC indicated was not allowed in pricing unbundled network elements.
- ***The Florida Commission cannot determine how Mr. Farrar develops his costs***. The cost study sponsored by Mr. Farrar is presented in the highest level of generality that conceal critical assumptions. For example, Mr. Farrar describes the conversion process for translating busy-hour (peak load) investments into monthly costs as follows:

> There are two steps. First, each cost function (traffic sensitive, processor set-up, and SS7 set-up) is multiplied by an annual charge factor to determine an annual revenue requirement.

Second, the annual amount is divided by 12 to determine a monthly amount.[15]

Mr. Farrar fails to describe how that annual charge factor is developed or what it includes. Similarly, he describes his "analysis" of unbundled transport in conclusory terms that yield absolutely no insight into how the figures were developed. For example, he described the development of the costs of transport capacity as "[t]he cost per DS1 is equal to the utilized engineered, furnished and installed (EF&I) unit cost of each component, divided by its DS1 capacity."[16] That "description" of costs boils down to a tautology -- "the costs are the costs" -- rather than providing any insight into how Sprint developed its transport costs. From reading Mr. Farrar's description of Sprint's cost studies, the Florida Commission simply cannot tell whether the costs he develops are the forward-looking costs of an efficient competitor and an efficient network configuration as required by the FCC or whether they are Sprint's costs.

[15] Testimony of Randy Farrar on Behalf of United Telephone Company of Florida at pg. 8 (August 12, 1996).

[16] Testimony of Randy Farrar on Behalf of United Telephone Company of Florida at pg. 9 (August 12, 1996).

B. Applying the FCC's Proxy Cost Ceiling to Sprint

Q. WHAT CAN A STATE COMMISSION OR ARBITRATOR DO IF THE INCUMBENT PROVIDER HAS NOT PERFORMED THE COST STUDIES REQUIRED BY THE FCC?

A. The FCC specified several proxy cost ceilings and ranges that state regulators and arbitrators are directed to apply in the interim until the incumbent performs the cost studies required by the FCC. In Florida, the statewide proxy cost ceiling for unbundled local loops is $13.68 per line per month. Since this is a price ceiling, incumbent carriers, arbitrators and state commissions are free to establish rates based on a lower average cost, but not higher. It is important to emphasize that the FCC also ordered that the prices for unbundled network elements be geographically deveraged into at least three zones to reflect cost differences between the zones.[17/] The proxy cost is the weighted average of these disaggregated costs, so the $13.68 per line per month proxy cost ceiling for Florida should be the average over at least three geographic zones.[18/]

17/ Interconnection Order at ¶¶ 764-765.

18/ Interconnection Order at ¶ 784.

Q. ARE THERE ANY ADJUSTMENTS THE FLORIDA COMMISSION SHOULD MAKE TO THIS AVERAGE LOOP COST?

A. Yes. In his testimony, Mr. Dunbar indicates that based on his BCM model, the average loop costs for the Maitland/Winter Park area is $20.01. The average cost for the entire state of Florida, according to Mr. Dunbar's BCM model, is $29.15,[19] which implies that loop costs in Sprint's service territory in Florida are 31% lower than the rest of the state. Applying this proportion to the FCC's statewide average proxy cost ceiling means that Sprint's average loop rates must be no higher than $9.39, averaged over all the geographic zones served by Sprint.

III. RECOMMENDATIONS

Q. WHAT DOES MFS RECOMMEND?

A. The Florida Commission should develop interim unbundled loop rates using the proxy cost for unbundled local loops until Sprint and all other incumbent local carriers in the state have developed cost studies that comply with the FCC's requirements and this Commission has reviewed and approved those cost studies. To comply with the

[19] Benchmark Cost Model: A Joint Submission by Sprint Corporation and US West, Inc., at pg. 67 (July 3, 1996).

immediate need to meet the interim geographic deaveraging requirement and recognizing that local carriers in many jurisdictions have testified that loop length is the only significant variable in determining loop costs, the Florida Commission should require each incumbent local carrier to identify the average loop length for each of its serving wire-centers and the number of working loops in each wire center, which is readily available data. Armed with this data, the Commission can quickly group wire-centers into zones by loop length; compute the average length and total loops in each zone; and, using this data, determine loop costs by zone surrounding the FCC proxy cost ceiling.*Having satisfied the immediate need, the Commission should then order each incumbent LEC to develop its forward looking loop costs. The Commission can then conduct the appropriate investigations at its own schedule and modify the interim loop rates as needed to comply with the then available forward-looking cost studies. My recommendation regarding deaveraging loops by loop length is shown in Exhibit 8 (DNP-3).

Q. HOW SHOULD THE GEOGRAPHIC ZONES BE DEFINED?

*Sentence added per TR p.145 as follows:
We have performed a deaveraging analysis of the proxy based on input data from the BCM which is contined in Exhibit 5.

A. As shown in Exhibit 8 (DNP-3), the zones should be defined by clustering wire-centers based on the average loop length in each wire-center, *e.g.*, all wire-centers having similar average loop lengths should be grouped together. Although we each might suggest other metrics such as average loop length by household or by census block group, average loop length by wire-center is the correct metric for several reasons. First, it matches the standard imposed by the FCC for TELRIC studies based on forward looking technologies, but current wire-centers. Second, it uses the same reference as is used for current tariffs and billing systems. Most importantly, it is a concept that consumers are most likely to understand because it also is co-terminous with current telephone numbering systems. When the Commission has gathered the loop length by wire-center data, it should be able to cluster the wire-centers based on inspection or by using statistical grouping techniques. In either event, the Commission should strive to have zones each aggregating a similar number of loops, for example, in a three zone system, no zone should consist of less than 25% nor more than 50% of the total loops.

Q. DO YOU HAVE OTHER CONCERNS CONCERNING LOOP PRICING?

A. Yes, I am concerned about the price of cross-connect facilities between Sprint and MFS equipment and frames.

Q. PLEASE EXPLAIN.

A. The FCC defines the loop network element "as a transmission facility between a distribution frame, or its equivalent, in an incumbent carrier's central office, and the network interface device at the customer premises."[20/] This definition specifically does not include the cross-connection necessary to deliver the loop from the distribution frame to MFS' collocated equipment. Although the FCC requires the incumbent carrier to provide the cross-connection and establishes the costing standard[21/], it neither defined the cross-connection as a network element nor established proxy rates for the cross-connection. Since the loop is almost useless without the cross-connection, MFS requests that this Commission declare the cross-connection to be a network element and require Sprint to develop a TELRIC based rate

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20/ Interconnection Order at ¶380.

21/ Interconnection Order at ¶386.

for this element. Until the required study is complete, MFS recommends this Commission adopt a rate no higher than $0.21 per month per cross-connection as its interim rate. This is the tariffed rate filed with the Illinois Commerce Commission for the same network element based on a cost study submitted by Ameritech.[22]

Q. HOW SHOULD UNBUNDLED TRANSPORT RATES BE ESTABLISHED?

A. ~~Sprint's transport cost study provides absolutely no information that is useful or relevant to determining the economic cost of transport.~~ MFS recommends that the Florida Commission implement the default proxies for transport as described in Exhibit 8 (DNP-1).

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

167568.10

[22] Ameritech-Illinois Tariff, ILL. C. C. NO. 15, Original Page 876.20.5

CHAIRMAN CLARK: Now with respect to the exhibits, does that, those remaining to be part of the Composite Exhibit are 1, 3, 4, 5 and 6, would that be correct?

MR. RINDLER: Yes, ma'am.

CHAIRMAN CLARK: Okay. DNP-1, 3, 4, 5, and 6 will be marked as Exhibit 8. Okay. I think that does it.

BY MR. RINDLER:

Q Mr. Harris, do you have a summary of your testimony?

A Yes.

Q Could you provide it at this time?

A Good afternoon, Madam Chairman, Commissioners, Staff, and Parties. On August 8, 1996, the FCC released its interconnection order and rules which are intended to implement Sections 251 and 252 of the Communications Act of 1934 as amended by the Telecommunications Act of 1996.

Among many other points in this order, the FCC describes network elements and a precise pricing standard for this Commission to apply should these issues come before it in an arbitration proceeding. Specifically, all unbundled network elements are to be priced on an economic cost basis. The FCC defines economic cost as the sum of total element long-run incremental cost of providing each network element, TELRIC, plus a reasonable allocation of

forward-looking common costs related only to the provision of the network element.

In this arbitration proceeding, this Commission must decide what loop rates should be established. Until there is a TELRIC study, the FCC has established an interim statewide price cap for loops to be applied by this Commission. Sprint acknowledges that it does not have studies that satisfy the FCC TELRIC standards. Until Sprint provides a proper cost study, this Commission must set an interim rate by November 8th, 1996. Based on the FCC's interconnection rules and information this Commission has or can readily obtain, I don't believe this will be a particularly difficult job.

The FCC has established a statewide average proxy ceiling of $13.68 for unbundled loops in Florida. This is the rate that this Commission is to apply in the absence of TELRIC data. The rate is only a statewide average, however, and it has to be aggregated into geographically deaveraged zones and has to reflect the existence of independent telephone companies such as Sprint as well as the other carriers, incumbent LECs in the state.

To comply with the immediate need to meet the interim geographic deaveraging requirement and recognizing that local carriers in many jurisdictions have testified that loop length is the most significant variable in

determining loop costs, the Commission should either require Sprint and other incumbent local exchange carriers to identify the average loop length for each of their serving wire centers and the number of loops in each wire center or use readily available loop length data.

