

AUSLEY & McMULLEN

ATTORNEYS AND COUNSELORS AT LAW

227 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

December 13, 2000

ORIGINAL

RECORDS AND REPORTING

00 DEC 14 AM 8:31

RECEIVED-FPSC

BY HAND DELIVERY

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

Re: Docket No. 000761-TP

Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Sprint PCS' Rebuttal Testimony of Bridger M. Mitchell, Michael R. Hunsucker, Randy G. Farrar, and Anthony Sabatino.

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

Thank you for your assistance in this matter.

Yours truly,


John P. Fons

Enclosures

cc: All parties of record

h:\data\jpf\ps-pcs\000761 byo.doc

APP
CAF
CMP
COM
CTR
ECR
LEG
OPC
PAI
RGO
SEC
SER
OTH

RECEIVED & FILED

DOCUMENT NUMBER-DATE DOCUMENT NUMBER-DATE DOCUMENT NUMBER-DATE

15951 DEC 14 8

15952 DEC 14 8

15953 DEC 14 8

FPSC-RECORDS/REPORTING

MITCHELL

FPSC-RECORDS/REPORTING

HUNSUCKER

FPSC-RECORDS/REPORTING

FARRAR

DOCUMENT NUMBER-DATE

15954 DEC 14 8

FPSC-RECORDS/REPORTING

SABATINO


CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by U.S. Mail, hand delivery(*), or overnight delivery (**) this 13th day of December, 2000, to the following:

Nancy White, Esq. *
Michael Goggin, Esq.
c/o Nancy Sims
BellSouth Telecommunications, Inc.
150 S. Monroe St., Suite 400
Tallahassee, FL 32301

Diana Caldwell, Esq. *
Felicia Banks, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Lisa S. Foshee, Esq. **
BellSouth Telecommunications, Inc.
675 W. Peachtree St., Suite 4300
Atlanta, GA 30375



Attorney

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **REBUTTAL TESTIMONY**

3 **OF**

4 **MICHAEL R. HUNSUCKER**

5
6 **Q. Please state your name and business address.**

7 A. My name is Michael R. Hunsucker. I am Director-
8 Regulatory Policy, for Sprint Corporation. My business
9 address is 6360 Sprint Parkway, Overland Park, Kansas
10 66251.

11
12 **Q. Are you the same Michael R. Hunsucker who presented**
13 **direct testimony in this case?**

14 A. Yes, I am.

15
16 **Q. What is the purpose of your rebuttal testimony?**

17 A. The purpose of my rebuttal testimony is to provide
18 testimony in opposition to the positions advocated by
19 BellSouth. Specifically, I will address the public
20 policy presentations contained in the testimony of Randy
21 Ham and the panel testimony of Jamshed K. Madan, Michael
22 D. Dirmeier and David C. Newton (hereinafter referred to
23 collectively as "Panel").

24
25 **Q. What are the key public policy arguments presented by**

1 **BellSouth in their testimony?**

2 A. BellSouth attempts to distort the practical realities of
3 approving Sprint PCS' proposed rates for reciprocal
4 compensation and suggests that the application of
5 asymmetrical compensation is against public policy.
6 BellSouth does not deny that the Telecom Act of 1996
7 ("Act") provides that each carrier is entitled to recover
8 its respective costs of transport and termination.
9 BellSouth does not deny that the FCC has established
10 specific procedures for the implementation of asymmetric
11 compensation. Instead, BellSouth suggests that this
12 Commission should ignore Sprint PCS' statutory right to
13 recover its costs because of the potential expense to
14 BellSouth.

15
16 In addition, BellSouth misconstrues the FCC's rules and
17 the FCC's interpretation of those rules regarding the
18 meaning of "additional costs."

19
20 BellSouth presents two basic public policy arguments
21 throughout the testimonies of Mr. Ham and the Panel to
22 suggest that the establishment of asymmetric rates, and
23 payment of Sprint PCS' actual costs, is against public
24 policy. These arguments are without merit.