In this case the use of loop length data contained in the benchmark cost model contains this data. Armed with this data, the Commission can quickly group wire centers by loop length and total loops in each length to establish zones. Using this data and the proxy ceiling that the FCC has established, this Commission can establish deaveraged geographical prices. The geographic zones should be defined by clustering the wire centers based on the average length; that is, all wire centers that have similar average lengths should be grouped together. This method matches the standard imposed by the FCC for TELRIC studies based on forward-looking costs by current wire center. It is also consistent with current tariffs and billing systems and uses the method most likely to be identifiable by the public.

It is my opinion that if you determine to use a three-zone system you should have zones consisting of roughly 25 to 50 percent of loops in each zone. In other words, wire centers don't have to be evenly distributed, but neither should they have zero loops or one hundred

percent of loops in any zone. Using the BCM data and the FCC proxy for Florida, I have calculated that rates for Zone 1 should be $7.56; for Zone 2, $11.56, and for Zone 3, $22.54.

I recognize that the Commission, Sprint and MFS are all attempting to implement the FCC's rules for the first time. What I propose I believe is a relatively simple and accurate means to calculate interim loop costs by zones. Thank you.

MR. RINDLER: Madam Chairman, the witness is available for cross examination.

CHAIRMAN CLARK: Thank you. Mr. Fons.

MR. FONS: Thank you.

EXAMINATION

BY MR. FONS:

Q Mr. Harris I'm John Fons representing Sprint. I understand that you're Tim Devine's supervisor?

A Yes, I am.

Q I've always wanted to meet somebody who would supervise Tim Devine.

A So should I.

Q Let me ask you a couple of questions about some things that Mr. Devine, your subordinate, said that you will handle for him. The first one is the cross connect, and I believe in your testimony at page 24 you talk about

the cross connect, and let's just make certain what we are talking about here. Is the cross connect that we are talking about a facility between the frame in the Sprint central office or the MFS central office to MFS's collocated facilities or Sprint's collocated facilities?

A In this context, as we've defined it in the agreement, it would be in the facility in the Sprint wire center between the Sprint frame and the MFS collocation facility.

Q Okay. And that could be a jumper cable, could it not?

A Often times, yes.

Q And this is the facility that you are requesting under unbundled facilities; is that correct?

A Correct. It's the means by which we can access the unbundled loop.

Q And Sprint has agreed to provide you with that unbundled cross connect, isn't that correct?

A I don't recall if there is specific language to that effect, but it's the understanding that they would provide it, yes.

Q And the only issue that we are talking about this afternoon or in this arbitration is the price to be paid for that cross connect?

A Yes.

Q And as I understand it, the FCC did not establish a proxy for that facility?

A I'm not aware of a specific rate having been set for that facility.

Q And you have proposed a rate based upon some rate that was filed in Illinois by Ameritech?

A Yes.

Q And have you seen any cost studies to substantiate that rate that was filed by Ameritech in Illinois?

A I have not seen such studies.

Q And has Sprint offered as a proxy its tariffed rate for a cross connect in its either collocation tariff or its access tariff?

A I recall that they have, yes.

Q Okay. Now when does MFS plan to be in business in Florida?

A Well, we are already in business, but we anticipate the current agreement between MFS and Sprint that we executed this morning calls for the interconnections to be implemented by January 31, 1997.

Q And that would also include any unbundled loops that MFS might would desire?

A That is correct.

Q And hasn't Sprint agreed that it will file a

TELRIC study in the near future to set the price for the cross connect?

A They have. Yes, Sprint has committed to filing their proposed studies that, then that would be before the Commission. There would be a hearing and a proceeding to determine rates.

Q And isn't it possible that before MFS needs any cross connects that that TELRIC based price will have been approved by this Commission?

A It is certainly possible. Our experience in other places has been, however, that in a generic proceeding many parties will have interests and it could take longer than that.

Q But you're asking this Commission to approve as a proxy a rate for which they have no cost analysis when Sprint on the other hand is offered a rate that has been filed with this Commission and the Commission has had the opportunity to look at the rate, the cost support for that rate and approve that rate?

A I would say I'm asking them to adopt a rate that having been adopted by other LECs and other state commissions might even be considered a market rate.

Q But that's not the rate that Sprint has filed in Florida, is it?

A That's correct, it's not the rate Sprint has

filed.

Q I also believe that Mr. Devine has saddled you with the discussion of the unbundled local loop, isn't that correct?

A Well, I think that is part of my testimony.

Q Okay. And you have testified that part of the agreement between Sprint and MFS is that Sprint will use the FCC proxy for the unbundled local loop?

A We have agreed that the interim rate needs to be based on the proxy. We disagree as to whether or not it should be deaveraged.

Q This proxy that was established by the FCC, is that proxy a cost-based rate?

A I believe the FCC believes it's an approximation of a cost based -- of an economic cost of a loop. It was derived through their comparison of a number of different very high level studies.

Q The FCC views this, however, as purely an interim rate?

A They view it as the rate that should guide the state commissions until such time as TELRIC studies have been filed and approved.

Q It certainly is not based on a TELRIC study, is it?

A No, it is not.

Q And under the FCC's view, something that is not based on TELRIC is not based on economic cost, is it?

A I wouldn't want to speak to what the FCC's view is. I think that they view that this is a proxy for economic cost until such time as a TELRIC study can be approved.

Q You have proposed an exhibit, and I think it's part of exhibit, Composite Exhibit 8, and it's -- just for simplicity purposes, can we call it Attachment 5? Or I can call it DNP-5 if that makes it clearer for you.

A That's fine.

Q Okay, DNP-5. Now DNP-5, is that an analysis that you prepared?

A It was prepared under my joint supervision, and it's based on a method that I had input into.

Q This DNP-5 is not addressed or described in your rebuttal testimony, is it?

A It is with the addition I made during the introduction. It was not because it was filed after the original testimony was filed.

Q Okay. And in the original testimony, the methodology that was being urged was contained in DNP-3, I believe?

A That is correct.

Q And how does DNP-5 compare with DNP-3?

A The difference is in DNP-3 we recommended that as one of the -- one of the inputs be the actual loop lengths by wire center to be reported by the individual LECs in the state. DNP-5 attempted to perform the analysis contained in DNP-3 but to use loop length estimates drawn from input data to the benchmark cost model.

Q Which version of the benchmark cost model?

A I believe this was drawn from the BCM, the original BCM.

Q Not BCM 2, not the one --

A It's not my understanding that this particular data would have changed all that much between the two.

Q And I believe that -- Let's turn to DNP-5, if you would. And I believe that you've indicated you established this on the basis of loop lengths; is that correct?

A It attempts to derive an average loop length per wire center based on input data from the BCM that set -- based on the distance between a given wire center and the center most point of the census block, which was the unit of measure in the BCM, and then to group those to their associated wire centers; that was essentially how the BCM also measured loop length.

Q Do you know whether the loop feet that you used was airline miles or actual miles? I'm sorry, airline, on

an airline basis or on an actual basis?

A I'm not sure what you're saying, the difference between airline and actual. It's the distance between the center most point, the centroid of the census block and the wire center.

Q And that is as the crow flies rather than the actual way the loop actually traverses between the wire center and the centroid?

A Yes, that would be as the crow flies.

Q Do you know whether the BCM uses the actual or the airline?

A My understanding, since these distances were drawn straight from the BCM, that that was an input. My understanding is that it uses those same differences to measure the difference between the centroid and the wire center.

Q You don't know whether the BCM converts those airline distances into actual distances?

A My recollection is that the BCM doesn't hold anything constant in the existing network except the wire center locations.

Q Is this -- the loop feet that you're showing here, are these the loop feet as they exist today, or is this the loop feet as they would exist in a reconstructed network?

A As they would exist in a reconstructed network.

Q Turn to page 15 of 15 of your DNP-5. There you show Zones 1, 2 and 3, and these are arrayed on the basis of loop length, isn't that correct?

A Correct.

Q And you have the rates set forth there as 7.56, $11.85 cents and $22.54?

A That is correct.

Q And these are the rates that you're asking this Commission to adopt for Sprint/MFS?

A Yes, I am.

Q Now your analysis is a statewide analysis, isn't it?

A Yes.

Q Would you have to do a separate analysis just for Sprint?

A No. As a matter of fact, this entire thing groups the wire centers by zone so that Pages 1 through 3 and then the first two lines on page 4 are all of the wire centers in Zone 1, and then the remainder of page 4 through the top of page 8 are Zone 2, and then the balance of the pages are the wire centers in Zone 3 so that these would be rates for all carriers in the state. And to determine the rates at any specific Sprint wire center would merely to look, to find it, how it's grouped in this spread sheet.

Q And what was the criteria that you used for splitting the zones into 1, 2 and 3? What was your break point?

A This is a point that reasonable people can easily disagree. We looked at it -- we look at a rate out to see how they fell out because, as you'll see, the final column or the -- take that back. Oh, the column labeled Average Loop Length, all the wire centers are sorted based on the average loop length. We tried to look for natural break points; no real significant natural break points appeared. We had considered that to make reasonable zones we had proposed that no zone have fewer than 25, no more than 50 percent. We didn't find any natural break points, so we made a, you know, what is admittedly somewhat of an arbitrary distinction and said, well, 30/40/30 seems a natural break. You might -- you know, someone else might look at this and reasonably move the zone boundaries up or down to group them into different percentages, and that would be reasonable. 30/40/30 seemed reasonable absent some natural break points.