25

1 First, there is an exaggerated concern over the alleged
2 harm that will be imposed on BellSouth if the Commission
3 adopts Sprint PCS' reciprocal compensation rate of \$.066
4 per minute of use. BellSouth argues that adoption of the
5 proposed reciprocal compensation rate will lead to
6 wireline end user surcharges because BellSouth can not
7 sustain the "enormous increase in cost" that will result.
8 (See Panel testimony, page 14, lines 23-25 and Ham
9 testimony, page 11, lines 21-23.) The facts, as I will
10 demonstrate later in my testimony, show that the increase
11 in cost is not "enormous" as proffered by BellSouth but
12 are in fact less than BellSouth's potential exposure in
13 its voluntary agreements with Internet Service Providers
14 (ISPs) in Florida.

15
16 Second, BellSouth expresses concerns over Sprint PCS'
17 retail pricing and whether Sprint PCS is recovering its
18 costs as demonstrated to the Commission. While Sprint
19 PCS is touched with BellSouth's concern over its business
20 plan, its arguments are premised on a fundamental
21 misconception regarding the relationship of per minute
22 pricing and revenue. Specifically, BellSouth compares
23 purported retail pricing by Sprint PCS at as "little as 5
24 cents a minute" versus the demonstrated cost incurred by
25 Sprint PCS of \$.066 per minute of use. As I will

1 demonstrate, incremental retail minutes may be priced
2 below \$.066 per minute of use and still generate a yield
3 in excess of this amount.

4

5 **Q. You state that BellSouth does not dispute that the Act**
6 **allows Sprint PCS to receive reciprocal compensation for**
7 **its cost of transporting and terminating local traffic.**
8 **Please provide the reference to their concurrence with**
9 **this statement.**

10 **A. Yes, in the Panel testimony of page 16, lines 10-15,**
11 **BellSouth states the following :**

12 "Under Section 251(b)(5) of the Telecommunications Act of
13 1996 ("1996 Act"), Sprint PCS is entitled to receive
14 reciprocal compensation for the transport and termination
15 of telecommunications traffic that originates on
16 BellSouth's wireline network. As discussed in detail
17 later in this testimony we strongly believe that the
18 regulatory requirements for reciprocal compensation are
19 for Sprint PCS to be compensated for **its traffic-**
20 **sensitive costs.**" (emphasis added) Clearly, there is
21 agreement between Sprint PCS and BellSouth that Sprint
22 PCS is entitled, under the Act, to recover its traffic-
23 sensitive costs to terminate BellSouth originated local
24 traffic as defined by the FCC.

25

1 **Q. If the parties agree that Sprint PCS is entitled to**
2 **recover its traffic-sensitive costs, please explain the**
3 **fundamental difference that remains.**

4 A. The issue that remains is what components of the Sprint
5 PCS' network are traffic sensitive and considered
6 "additional costs" to be recovered in its reciprocal
7 compensation rate. The particulars of the traffic-
8 sensitive components of the Sprint PCS network are
9 contained in the direct testimony of Sprint PCS'
10 witnesses Anthony Sabatino, Randy Farrar and Bridger
11 Mitchell.

12
13 **Q. Has BellSouth provided any support in its direct**
14 **testimony for what constitutes "additional costs"**
15 **incurred by Sprint PCS to terminate a BellSouth**
16 **originated call?**

17 A. No, Mr. Ham, on pages 7 and 8 of his direct testimony,
18 provides a reference to the FCC's First Report and Order
19 in Docket 96-98 (specifically paragraph 1057). This
20 reference is a discussion by the FCC of what constitutes
21 an additional cost in the wireline network. It should be
22 noted that the proper context of the FCC's discussion on
23 this topic relates only to a wireline network, yet
24 BellSouth attempts to apply this discussion to a wireless
25 network. Additionally, BellSouth relies upon the FCC's

1 rules regarding what constitutes equivalent facilities in
2 the wireline network in determining what constitutes
3 "additional costs" in the wireless network. (Refer to
4 Panel testimony, page 19, lines 5-9 and Ham testimony,
5 page 9, lines 13-15)

6
7 **Q. Has the FCC provided any guidance on what constitutes an**
8 **equivalent facility in a wireless network?**