Q And it was your design here to try to aggregate these wire centers according to their costs?

A We were trying to aggregate, you know, like costs characteristics together. To some extent, you know, I believe that, you know, what you wind up with is an average

across the zone. Anytime you are doing any kind of grouping or averaging, you have to make some distinctions; we made this distinction. It may be that by having more than three zones you could wind up with different groupings that might have some tighter correlations to the way they fall out. This is -- you know, as I say, it's open to some, you know, may be open to some refinement about how you would group them, but we feel it's reasonable.

Q And I believe you've indicated that the only criteria you used for estimating cost was loop length?

A That is correct.

Q Are there any other criteria that might be used?

A Well, generally in discussions in the industry and what people have testified in other places, loop length is considered the very strong overriding factor. However, a second factor that is often also mentioned is loop density, and it could be that you could take this same spread sheet and add a second screen for loop density and that you might say that the Zone 1 has to be loops of a certain, not only of a certain average length but of a certain minimal density, and that might be another reasonable screen.

In general, looking down this, and there are obvious exceptions, but in general density and length appear to have some close correlation, but there are

exceptions where you'll have -- well, the very first one for instance has a, you know, shorter loop lengths but a very low density, and that would be somewhat of an aberration. And those could be trimmed out very quickly and easily.

Q And did you do a test for density? Did you do that density screen?

A No, we didn't do that.

Q Is there any other criteria that is considered for determining the cost by wire center?

A There are other criteria that have been considered in other types of studies. As I say, generally, in attempting to arrive at a proxy, the two overriding criteria that are always mentioned, or the one that is always mentioned as the overriding criteria is length, and the second factor is density. Beyond that, other factors may come into play, but they seem to be less, far less significant.

Q Have you done any kind of sanity check to see whether or not your proposed rates and the proposed zones are reasonable?

A What do you mean by sanity check?

Q Have you run, have you determined whether or not there are any aberrations other than the one we mentioned where density -- there might be some anomalies as you call

them where density and length don't match up?

A No, I haven't.

Q Do you know how many wire centers you have in this study for Sprint United-Centel?

A No. This is, this was -- The wire centers here were pulled straight from the BCM model.

Q Okay.

A We did not, you know, try to get them grouped so that Sprint came out in any one zone or anything like that.

Q Okay. And the rate you got them into the zones though was by the loop length?

A Right.

Q Okay. Now if my arithmetic is right, I counted, based upon your Exhibit DNP-1 -- yes, DNP, I guess it's 4, I'm sorry, DNP-4, I've counted 101 Sprint wire centers. Would you accept my math subject to check?

A Sure.

Q And of those 101 wire centers, I've determined, based again upon your DNP-3, that 11 of those wire centers are in Zone 1.

A Okay.

Q And that nine of them are in Zone 2.

A Okay.

Q And that 81 of them are in Zone 3.

A That may very well -- I'll tell you honestly

that I did not look to see how Sprint's offices came out. We were looking to see how the overall would distribute.

Q Would you consider that to be a bizarre result?

A Not necessarily at all. It may reflect the serving territory of Sprint.

Q So that if MFS were to order loops from Sprint, in 81 of its wire centers it would be paying the rates that you have recommended this Commission establish for Zone 3, which I believe is $22.14; is that correct?

A That is correct. We didn't screen this to see how cheap we could get the rates for MFS.

MR. FONS: I have no further questions.

CHAIRMAN CLARK: Staff.

EXAMINATION

BY MR. BILLMEIER:

Q Mr. Harris, do you have the exhibit package? We have in that something marked DNP-7. It is the transcript of your deposition.

A Yes. Yes, I do.

Q Is that true and correct to the best of your knowledge and belief?

A Yes, it is.

MR. BILLMEIER: Madam chairman, could we have this marked?

CHAIRMAN CLARK: It will be marked as Exhibit 9.

BY MR. BILLMEIER:

Q I have a few questions about deaveraging.

A Certainly.

Q Do you believe that the FCC established a time certain that geographically deaveraged rates must be in place?

A I believe the Act sets the time certain based on the arbitration and that the FCC requires that the proxy be deaveraged in any of those arbitration cases.

Q Should geographic deaveraging apply when the Commission uses default proxies?

A Yes, that's my testimony.

Q Okay. Do you have the FCC interconnection order?

A I do.

Q Could you look at Paragraph 784? When you find that, could you read it, please?

A "The proxies that we establish represent the price ceiling or price ranges for the particular element on an averaged basis. In Section 7.B.3.C above, we require that rates be set on a geographically deaveraged basis. Consequently, states utilizing the proxies shall set rates such that the average rate for the particular element in a study area does not exceed the applicable proxy ceiling or lie outside the proxy range."

Q Now does that support your -- I asked you before

should geographic deaveraging apply when the Commission uses default proxies, and I believe you answered yes. Does Paragraph 784 support that?

A I believe it does directly.

Q Okay. In the exhibit packet we have something marked WEC-11. It's page 107 of that. It has some zone density pricing tariffs from Sprint United.

A I'm sorry, what was the identifying number?

Q WEC-11.

CHAIRMAN CLARK: Mr. Fons, can we go ahead and identify this exhibit so we can use it and then have Mr. Cheek verify the document?

MR. FONS: Sure, that will be fine.

CHAIRMAN CLARK: Okay. We are going to mark WEC-11 as Composite Exhibit 10.

Okay. Go ahead, Mr. Billmeier.

A I have the exhibit.

Q If this Commission adopts geographically deaveraged rates for interconnection and unbundled elements, should the Commission use these existing zones to price interconnection and unbundled elements?

A Can you give me a page number for that exhibit?

Q It's what we have stamped page 107. It starts on page 107.

A And you're asking should the Commission use the

zones. I don't see where the zones are identified.

Q At the bottom of page 108.

A To tell you the truth, I'm not sure what criteria went into defining these zones, so I really can't, don't feel I can answer that.

Q Well, would you agree that they are based on the number of equivalent DS-1 circuits per wire center?

A I would accept that subject to check. I don't know that that -- in that case I don't know that that would be an accurate or an appropriate criteria for deaveraging rates for local loops on a geographic basis since the characteristics, the density of DS-1s out of a wire center may not reflect the cost characteristics of the local loops from a given wire center.

Q If Sprint does not have the data necessary to compute average loop length per wire center, should this Commission order Sprint to provide the information and set up interim zones based on the existing zone structure discussed in WEC-11?

A Well, I wouldn't base it on the zone structure described in WEC-11, but certainly requiring the LECs to provide their loop length data to perform an analysis as proposed in DNP-3 would be acceptable to MFS; however, we don't believe that that should just apply on a single LEC basis because I believe the proxy that the FCC offers is a

statewide proxy, so it would need to -- or require all the incumbent LECs to file their data and then to sort the wire centers into zones.

Q Since this proceeding is just between MFS and Sprint, how can this Commission set zones for all the Florida LECs?

A Well, I don't know that they would necessarily set binding zones for all the Florida LECs, but would calculate the rates that Sprint would charge based on the entire statewide loops. It may be that in each separate proceeding involving each separate LEC you would have to order the incumbent to accept the zone rates, but in this case, you would use all the data from all the LECs to determine what the zones are and which Sprint office falls into which zone. In other words, you would sort Sprint's offices out of the total universe of all the offices in the state rather than just sorting them out of the universe of just Sprint's offices; but the prices that you would order as a result may only apply to Sprint as an administrative matter.

Q Now I have a few questions on cross connect.

A Okay.

Q Is it your understanding of the FCC interconnection order that the cross connect must be priced according to the same standards as interconnection and

unbundled elements?

A I'm not aware that the FCC specifically identified the cross connect as an unbundled element; however, we are making a request for the cross connect to be provided as an unbundled element. And to that extent, then it's my belief that it needs to be provided according to a TELRIC standard.

Q Does MFS propose that an interim rate be set for cross connect, the cross connect element until Sprint can provide appropriate TELRIC cost studies?

A Yes, we do.

Q What interim rate does MFS propose for the cross connect element?

A On this point we have proposed -- we have looked around the country and seen what, you know, what other rate has been approved and what has been offered and allowed to take effect, and we saw the rate that Ameritech had filed in Illinois of 21 cents per cross connect, and we thought that was a reasonable proxy given that it was voluntarily offered up by another incumbent LEC, a very large incumbent LEC and was accepted by another state commission and the fact that this kind of thing should not be geographically variable. It's an intraoffice facility. We are generally talking about a jumper cable.

Q Could you turn to what is now Exhibit 10 or

marked as Exhibit 10, WEC-11? It's the last page, page 147.

A Yes.

Q All right. This is a page from United's intrastate virtual collocation tariff. It contains the rates for DS-0, DS-1 and DS-3 cross connects.

A I see that.

Q What is your opinion as to the appropriateness of these as interim rates?

A I'm not sure how these rates were set or on what basis. My recollection is that the federal access -- the federal rates for cross connect were based on the embedded cost methods that were previously in use at the FCC, and that in the states in the interconnection tariffs, the LECs tended to try to mirror those rates in the state tariffs. I'm not -- beyond that I don't really know how this rate was arrived at, but it does seem high.