9 A. Yes. In a recent Complaint Proceeding between TSR
10 Wireless, LLC, et al. and U S West Communications, Inc.
11 et al., the FCC released a Memorandum Opinion and Order
12 (FCC 00-194) that provides a discussion of what
13 constitutes an equivalent facility in the wireless
14 network. One of the issues to be decided in this
15 Complaint was whether one-way paging carriers switch
16 traffic within the meaning of the Commission's rules.
17 While the FCC decision is based on a paging network, the
18 same practical result can and should be applicable to
19 other wireless providers. Specifically, the FCC stated
20 in paragraph 22 of the Order that:

21
22 "The Local Competition Order states that paging providers
23 "transport," "switch," and "terminate" traffic.
24 Moreover, our rules do not require that a carrier possess
25 a particular switching technology as a prerequisite for

1 obtaining reciprocal compensation. Section 51.701(d)
2 defines termination as "the switching of local
3 telecommunications traffic at the terminating carrier's
4 end office switch, or equivalent facility, and delivery
5 of such traffic to the called party's premise." By using
6 the phrase "switch or equivalent facility," the rules
7 contemplate that a carrier may employ a switching
8 mechanism other than a traditional LEC switch to
9 terminate calls. A paging terminal performs a
10 termination function because it receives calls that
11 originate on the LEC's network and transmits the calls
12 from its terminal to the pager of the called party. This
13 is the equivalent of what an end office switch does when
14 it transmits a call to the telephone of the called party.
15 To perform this function, the terminal first directs the
16 page to an appropriate transmitter in the paging network,
17 and then that transmitter delivers the page to the
18 recipient's paging unit. **"The terminal and the network**
19 **thus perform routing or switching and termination."**
20 (emphasis added) (footnotes omitted)

21

22 BellSouth believes that this language mandates that the
23 mobile switch and only the mobile switch are equivalent
24 facilities subject to compensation. (Panel testimony,
25 page 19, lines 22-23). Clearly, the FCC envisioned that

1 more than the mobile switch is an equivalent facilities
2 when ordering that the "**terminal and the network** thus
3 perform routing or switching and termination." Thus,
4 just as the Florida Commission determined in the
5 Sprint/Wireless One arbitration, the appropriate elements
6 to be recovered through reciprocal compensation extend
7 well beyond the mobile switching center. It should also
8 be noted, that BellSouth fully recognizes the result and
9 the precedence of the Sprint/Wireless One arbitration
10 order as to what constitutes equivalent facilities in its
11 direct testimony. (Refer to Ham testimony, page 16,
12 lines 16-21)

13
14 **Q. Mr. Ham, on page 19, lines 11-22 of his direct testimony,**
15 **also references the TSR Wireless/U S West decision. Does**
16 **he offer a similar conclusion from that Order?**

17 **A.** No, he does not. Mr. Ham states on line 20 that "...the
18 FCC found that the terminal, not the cell site, was the
19 equivalent of the end office in that case." Clearly from
20 the text of the Order, in paragraph 22, the FCC found
21 "**The terminal and the network** thus perform routing or
22 switching and termination." (emphasis added) Thus, the
23 FCC clearly articulated that the appropriate network
24 elements for transport and termination of local traffic
25 extend beyond the terminal as Sprint PCS has advocated in

1 this proceeding.

2

3 **Q. The first public policy argument that BellSouth raised**
4 **was the potential "enormous" impact on local rates if**
5 **Sprint PCS is allowed to charge \$.066 per minute of use**
6 **for transport and termination. Please provide a brief**
7 **overview of BellSouth's arguments.**

8 A. Mr. Ham, on page 4 lines 12-25, presents a hypothetical
9 analysis comparing BellSouth's highest residential rates
10 in Florida to the potential payments to Sprint PCS for
11 terminating landline originated traffic. He suggests
12 that if a BellSouth customer talks an average of 6
13 minutes a day to a Sprint PCS customer, then BellSouth
14 would pay Sprint PCS approximately \$11.88 to terminate
15 the generated 180 minutes per month (6 minutes per day
16 times 30 days in a month), while BellSouth's highest
17 residential rate in Florida is \$10.65 per month. Their
18 conclusion is that BellSouth would have to institute an
19 end user surcharge for their customers to place calls to
20 a Sprint PCS customer.