MR. BILLMEIER: Thank you, Mr. Harris. That's all I have.

WITNESS HARRIS: Thank you.

CHAIRMAN CLARK: Commissioners.

(NO RESPONSE)

CHAIRMAN CLARK: Redirect.

MR. RINDLER: I have no redirect, Your Honor. I would move at this time Exhibits 1, 3, 4, 5 and 6, which

was --

CHAIRMAN CLARK: Composite exhibit.

MR. RINDLER: -- Composite Exhibit 8.

CHAIRMAN CLARK: Eight?

MR. RINDLER: Yes.

CHAIRMAN CLARK: Okay. It will be entered in the record without objection.

MR. BILLMEIER: Staff moves Exhibit 9.

CHAIRMAN CLARK: It will be entered in the record without objection. We will wait on Exhibit 10 until Mr. Cheek takes the stand.

Thank you, Mr. Harris.

WITNESS HARRIS: Thank you.

MR. WAHLEN: We are ready for Mr. Cheek.

CHAIRMAN CLARK: Right.

MR. WAHLEN: United and Centel call William Cheek.

* * * *

Whereupon,

WILLIAM E. CHEEK

was called as a witness by the United and Centel and, after being first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WAHLEN:

Q Will you please state your name?

A William E. Cheek.

Q And by whom are you employed?

A I'm employed by Sprint United Management Company.

Q And on whose behalf are you testifying in this case?

A I'm testifying on behalf of Sprint United Telephone of Florida and Central Telephone of Florida.

Q And you have been sworn in?

A Yes, I have.

Q Mr. Cheek, did you prepare and cause to be filed in this case, direct testimony consisting of 48 pages?

A Yes, I did, and the accompanying exhibits that go with that as well.

Q Right. Do you have any corrections or changes to your testimony either in general or as a result of the settlement that has been reached today?

A Yes, I do.

Q Would you please read those changes and corrections into the record?

A Yes, I will. As a result of the settlement discussions that took place this morning between Sprint and MFS, there are several corrections or deletions, if you will, from the testimony that I filed. Turning first in my direct testimony, beginning on page 9, lines 14 through 25 should be stricken. Page 10 and 11 should be removed in its entirety. That is lines 1 through 25 on both pages. Page 12, lines 1 through 17; page 14, lines 7 through 25; page 15, lines 1 through 6; also on page 15, lines 9 through 25; on page 16, lines 1 through 5; also on page 16, lines 7 through 25; page 17, lines 1 through 21; page 18, lines 22 through 25. Page 19, 20, 21 should be stricken in the entirety, lines 1 through 25 on all of those pages. Page 21, lines 1 through 3. Let me correct that if I could. It will be page 22, page 23 in their entirety. Let me correct that, it be all of page 24 should be removed. Pages 25, 26, 27, 28, 29 -- I take that back, through 28 should be removed in their entirety. And line (sic) 29, lines 1 through 10. On page 31, lines 3 through 25 should be stricken. Pages 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45 and 46 should all be deleted, as should page 47 in its entirety. And that's all the changes

to the direct testimony.

Q Okay. With those changes, if I were to ask you the questions contained in your direct testimony today, would your answers be the same?

A Yes, they would.

MR. WAHLEN: Chairman Clark, we would request that Mr. Cheek's direct testimony be inserted into the record as though read.

* * * *

MR. WAHLEN: As far as the exhibits that were included with this direct testimony, they're identified in the Prehearing Order as Exhibits WEC-1 and 2, we will not be offering those into evidence.

CHAIRMAN CLARK: Okay. So there are no exhibits with this direct testimony?

MR. WAHLEN: That's correct.

CHAIRMAN CLARK: Okay.

MR. WAHLEN: I'd also like to let the record reflect that his rebuttal testimony will not be offered into the record and neither will his rebuttal exhibits, which was WEC-3.

CHAIRMAN CLARK: Okay.

MR. WAHLEN: We have, however, handed out two diagrams this morning to the Commissioners and the parties and the court reporter that we would like to have identified as an exhibit. And I believe the number would be 11.

CHAIRMAN CLARK: Since they're two separate sheets that are not attached we'll make that Central Florida Sprint Local Calling Area Exhibit 11 and Interconnection Call Termination Example Exhibit 12.

MR. WAHLEN: Thank you.

* * * *

UNITED TELEPHONE COMPANY
OF FLORIDA
CENTRAL TELEPHONE COMPANY
OF FLORIDA
DOCKET NO. 960838-TP
FILED: August 12, 1996

01263

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

WILLIAM E. CHEEK

Q. Please state your name, business address and title.

A. My name is William E. Cheek. I am the Assistant Vice President of Market Management for Sprint/United Management Company, an affiliate of United Telephone Company of Florida and Central Telephone Company of Florida. My business address is 2330 Shawnee Mission Parkway, Westwood, Kansas.

Q. Please summarize your educational background and work experience.

A. I received a Bachelor of Arts degree in Business from Hendrix College in 1977. From June of 1977 through March of 1981 I was employed by Allied Telephone Company in a variety of positions pertaining to the administration of toll revenues. In 1981, I joined United Telecommunications, Inc. in Kansas City where I held a number of positions. I was responsible for the preparation of Interstate Access Tariff Filings, Demand

Forecasts, Jurisdictional Separations Studies, and representing United's interests as a member of National Exchange Carrier Association (NECA) and United States Telephone Association (USTA) task groups. As a member of the USTA FCC Data Reporting task group I represented the telephone industry in numerous meetings with the FCC staff regarding the Tariff Review Plan and Automated Regulatory Management Information System (ARMIS). I joined Carolina Telephone, a Sprint company, in March of 1989. At Carolina Telephone, I was responsible for administration of the interstate and intrastate toll and access revenues derived from application of access or toll rates and tariffs. I also directed the administration of Carolina Telephone contracts with other companies.

In March of 1994, I was named Assistant Vice President Regulatory and Industry Planning for Sprint, Local Telecommunications Division in Kansas City. In that position, I was responsible for the development and advocacy of Sprint's regulatory policy positions before regulatory agencies, advocacy of Sprint regulatory policies in state and federal legislative initiatives, transactions with affiliates, and local competition negotiations with competitive local exchange providers.

In April of 1996, I was named Assistant Vice President Market Management. In this position, I am responsible for implementing the requirements of the Telecommunications Act of 1996 to facilitate competition in the local marketplace, development of cost of service studies, management of the interstate access market, and management of the intraLATA toll market.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to respond to the matters raised in the MFS Petition for Arbitration ("Petition") under Section 252(b)(1), Communications Act of 1996, and to respond to the prefiled testimony of Timothy Devine and the other documentation which accompanied the MFS Petition.

Q. On August 1, 1996, the Federal Communications Commission ("FCC") adopted an order and its rules regarding interconnection, unbundling and resale required by Section 251, Communications Act of 1996. Does your testimony rely upon or take into account the new FCC rules?

A. No. Although the FCC adopted its new rules on August 1,

1996, the rules and accompanying order were not released until August 8, 1996. I did not receive a copy of those rules until August 9, 1996. These rules and the order explaining them are in excess of 700 pages. Sufficient time did not exist prior to the date for filing this testimony to conduct a detailed review and analysis of the FCC's rules and order.

Unquestionably, the FCC rules will impact the manner in which Sprint will provide local interconnection, unbundling and resale along with the corresponding prices charged the new entrants. The negotiations between Sprint and MFS to date have not had the benefit of these new FCC rules.

Obviously, with the issuance of the FCC order and rules there will be changes in what MFS is requesting and how Sprint will respond. However, until the parties have had a sufficient opportunity to read, analyze and digest the new FCC rules, Sprint is responding to MFS' Petition for Arbitration in good faith based upon what MFS has requested. As this docket proceeds and the Company completes its review of the FCC's rules and order, it will adjust, change or modify its response to MFS' Petition for Arbitration. Sprint is optimistic an

agreement may be reached between the parties prior to any arbitration decision.

Q. MFS has attached to its Petition for Arbitration a document titled "Florida Interconnection Agreement under Sections 251 and 252 of the Telecommunications Act of 1996, dated July 3, 1996, by and between Sprint United-Centel of Florida, Inc. and MFS Communications Company, Inc." Would you please comment on this document.

A. Sprint was first presented with a copy of this proposed agreement shortly after July 3, 1996. In the letter transmitting this proposal, Mr. Devine of MFS stated:

> "Please review the attached agreement and return the signed copy of the agreement or advise me of each provision with which you disagree. I am assuming that if Sprint does not formally respond to each provision of the agreement, as part of the formal arbitration case records, that Sprint is accepting all of the provisions that are contained in the agreement." See Attachment B to MFS' Petition for Arbitration.

It would be difficult, if not impossible, for Sprint to respond to <u>each</u> provision of the proposed MFS Interconnection Agreement as to which the Company disagrees. Previously, Sprint furnished MFS with Sprint's positions in the form of "The Essential Elements for the Competitive Checklist" on April 12, 1996. This document outlines Sprint's position on the key issues. MFS agrees with the majority of these positions as illustrated in MFS' letter of May 23, 1996 to Jack Burge, which is attached as Exhibit No. WEC-1. Additionally, MFS' proposed Interconnection Agreement was drafted prior to the issuance of the FCC's order and rules on interconnection, unbundling and resale and does not reflect the requirements imposed on the parties by those rules and interpretive order. Finally, much of what MFS is requesting in its proposed Interconnection Agreement has already been addressed and rejected by this Commission in its Order Nos. PSC-96-0668-FOF-TP and PSC-96-0811-FOF-TP. Therefore, Sprint is disagreeing with each and every provision of the proposed MFS Interconnection Agreement, except as otherwise specifically agreed to in my testimony.