21

22 **Q. Do you agree with their analysis?**

23 A. No, I do not agree with the underlying assumptions used
24 in their analysis and when corrected, the practical
25 result changes significantly. Based upon their

1 hypothetical number of six (6) minutes per day, the math
2 is as I have depicted it above. However, this is based
3 on assumed minutes of use which are not reflective of
4 reality. In reality, Sprint PCS receives approximately
5 27,000,000 minutes of use per month, on average, from
6 BellSouth. Given that BellSouth served approximately
7 6,600,000 access lines at the end of 1999 (based upon
8 BellSouth submitted data on ARMIS 43-01), this translates
9 into approximately 4 minutes per access line per month.
10 When comparing the actual numbers to BellSouth's
11 hypothetical numbers in Mr. Ham's testimony, his assumed
12 monthly minutes of use are overstated by approximately
13 4400%. Clearly, Mr. Ham's numbers are erroneous and
14 should be dismissed by the Commission.

15
16 The actual 4 minutes of use per access line per month
17 would require BellSouth to compensate Sprint PCS at
18 approximately \$.26 (26 cents) per month, against the
19 basic residential rate of \$10.65. I do not believe that
20 this amount places any significant pressure on BellSouth
21 to institute an end user surcharge.

22
23 **Q. But isn't it true that Sprint PCS does not provide**
24 **service on a local basis to all areas served by BellSouth**
25 **and does than have the potential to impact your analysis?**

1 A. Yes, Sprint does not provide service on a local basis to
2 all areas served by BellSouth but even when adjusted for
3 this factor the potential impact is minimal. Sprint PCS
4 provides service in the larger metropolitan areas of
5 Florida (Jacksonville, Miami, Orlando and Tampa) which
6 would cover the majority of the BellSouth access lines.
7 In addition, when reviewing a Sprint PCS coverage map, it
8 appears that these areas and surrounding metropolitan
9 coverage areas would reach somewhere in excess of 85% of
10 BellSouth access lines on a local basis. However, if
11 one were to conservatively assume Sprint PCS' coverage to
12 be only 50% of the BellSouth access lines, the proposed
13 payments would double to only \$.52 (52 cents) per month,
14 which is still relatively insignificant when compared to
15 BellSouth's local rates.

16

17 **Q. Has BellSouth entered into any other voluntary**
18 **arrangements that would place more pressure on the**
19 **potential for end user surcharges relative to Sprint PCS'**
20 **proposal in Florida?**

21 A. Yes. BellSouth entered into a voluntary (without
22 Commission intervention) agreement with ITC DeltaCom
23 whereby BellSouth agreed to compensate ITC DeltaCom at a
24 rate of \$.002 per minute of use for traffic
25 (predominantly internet traffic) originated by BellSouth

1 and terminated to ITC DeltaCom in 2000. Based on a 1999
2 study by Jupiter Communications, the average internet
3 user spends an average of 7 hours per week accessing the
4 internet. This translates into approximately 1700
5 minutes per month which would result in payments from
6 BellSouth to ITC DeltaCom in the amount of \$3.40 per
7 access line per month on average. BellSouth chose not to
8 arbitrate the compensation amount or mechanism with this
9 carrier. Now, BellSouth would have this Commission
10 believe that 26 cents per access line per month, or even
11 52 cents per access line per month, would lead to an end
12 user surcharge when it appears unconcerned about the
13 potential impact of payments to ITC DeltaCom which are
14 more than 13 times the average amount of compensation
15 that would be paid to Sprint PCS by BellSouth.