Q. If Sprint is rejecting MFS' proposed Interconnection Agreement, does Sprint have an alternative proposal?

A. Yes. Sprint Corporation has prepared and developed a draft Interconnection and Resale Agreement ("Sprint Model Agreement"), a copy of which is attached hereto as Exhibit No. WEC-2. Because this draft agreement was prepared by Sprint Corporation, which serves several different telecommunications, markets; i.e., local, long distance, wireless and competitive local exchange, this draft agreement reflects a balanced approach to the rights, responsibilities and obligations of the parties engaging in local exchange competition consistent with the Communications Act of 1996. This draft agreement does not reflect any changes in the rights and obligations of the parties necessitated by the FCC's new rules. Moreover, the agreement will of necessity be modified and refined going forward as circumstances require.

Nonetheless, this draft agreement is the most appropriate vehicle for purposes of arbitrating the positions of the parties. This will be the interconnection and resale agreement that the non-ILEC Sprint entities will present to the LECs throughout Florida and other states when those Sprint entities enter the local exchange markets. When Sprint completes its review and analysis of the FCC's rules, Sprint will modify, adjust and change as

necessary those agreement provisions impacted by the FCC's rules.

Q. Will you please describe how you will respond to MFS' Petition for Arbitration and other documentation?

A. MFS' Petition for Arbitration and Mr. Devine's prefiled direct testimony are not entirely compatible in the number and makeup of the issues addressed and for which MFS claims arbitration is required. Rather than the Company separately responding to the issues raised by MFS in its Petition for Arbitration, since Mr. Devine is MFS' sole witness, the Company takes the position that all issues raised there have been subsumed in Mr. Devine's prefiled direct testimony. Thus, my testimony covers all of the issues raised by MFS in its request.

However, there are matters contained in MFS' proposed comprehensive interconnection agreement which are not addressed in MFS' Petition, Mr. Devine's testimony or never raised in MFS' negotiations with Sprint. For example, Section 10.0 of the MFS proposed interconnection agreement, titled "Resale of Sprint Local Exchange Services -- Section 251(c)(4) and 251(b)(1)1" requires Sprint to make all of its local exchange services

available to MFS for resale. Because this issue has never been negotiated, it is not properly before the Commission, and I will not address it in my testimony. There may be other such issues as well.

My testimony will respond to the issues addressed in Mr. Devine's prefiled direct testimony in the order that he presents them. I will state whether Sprint agrees or disagrees with MFS' position and/or MFS' proposed provision; the basis for the Company's disagreement, if any; and the Company's proposed resolution with reference to the Sprint Model Agreement where appropriate.

Interconnection Points

Q. Would you please comment on Mr. Devine's contention, at page 14 of his prefiled direct testimony, that there is a controversy over the point of interconnection.

A. There really is not a controversy over the point of interconnection; i.e., Maitland or Winter Park. The controversy is over whether the facilities between MFS' Maitland switch and Sprint's Winter Park tandem switch will be constructed on a meet-point basis. Sprint has agreed to construct facilities to the wire center boundary or half way between Sprint's switch and the CLEC

switch, whichever is less. Each company will pay the cost of its own construction. If the limits are exceeded, then MFS will be required to incur the costs of the facilities beyond these limits. These limitations are necessary to prevent the CLEC from imposing costs on Sprint that result solely from the CLEC's decision where to locate its switch. In this situation, there is no disagreement on the Maitland/Winter Park interconnection.

Trunking, Signaling, etc. and Two-way Trunking

Q. Please respond to Mr. Devine's testimony, page 15, beginning at line 1 and page 16, line 16 through page 17, line 4 regarding trunking and signaling.

A. Sprint has already committed to interconnect for trunking and signaling at its tandems, end offices and at midspan meets with two-way and/or one-way industry standard trunking facilities and signaling arrangements. Sprint supports the Commission's finding in Order No. PSC-96-0668-FOF-TP, pages 40 and 41. These arrangements are covered in the Sprint Model Agreement, Exhibit No. WEC-2, Sections IV.B. and IV.B.a.

Compensation for Transiting Traffic

Q. Please respond to Mr. Devine's testimony, page 15, line

16 through page 16, line 13 regarding (1) direct and (2) switched interconnections between CLECs.

A. With regard to direct connections, Sprint does not oppose collocated CLECs establishing direct connections between each other's facilities as long as the connections are made using Sprint's tariffed cross-connect facilities and, if required, tariffed cable and conduit facilities. See FPSC Staff Memorandum in Docket No. 950985-TP, Issue 5, page 27, approved by the Commission at the July 30, 1996, Agenda Conference.

Sprint agrees with MFS, that MFS should pay Sprint for switched traffic that MFS delivers to Sprint's tandem switch for termination to another CLEC or other carrier. MFS should pay Sprint for the use of Sprint's tandem switching and for any transport facilities provided by Sprint that are necessary to transport the call to and from Sprint's access tandem switch to the CLECs' points of interconnect. With Sprint's proposed port charge for tandem switching, a separate transiting switch charge is not necessary. These costs would be recovered based on the number of ports required by MFS to switch the combined total traffic for both call termination to Sprint's end users and transiting traffic for termination

to other ALECs or ILECs. In addition, transport charges would be applicable based on MFS' traffic volumes.

Busy Line Verification & Interrupt

Q. Please respond to Mr. Devine's testimony, page 17, lines 7 through 12 regarding Busy Line Verification and Interrupt ("BLVI") services.

A. Sprint is willing to jointly establish procedures to offer BLVI services on calls between MFS's and Sprint's end users. BLVI calls should be routed over appropriate trunk groups.

Sprint will provide these retail services on a non-discriminatory basis at wholesale rates consistent with Section 251(d)(3) of the 1996 Act.

Local Interconnection Compensation

Q. Please respond to Mr. Devine's testimony, page 17, line 15 through page 23, line 17 regarding setting a local call termination rate.

A. MFS witness Mr. Devine asks that the Commission order a local call termination charge on the basis of "a single, identical, reciprocal and equal compensation charge" and

at a rate "of $0.005 per minute." Sprint agrees with MFS' proposal to charge a cost-based call termination rate. However, Sprint disagrees with regard to the use of a single charge for all types of traffic and the rate and rate structure proposed by MFS.

Sprint proposes that its rates for local call termination be based on the type of interconnection requested and the associated cost of the facilities used to provide the tandem and transport. That is, where a CLEC interconnects at an access tandem and uses Sprint's tandem switching and transport facilities to reach an end office, the rates should cover the cost of the tandem switch and the cost of the interoffice transport between the tandem and the terminating end office.

There is also a cost for the end office switch, however, Sprint proposes to bill and keep for end office switching on a reciprocal basis for an interim 2-year period to allow for traffic patterns to fully develop. Thus, where a CLEC uses its own transport to reach an end office, it would avoid the tandem switch cost and interoffice transport since termination at the end office does not require the use of those facilities.

Sprint proposes that a flat-rate DS-1 tandem port charge is an appropriate billing mechanism for the access tandem switching. The charge for transport is based on TSLRIC and billed on a distance sensitive basis for the amount of capacity ordered by MFS to terminate its traffic.

Q. Please explain why the switching charge should be a flat-rated, capacity-based port charge.

A. The most appropriate pricing mechanism for reciprocal compensation is flat-rated, capacity-based port charges. Depending on MFS' network requirements and traffic patterns, MFS will interconnect at a DS-1 or higher capacity level at the tandem or end office. Likewise, Sprint would need to purchase call termination capacity from MFS.

The advantage of a port charge is that it is administratively simple, and it ensures that both companies will be compensated relative to the level of services provided. It is a standard industry method for interconnection (Bellcore Standard No. TR-NWT-00499). It also provides an efficiency incentive in that the interconnectors can maximize the utilization of the facility by encouraging off peak usage.

Q. What price does Sprint propose for its tandem switching and transport functions?

A. The price of tandem switching and transport is the same as the costs for these functions. The costs are reflected in Exhibit RGF-1 to Mr. Farrar's testimony.

Local Unbundling and Loops

Q. Please respond to Mr. Devine's testimony, page 24, line 4 through page 26, line 4, page 27, line 6 through 28, line 6 and page 30, line 13 through page 40, line 4 regarding unbundled loops.

A. Sprint agrees with Mr. Devine's testimony on page 26, lines 1 through 4, which states "This Commission has already ordered that local loops be provided on an unbundled basis."

Sprint also agrees with Mr. Devine that "loop costs vary with distance and density and that deaveraged pricing is something that needs to be developed." Sprint does not, however, have unbundled loop costs on the basis of rural, suburban, and urban as proposed by MFS. As discussed in greater detail in the testimony of Mr. James D. Dunbar, Jr., Sprint has calculated loop costs by census block

group for its service territory in Florida. Sprint has not developed a proposal for deaveraged loop pricing at this time; however, using the average cost of $20.01 as stated in Mr. Dunbar's testimony, the price for Sprint loops in the Winter Park/Maitland area is $23.01.

Q. What specific unbundled elements should be made available?

A. The Act:

- Requires all incumbent local exchange carriers (ILECs) to provide, to any requesting telecommunications carrier for the provision of a telecommunications service, nondiscriminatory access to network elements on an unbundled basis at any technically feasible point on rates, terms, and conditions that are just, reasonable, and nondiscriminatory. (251(c)(3)).
- Requires ILECs to provide unbundled network elements in a manner that allows carriers to combine the elements in order to provide the telecommunications service. (251(c)(3)).
- Defines a network element as a facility or equipment used in the provision of a telecommunications service, including features,

functions, and capabilities such as subscriber numbers, databases, signaling systems, and information sufficient for billing and collection, or used in transmission, routing, or provision of a telecommunications service. (3(a)(45)).

- Requires the FCC, in determining which network elements will be made available, to consider, at a minimum, whether (A) access to network elements that are proprietary is necessary, and (B) whether failure to provide access to these network elements would impair the ability of a carrier to provide the services it wishes. (251(d)(2)).
- Requires that prices be based on cost (without reference to any rate-based proceeding) and be nondiscriminatory, and may include a reasonable profit. (252(d)(1)).
- Requires BOCs, as part of their competitive checklist, to unbundle loop transmission, trunk side local transport, and local switching. (271(c)(2)(B)(iv)-(vi)).

Q. Please define what you mean by local loop transmission, trunk side local transport and local switching.

A. Local loop transmission means non-switched transmission

between a central office and the customer's location. The customer location may be the premises of another telecommunications carrier.

Trunk side local transport means transmission from the trunk side of a switch to a telecommunications carrier's facilities. Local transport does not include switching. Tandem switching should also be offered as a separate element, but may be bundled with transport if agreed upon by interconnecting carriers.

Local switching means the end-office switching of exchange service and exchange access traffic. There are two subelements associated with unbundled local switching. One subelement is the line side port. This port includes a line side connection and all of the usage and software associated with the connection. A second subelement is the trunk side port. This port includes a trunk side connection and all of the usage and software associated with the connection.

Q. Are these the same unbundled network elements that MFS has requested in this arbitration proceeding?

A. No. For example, MFS has requested local service

unbundling rather than the individual network elements, local switching and loop. Thus, MFS is requesting that local dial tone be segregated into two separate elements: a local loop, or a link, and a port. The port includes a telephone number, a white page directory listing, switching and transport of local calls, and access to directory assistance, 911 and operator services. This is not how Sprint interprets the Act, however, Sprint has agreed to unbundle the port as requested by MFS and as ordered by this Commission in Docket No. 950984-TP, Order No. PSC-96-0811-FOF-TP.

Q. Are there other differences?

A. Yes. MFS has requested that Sprint provide unbundled 2 wire ADSL, 2 wire HDSL and 4 wire HDSL loops. However, these are not services which Sprint currently provides, but are technologies for increasing the transmission speeds and/or capacity of existing loop facilities.

Q. Does Sprint object to providing the requested loops?

A. No. However, we need to determine what technical parameters are required and to determine our capabilities to design, install and maintain the requested facilities.

MFS would be responsible for any cost that may be required to provide the requested loops if they require the Company to incur additional cost to provision, design, test, maintain and repair.

Collocation

Q. Does Sprint offer collocation as requested by Mr. Devine in his testimony on page 27, beginning on line 11?

A. Yes, and Sprint has agreed to collocate MFS' local interconnection and transmission equipment including loop concentration equipment. This is covered in the Sprint Model Agreement, Exhibit No. WEC-2, Sections IV.5.a. and b.

Q. Does Sprint agree to MFS' proposed cross-connection procedure whereby MFS dictates the technology?

A. No. In most instances, what MFS is requesting should not be a problem, however, interconnection technology should be based on a mutual agreement, not whatever MFS orders, unless MFS pays the additional cost that Sprint incurs to meet MFS' request for a specific type of hand-off, e.g., SONET.

Additional Unbundling Requirements

Q. At page 28 of his prefiled direct testimony, Mr. Devine claims that Sprint should be required to provide MFS with a variety of additional unbundling arrangements. Would you please comment on these claims.

A. Yes. Mr. Devine's prefiled direct testimony refers the reader to § 9.0 of MFS' proposed Comprehensive Interconnection Agreement. There, MFS lists a series of operational arrangements. Sprint agrees to provide these arrangements as reflected in the Sprint Model Agreement, Exhibit No. WEC-2, Section V.A.4.

Billing Statement

Q. Mr. Devine, at page 29, lines 12 to 15, requests that Sprint be required to bill all unbundled facilities purchased by MFS on a single consolidated statement per wire center. What is the Company's position?

A. MFS offers no evidence as to why this requirement is necessary. The Commission rejected MFS' similar request in Docket No. 950984-TP, although the Commission required the parties to negotiate "some type of billing arrangement . . . for the ordering of unbundled elements." Order No. PSC-96-0811-FOF-TP. (Emphasis

added.) Sprint is willing to work with MFS on developing this Commission-ordered billing arrangement, but MFS has not receded from its previously rejected billing request.

Fresh Look

Q. On page 28, line 17, of his prefiled testimony, Mr. Devine contends that "Sprint should permit any customer to convert its bundled service to an unbundled service and assign such service to MFS, with no penalties, rollover or termination charges to MFS or the customer. MFS should only be responsible for the direct costs incurred to convert the customer." He goes on to claim, on page 29, line 2, that, "such 'fresh look' provisions are a common consumer protection procedures in Florida." Do you agree with Mr. Devine's contention and claim?

A. Sprint agrees with Mr. Devine that "MFS should only be responsible for the direct costs incurred to connect the customer." As the Commission found, when faced with this same contention by MFS in Docket No. 950984-TP, (1) there are specific nonrecurring charges that are necessary to cover the costs of converting service to the ALECs; and (2) MFS agreed that there are such costs and the ALECs ought to pay for these nonrecurring costs of conversion.

Additionally, the Commission found that there may be situations in which the LEC customer is under a contract and termination liability charges would apply if the contract terminated early. Sprint acknowledges that the existence of a contractual arrangement with a customer which includes a termination liability provision may make it difficult for that customer to choose MFS or another CLEC to provide the customer's local exchange service. It may, therefore, be appropriate for customers with existing contractual relationships with Sprint to cancel such contract to become an MFS customer without incurring the termination liability during a brief period - not to exceed ninety (90) days - after MFS commences its marketing activities in Sprint's market area or the Commission approves a negotiated or arbitrated interconnection agreement pursuant to Sections 251 and 252 of the Communications Act of 1996, whichever occurs first. Any contractual relationship between a customer and Sprint entered into after the expiration of the initial ninety-day period will not be subject to a "fresh look" and the termination liability provision will be fully enforceable if the customer cancels for any reason, including to take similar service from MFS.

Additionally, any customer who takes advantage of this

"fresh look" window should be eligible to return to Sprint within 90 days without incurring termination charges from MFS.

Request Process

Q. At page 30 of Mr. Devine's prefiled direct testimony, in which he references § 9.0 and Ex. 14.0 of MFS' proposed Comprehensive Interconnection Agreement, he outlines MFS' requirements for requesting unbundled facilities. Would you please comment on MFS' requirements.

A. Sprint agrees to provide MFS with a process for requesting unbundled loops. The Company's proposed approach is set forth in Sprint's Model Agreement, Exhibit No. WEC-2, Sections V and XVIII.

Commission Pricing Guidelines

Q. At page 32 of his prefiled direct testimony, on line 6, Mr. Devine states that the Commission should adopt a pricing guideline to prevent discrimination between the prices charged to MFS for unbundled elements and the prices charged to the Company's end users. He suggests that the "sum of the prices of the unbundled rate elements (link, port, and cross connect) must be no greater than the price of the unbundled dial tone." Do

you believe this is an appropriate pricing guideline for unbundled facilities?

A. No. What Mr. Devine is requesting is to put a cap on the prices for unbundled elements that may in fact cause the price to be below cost. This result is in direct conflict with the requirements of the Federal Communications Act of 1996 and Florida Statutes. The appropriate pricing mechanism is set forth in the Sprint Model Agreement, Exhibit No. WEC-2, Section V.B. It is Sprint's position that unbundled network elements should be provided at a rate to be computed based on TSLRIC of each such element, plus an amount not to exceed 15% of TSLRIC, which represents recovery by the Company of costs associated with joint and common facilities. This position is consistent with state and federal law.

Stipulated Damages

Q. Beginning at page 40, line 5, of his prefiled testimony, Mr. Devine references § 23.0 of the Comprehensive Interconnection Agreement regarding MFS' request that the Commission require a stipulated damages provision. Mr. Devine claims (1) "[S]tipulated damages provide an efficient, effective mechanism for enforcing one of the most important provisions of the Interconnection

Agreement;" (2) "[S]tipulated damages provide an unambiguous financial incentive for parties to comply with the terms and conditions of an interconnection agreement;" and (3) the Commission addressed stipulated damages in the Interconnection and Unbundling proceedings. Do you agree with any of Mr. Devine's claims?