16
17 **Q. The second public policy issue that BellSouth raises**
18 **relates to Sprint PCS' retail pricing versus its proposed**
19 **costs for transport and termination. Please provide a**
20 **brief overview of this issue.**

21 **A.** BellSouth asserts that Sprint PCS is making unsound
22 business decisions by pricing its retail services as low
23 as \$.05 per minute of use while maintaining that its
24 costs for transport and termination are \$.066 for each
25 end of the call. BellSouth asserts that Sprint PCS is

1 only recovering \$.05 per minute of use from its retail
2 customers while incurring a network cost of \$.132 (\$.066
3 for originating and \$.066 for terminating) on a wireless
4 to wireless call. (Refer to Panel testimony, page 13,
5 lines 22-25 and page 14, lines 11 and Ham testimony, page
6 5, lines 11-15). The Panel incorrectly states that
7 Sprint PCS would incur a loss in excess of 8 cents when a
8 wireless to wireless call is made. (See Panel testimony,
9 page 14, line 2). Although the Panel doubled the costs
10 incurred by PCS in such a call, it failed to double the
11 revenue as PCS charges its customers for originating and
12 terminating usage. In addition, the following discussion
13 on BellSouth's arguments renders this analysis moot.

14
15 **Q. Do you agree with BellSouth's testimony that Sprint is**
16 **making unsound business decisions?**

17 A. No, I do not for several reasons. First, I do not know
18 the basis for the \$.05 per minute of use and was unable
19 to substantiate that number. Secondly, the price versus
20 cost analysis conducted by BellSouth really doesn't
21 matter. The most effective analysis when comparing
22 Sprint PCS' retail pricing to end user customers is to
23 compare the average yield per minute of use to the
24 proposed cost of transport and termination. The national
25 average revenue per user for Sprint PCS is approximately

1 \$57.00 per month while the November 2000 minutes of use
2 per customer in Florida is 378. This results in a yield
3 of \$.151 per minute of use which is in excess of the
4 network cost of \$.066 per minute of use.

5

6 **Q. What other factors influence Sprint PCS' retail pricing**
7 **decisions?**

8 A. There are a couple of other factors that provide
9 significant impact of the retail pricing structures
10 employed by wireless carriers; the presence of
11 competition and peak/off-peak demand versus cost
12 relationships. Sprint PCS is forced by the competitive
13 nature of the wireless market to constantly monitor the
14 retail pricing decisions of its competitors in addition
15 to evaluating its own retail pricing initiatives. The
16 practical result of this competition is the pricing of
17 retail end user services in relation to other competitors
18 that are in the market. One only has to look at all the
19 competitive pricing plans in the market to determine that
20 there is significant price competition thus leading to
21 different pricing schemes for peak and off-peak traffic.
22 As with any carrier, wireless or wireline, networks are
23 engineered for the peak period and the incremental cost
24 of adding traffic to off-peak periods is reduced. Thus,
25 carriers are incented to offer lower pricing in off-peak

1 periods which is clearly evident in wireless pricing
2 structures. Many carriers, including Sprint PCS, provide
3 significant off-peak (night and weekend) minutes in their
4 block-of-time pricing structures. Again, this is
5 irrelevant to determining if Sprint PCS is making unsound
6 business decisions as suggested by BellSouth. By using
7 an effective yield per minute of use, the proper
8 economics of any pricing structure is truly discernible
9 from an economic standpoint. Sprint PCS has demonstrated
10 that its yield clearly covers its costs of providing
11 wireless service to end user customers.

12
13 **Q. Does BellSouth challenge FCC rules 51.701(b) that allows**
14 **state commissions to establish rates for asymmetrical**
15 **compensation based on Sprint PCS' cost study?**

16 A. No, they do not. Nowhere in BellSouth's testimony do
17 they assert that the Florida Commission is not authorized
18 to establish asymmetrical rates in this proceeding.
19 BellSouth's arguments are based on misplaced and
20 inaccurate suggestions and impacts on BellSouth and its
21 customers and a requirement that Sprint PCS has to prove
22 its costs on the basis of equivalent facilities. As I
23 have demonstrated in this rebuttal testimony, the
24 analyses suggested by BellSouth are not based on reality
25 and when the assumptions in their analyses are based on

1 factual data, the potential outcomes suggested by
2 BellSouth will not happen. Sprint PCS urges the
3 Commission to act on the merits of its cost study and
4 network and make its decision within the statutory
5 requirements of the Act and the FCC's rules.

6

7 **Q. Does this conclude your testimony?**

8 A. Yes, it does.

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25