A. No. First, with respect to Mr. Devine's claim that stipulated damages "provides an efficient, effective mechanism," what MFS is really looking for is a penalty to be imposed by MFS whenever it wishes for even a trivial breach of the Agreement. At § 23.3 of the referenced Comprehensive Agreement, MFS is requiring Sprint to accept a stipulated damages amount of $75,000 "for each Specified Performance Breach" which is defined in the Comprehensive Agreement to mean "the failure by Sprint to meet the Performance Criteria for any Specified Activity for a period of three (3) consecutive calendar months." The Comprehensive Agreement goes on to specify the definition of "Specified Activity" and "Performance Criteria" which involve the installation of unbundled loops, provision of interim number portability and repair of out of service problems within certain specified time frames. Nowhere in Mr. Devine's prefiled testimony or in

MFS' Petition or supporting documentation is there any evidence offered as to how Sprint's failure to perform the "Specified Activities" within the "Performance Criteria" warrants $75,000 for each "Specified Performance Breach." Whether or not such stipulated damages provision can be imposed by the Commission or is even legally enforceable, the amount sought to be imposed is punitive and bears no reasonable relationship to the conduct sought to be complied with.

Second, with respect to claim (2), that stipulated damages provide an "unambiguous financial incentive for the parties to comply" with the terms and conditions of the Comprehensive Agreement, the stipulated damages proposed by MFS apply only to Sprint's activities, and not to MFS' activities, and therefore provide no financial incentive for MFS to comply with the terms and conditions of the Comprehensive Agreement.

Finally, with respect to Mr. Devine's claim that the Commission addressed stipulated damages in the Interconnection and Unbundling proceedings, there is nothing in the Orders issued by the Commission in those proceedings which even remotely resembles an addressing of stipulated damages. This is not surprising since

Stipulated damages was not even discussed, let alone requested by MFS, in those proceedings.

Q. Does the Federal Communications Act of 1996, Chapter 364, Florida Statutes, or the FCC's rules implementing the federal Act require stipulated damages as an element of negotiated or arbitrated interconnection and unbundling agreements?

A. No. Clearly, if stipulated damages was considered by the Congress, the Florida Legislature or the FCC to be "one of the most important provisions" of an interconnection agreement - as Mr. Devine claims in his testimony - then it would seem that one or all of those policymaking bodies would have included it in legislation or rules, but they have not. To now attempt to require Sprint to expose itself to such unrealistic liability in the guise of a "Stipulation" is inconsistent with the principal thrust of the state and federal legislation which requires, in the first instance, negotiated agreements. At no time prior to the instant Petition for Arbitration has MFS ever raised or suggested a "Stipulated Liability"provision as part of its negotiations with Sprint.

Q. Does Sprint believe that no liability should attach to failure to meet performance specifications of an interconnection agreement?

A. No. Sprint supports a liability for service outages, other than from typical force majeure conditions, in an amount equal to the proportionate charge for the element or service during the period of time service was affected. We do not support the imposition of liability for liquidated or consequential damages.

Information Services Traffic

Q. Would you please comment on MFS' position with regard to Information Services Traffic as set out on page 41, of Mr. Devine's prefiled direct testimony and § 7.1 of MFS' proposed interconnection agreement?

A. In MFS' proposed interconnection agreement, Sprint is required to serve as the intermediary between MFS and the information service providers (IP) for a variety of activities including, for example, requiring Sprint to (1) transfer the IP's rate information to MFS and (2) receive the IP's charges from MFS for passage on to the IP. It is not Sprint's responsibility to act as MFS' intermediary with the IPs. MFS should not be treated any

different than adjacent LECs are treated today. The current procedure, as supported by Sprint's tariff, is that the IP assumes responsibility for making suitable arrangements with the appropriate telephone company for the provisioning of service and the billing of charges for those IP calls that originate outside of the Company's service area.

Mr. Devine contends that the arrangement it proposes, in which Sprint is to act as MFS' intermediary with IPs, was ordered by the Commission in Docket No. 950985-TP. A review of Order No. PSC-96-0668-FOF-TP, however, indicates that the Commission in fact rejected MFS' request for the identical arrangement. The Commission stated:

> We agree with United/Centel that the IP (Information Provider) should assume the responsibility for making suitable arrangements with the appropriate LEC or ALEC for the provisioning of service and the billing of charges for those calls to pay-per-call numbers that originate outside the LEC's or ALEC's territory.

Order, page 39. Nothing has changed since the Commission's Order to now warrant imposing MFS' requested

arrangement.

Information (Call Guide) Pages

Q. At page 45 of his prefiled testimony, beginning at line 1, Mr. Devine indicates the importance of including competitors' customer information in Sprint's telephone directories, and at page 46, beginning at line 1, he states that "Sprint is willing to include information about MFS' installation, repair, customer service and other service oriented information, as it should." He then goes on to complain that "Sprint refuses to include MFS' logo at no cost to accompany that information so MFS customers can easily identify it." Can you explain why Sprint does not agree to include MFS' logo at no cost in the White Pages Directory information pages?

A. Sprint's directory publishers will include the traditional customer listing in the White Pages Directory for MFS' customers and distribute the directory at no charge to MFS. These companies also have agreed to include consumer-oriented information about MFS in the White Pages Directory Information (Call Guide) pages. However, these publishers have not agreed to allow MFS or any other CLEC to place its logo on these pages at no cost. MFS should deal directly with the publishers of

the White Pages Directory on this issue. This is not a matter which the Commission can compel Sprint to provide or accomplish.

Telephone Number Resources

Q. Mr. Devine contends at page 46 of his prefiled direct testimony that Sprint must be required to provide MFS with adequate telephone number resources. Could you please respond to his comments?

A. This issue was tried and decided in Docket No. 950985-TP. In that proceeding, the Company stated that it is not the numbering plan manager and therefore is not in control of NXX assignments. MFS acknowledged that Sprint does not assign NXX codes. Nonetheless, Sprint stated in testimony that telephone numbering policy must be broadly developed and administered in a competitively neutral manner. The Commission, in its Order No. PSC-96-0668-FOF-TP, at page 47, recognized that the Company is not the numbering administrator for its region, but to the extent it has control over NXX codes it must assign NXX codes to CLECs on the same basis that such assignments are made to Sprint and other code holders. Sprint agrees to make telephone number resources available to MFS, as set forth in the Sprint Model Agreement, Exhibit No. WEC-

2, Section VIII.

Tandem Subtending & Meet-Point Billing

Q. Mr. Devine proposes, beginning at page 47 of his prefiled direct testimony, that Sprint provide tandem switching within a LATA in order for MFS's switch to "subtend" the tandem. Is this an appropriate interconnection arrangement?

A. Yes, that is one method of interconnection, there are others that are also acceptable. In each Sprint exchange area in which MFS chooses to offer local exchange service, MFS may interconnect its network facilities at any technically feasible point of interface within Sprint's network including: at Sprint access tandem(s); to end office(s) switches; or, other wire centers, (collectively referred to as "POI"). The POIs are the point(s) of physical interconnection. As MFS initiates exchange service operations in additional Sprint exchange areas, and requests additional POIs, Sprint will interconnect with MFS at the designated POI, whether the POI is at an access tandem, end office or mid-span meet point within the exchange.

Interconnection to a Sprint end office(s) will provide

MFS access only to the NXX's served by that individual end offices(s) to which MFS interconnects.

Interconnection to a Sprint local tandem(s) will provide MFS local access to the Sprint end offices and NXX's which subtend that tandem(s), and to other companies which are connected to that tandem(s). Interconnection to a Sprint access tandem will provide MFS interexchange access to Sprint, Interexchange carriers (IXCs), CLEC, ILECs, and CMRS providers which are connected to that tandem. Where a Tandem Switch also provides End Office Switch functions, interconnection to a Sprint access tandem serving that exchange will also provide MFS access to Sprint's access offices with the same functionality described above.

Q. What are the appropriate meet point billing arrangements for jointly provisioned originating and terminating access services?

A. Sprint and MFS agree to conform to MECAB and MECOD guidelines. Sprint will exchange Billing Account Reference and Bill Account Cross Reference information and will coordinate Initial Billing Company/Subsequent Billing Company billing cycles with MFS.

Exchange access meet point billing arrangements will be made available to MFS. Where Sprint currently has meet point arrangements, they shall be made available on the same terms and conditions as are made available by Sprint to other ILECs engaged in meet point billing arrangements with Sprint.

No discrete development charges shall be imposed on MFS for the establishment of standard meet point billing arrangements.

Where Sprint provides transit functions, Sprint will prepare and transmit inward terminating call records for the appropriate IXCs to MFS in an agreed upon form (e.g., EMR). Such files will be transmitted daily in an agreed upon media (e.g., Network Data Mover ("NAM").

Sprint also proposes to capture inward and outward terminating call records and send them to MFS in an agreed upon industry standard format (e.g. EMR).

Sprint will exchange the appropriate records to bill exchange access charges to IXCS as appropriate, in daily files via an agreed upon media (e.g. Network data mover (NDM)).

Sprint agrees to exchange test files to support implementation of meet point billing, local service billing, CLASS feature billing, and other access or wholesale service elements prior to live bill production.

When MFS owns the end-office, Sprint will not bill the transport residual interconnection charge ("RIC") to either MFS or the IXC.

Sprint supports the use of multiple bill/multiple tariff as the billing and settlement method for both switched and special access services. Sprint cannot support single bill/multiple tariff methodology for jointly provided switched access, as MFS has proposed, because Sprint's access billing system cannot accommodate this arrangement. Also, Sprint does not support single bill/single tariff meet point billing. In an increasingly competitive market place with frequently changing rates and rate structures, billing accuracy would be compromised. The multiple bill/single tariff method could not be used between Sprint and MFS unless MFS concurred with Sprint's tariffs. Multiple bill/single tariff billing is rarely, if ever, employed between LECs.

It is not at MFS' sole discretion which meet point billing method is utilized. Sprint's access tariffs state the Exchange Telephone Companies involved in the provision of jointly provided service must agree to the meet point billing methodology. Also, it is common industry practice for the companies to agree on the meet point billing method.

For the above mentioned reasons Sprint recommends multiple bill/multiple tariff billing arrangements for MFS and Sprint provided access services. This method better reflects the competitive realities and more efficiently accommodates diverse pricing philosophies.

Q. On page 48, line 12, of his prefiled direct testimony, Mr. Devine suggests that Sprint and MFS should provide each other, at no charge, various usage data. Do you agree?

A. Yes. With regard to meet-point billing, billing information should be exchanged on a reciprocal basis at no charge. For other billing services, MFS will be provided services on the same terms and conditions as other LECs and IXCs. The Commission has already reached a decision on these issues, and Sprint supports the

Commission's finding as stated on page 39 of Order No. PSC-96-0666-FOF-TP.

911/E911

Q. At page 52, lines 14 and 15, of his prefiled direct testimony, Mr. Devine states that the provisions relating to 911 and E911 service set forth in MFS' proposed interconnection agreement should be adopted. What is Sprint's position on the provisions of 911 and E911 capability?

A. Sprint will provide for interconnection of MFS's trunks to Sprint's 911/E911 selective routers/911 tandems for the provision of 911/E911 services and for access to all sub-tending Public Safety Answering Points ("PSAP") in areas where MFS provides exchange service. Sprint will provide MFS with the appropriate Common Language Local Identifier ("CLLI") codes and specifications of the tandem service area.

As stated in the Sprint Model Agreement, Exhibit No. WEC-2, Section VII.A., where Sprint is the owner or operator of the 911/E911 database, Sprint will maintain, and the Parties will agree upon the time frame for automated input and daily updating of 911/E911 database information

related to MFS's end users. Sprint will work cooperatively with MFS to ensure the accuracy of the data transfer by verifying it against the Master Street Address guide (MSAG). MFS shall use the NENA standards for street addressing and abbreviations, including a Carrier Code (NENA standard 5 - character field) on all ALI records sent to Sprint. MFS is responsible for record data it provides to Sprint for entry in the database or, when available, for the information it enters into the database and agrees to indemnify and hold Sprint harmless from any and all claims or actions arising out of or relating to MFS's negligence or intentional acts, errors or omissions in providing the record data to Sprint. Additionally, Sprint shall work with the appropriate governmental authorizes to provide MFS the ten-digit telephone number of each PSAP which sub-tends each Sprint selective router/911 tandem to which MFS is interconnected. Sprint will input MFS's data in an interval that is no less frequent than that used by Sprint for its end user.

Sprint will jointly work with MFS to establish a default arrangement/disaster recovery plan including an emergency back-up number in case of massive trunk failures.

Sprint will use its best efforts to facilitate the prompt, robust, reliable, and efficient interconnection of MFS systems to the 911/E911 platforms, with standards of provisioning, service, and performance that are non-discriminatory and are at least equal to those employed by Sprint for itself, its affiliates and/or subsidiaries, and other carriers providing switched local exchange services.

Directory Assistance

Q. Does Sprint agree with MFS' position on Directory Assistance services set forth at pages 53 and 54 of Mr. Devine's prefiled direct testimony?

A. Sprint's position on Directory Assistance services is set forth in Sprint's Model Agreement, Exhibit No. WEC-2, Section VII.C. Where Sprint is a directory assistance service provider, at MFS's request, subject to any existing system capacity restraints which Sprint shall work to overcome, Sprint will provide to MFS for resale, unbranded directory assistance service which is comparable in every other way to the directory assistance service Sprint makes available to its own end users.

When available, at MFS's request, Sprint will:

1. provide to MFS operators or to a MFS designated operator bureau on-line access to Sprint's directory assistance database, where such access is identical to the type of access Sprint's own directory assistance operators utilize in order to provide directory assistance services to Sprint end users; and/or
2. allow MFS or a MFS designated operator bureau to license Sprint's directory assistance database for use in providing competitive directory assistance services.

Sprint will make MFS's data available to anyone calling Sprint's DA.

Sprint will store proprietary customer information provided by MFS in their Directory Assistance database; such information should be able to be identified by source provider in order to provide the necessary protection of MFS or MFS customers proprietary or protected information. Alternatively, Sprint will allow wholesale resale of DA service. Sprint will limit its use of MFS's data to directory assistance unless, pursuant to written agreement, MFS grants greater flexibility in the use of the data subject to proper

compensation.

Sprint shall include MFS listings in its directory assistance database; however, MFS must provide its listings to Sprint via data and processed directory assistance feeds in accordance with agreed upon industry format.

MFS will be able to license Sprint unbundled directory database and sub databases and utilize them in the provision of its own DA service. To the extent that MFS includes Sprint listings in its own directory assistance database, MFS shall make Sprint's data available to anyone calling MFS's DA.

Sprint will make available to MFS all service enhancements on a non-discriminatory basis.

When technically feasible and requested by MFS, Sprint will route MFS customer DA calls to MFS DA centers.

Q. What are the appropriate procedures for establishing DA service for MFS?

A. Sprint will update and maintain the DA database with MFS

data, utilizing the same procedures it uses when its own customers, connect, disconnect, and change such as change to/from or non-published or non-listed.

Each company shall bill its own end-users.

MFS will be billed by Sprint in standard carrier access billing format.

Sprint and MFS will develop intercompany procedures to correct errors when they are identified in the database.

Q. What compensation methods are appropriate for the provision of Directory Assistance services?

A. When MFS is rebranding Sprint's local service, Sprint's directory assistance that is provided without a separate charge to end users, e.g., an allowance, will be provided to MFS' end users as part of the basic wholesale local service subject to the "unbranded" directory assistance service provisions noted above. Where DA is separately charged as a retail service by Sprint, MFS shall pay for DA service at the wholesale rate.

Should MFS choose to provide its own directory assistance

service, either internally or through a third party contractor, the cost of Sprint's directory assistance service that is avoided shall be deducted from the wholesale local service price that MFS pays Sprint for local service which MFS rebrands.

Sprint shall place MFS end users listings in its directory assistance database for no charge.

Sprint shall make its unbundled directory assistance database available to MFS. Prices should be negotiated, reasonable, and non-discriminatory with the expectation that the price to MFS will be the same as prices as applicable to ILEC-to-ILEC transactions.

Any additional trunking necessary to provide an unbranded resold directory assistance service or routing to MFS's own directory assistance service location shall be provided and/or paid for by MFS.

Repair Calls

Q. Do you agree with the procedures for handling misdirected repair calls set forth at page 55 of Mr. Devine's prefiled direct testimony?

A. Pursuant to Sprint's Model Agreement, Exhibit No. WEC-2, Section XVII.C., Sprint proposes the following procedures:

1. MFS and Sprint will educate their respective customers as to the correct telephone numbers to call in order to access their respective repair bureaus.

2. To the extent that Sprint can determine the caller's local service provider, Sprint will refer the caller and provide the correct repair contact telephone number to the caller in a courteous manner, at no charge. In responding to repair calls, Sprint proposes that neither company shall make disparaging remarks about each other, nor shall they use these repair calls as the basis for internal referrals, to solicit customers or to market other services. Sprint will respond with accurate information in answering customer questions.

Telephone Number Portability

Q. At page 56 of his prefiled direct testimony, Mr. Devine states that MFS is requesting an interim number portability arrangement different from that ordered by the Florida Public Service Commission. What is Sprint's

proposal for providing interim number portability?

A. As is stated in Sprint's Model Agreement, Exhibit No. WEC-2, Section XII, the Parties shall provide interim number portability arrangements to permit end-user customers to change providers without changing their current phone numbers, provided that such end user remains located within the same ILEC serving end office area.

Sprint will provide necessary data to MFS to allow MFS to recover some terminating access charges, recognizing that both are involved in joint provision of access to IXCs, associated with terminating traffic to ported numbers assigned to their subscribers.

Sprint is entitled to reasonable compensation for this service, provided such compensation is based on the incremental cost of providing the service(s) and recognizes that interim number portability provides an inferior method of providing number portability.

Q. What is Sprint's position regarding the price for interim number portability, which is addressed at p. 56 of Mr. Devine's prefiled direct testimony and Ex. 15.0 to the

MFS interconnect agreement proposal?

A. Sprint believes that the appropriate price for interim number portability is the TSLRIC plus contribution less 55% of the result to reflect that remote call forwarding is an inferior serving arrangement (compared to permanent telephone number portability). Based on the exhibit to Mr. Farrar's testimony (Exhibit No. RGF-2), the price for residential RCF, including six call paths, is $0.53 and for business RCF, also including six call paths, is $1.00. The price for each additional path, residential and business, is $0.36.

Most Favored Nations Clause

Q. At page 57, beginning at line 1, Mr. Devine claims that MFS should be allowed to take advantage of interconnection and unbundling arrangements Sprint subsequently makes with other ALECs. Would Sprint support a "Most Favored Nations" clause in an interconnection agreement?

A. Yes, we can accept a "Most Favored Nations" clause. Please see the Sprint Model Agreement, Exhibit No. WEC-2, Section X.

Q. Does this conclude your testimony?

A. Yes.