ORIGINAL

Sprint

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Enclosure

September 26, 2003

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
& Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

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COMMISSION
CLERK

Re: Docket No. **981834-TP &** 990321-TP

Dear Ms. Bayó:

Enclosed for filing on behalf of Sprint are the original and 15 copies of the following:

09288-03 1. Surrebuttal Testimony of Jimmy R. Davis and, Non-Proprietary Exhibits JRD-3 through JRD-10
09289-03 2. Non-Proprietary Surrebuttal Testimony of Randy G. Farrar, including Non-Proprietary Exhibits RGF-1 & RGF-2.
09290-03 3. Sprint's Requests for Confidential Classification.

In addition, pursuant to staff's direction, Sprint is filing the following:

09292-03 4. Two redacted hard copies of revised Exhibit JRD-2 and one CD-ROM containing the redacted Exhibit JRD-2.

Copies are being served on the parties in this docket via US mail.

Please acknowledge receipt of this filing by stamping and initialing a copy of this letter and returning same to the courier. If you have any questions, please do not hesitate to call me at 850/599-1560.

AUS
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GCL
OPC
MMS
SEC
OTH

Sincerely,

Susan S. Masterton

RECEIVED & FILED
FPSC-BUREAU OF RECORDS

CERTIFICATE OF SERVICE
DOCKET NO. 981834-TP & 990321-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by electronic mail & U.S. mail this 26th day of September, 2003 to the following:

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Susan S. Masterton

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

SURREBUTTAL TESTIMONY OF

RANDY G. FARRAR

SEPTEMBER 26, 2003

DOCUMENT NUMBER-DATE
09289 SEP 26 03
FPSC-COMMISSION CLERK

TABLE OF CONTENTS

INTRODUCTION

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

A. My name is Randy G. Farrar. I am presently employed as Senior Manager - Network Costs for Sprint/United Management Company. My business address is 6450 Sprint Parkway, Overland Park, Kansas, 66251.

Q. What is your educational background?

A. I received a Bachelor of Arts degree from The Ohio State University, Columbus, Ohio, with a major in history. Simultaneously, I completed a major program in economics. Subsequently, I received a Master of Business Administration degree, with an emphasis on market research, also from The Ohio State University.

Q. What is your work experience?

A. From 1978 to 1983 I was employed by the Public Utilities Commission of Ohio. My positions were Financial Analyst (1978 - 1980) and Senior Financial Analyst (1980-1983). My duties included the preparation of Staff Reports of Investigation concerning rate of return and cost of capital. I also designed rate structures, evaluated construction works in progress, measured productivity, evaluated treatment of canceled plant, and performed financial analyses, for electric, gas, telephone, and water utilities. I presented written and oral testimony on behalf of the Commission Staff in over twenty rate cases.

I have worked for Sprint Corporation or one of its predecessor companies since 1983. From 1983 to 1986 I was Manager - Rate of Return. I presented written and/or oral testimony before state public utilities commissions in Iowa, Nebraska, South Carolina, and Oregon.

From 1986 to 1987 I was Manager - Local Exchange Pricing. I investigated alternate forms of pricing and rate design, including usage sensitive rates, extended area service alternatives, intraLATA toll pricing, and lifeline rates.

Since 1987, I have held various positions dealing with telecommunications cost issues. From 1987 to 1992 I was Manager - Local Exchange Costing. In 1992, I was promoted to Manager - Network Costing and Pricing. I performed financial analyses for various business cases, which analyze the profitability of entering new markets and expanding existing markets, including Custom Calling, Centrex, CLASS and Advanced Intelligent Network features, CPE products, Public Telephone and COCOT, and intraLATA toll. I was a member of the United States Telephone Association's New Services and Technologies Issues Subcommittee from 1989 to 1992, and the Economic Analysis Training Work Group from 1994 to 1995.

In 1997 I was promoted to my present position. I am an instructor for numerous training sessions designed to support corporate policy on pricing and costing theory, and to educate and support the use of various costing models. I am responsible for the development and support of cost models concerning unbundled network elements and wholesale discounts. Since 1995, I have presented written and/or oral testimony before the Illinois Commerce Commission, the Pennsylvania Public Utility Commission, the New Jersey Board of Public Utilities, the Florida Public Service Commission, the North Carolina Utilities Commission, the Public Utilities Commission of Nevada, the Public Utility Commission of Texas, the Georgia Public Service Commission, the Arizona Corporation Commission, the New York

Public Service Commission, the Corporation Commission of Oklahoma, the Missouri Public Service Commission, and the Federal Communications Commission on the avoided costs of resold services, the cost of unbundled network elements, reciprocal compensation, access reform, and universal service issues.

Q. What is the purpose of your Surrebuttal Testimony?

A. I am testifying on behalf of Sprint-Florida, Incorporated, and Sprint Communications Company Limited Partnership (collectively "Sprint"). My testimony rebuts the April 18, 2003 Rebuttal Testimony of Steven E. Turner, testifying on behalf of AT&T Communications of Southern States, LLC. Specifically, I discuss two issues. First, I discuss the disadvantages of forcing Sprint to use a collocation cost model other than its own. Second, I discuss Sprint's use of Commission-approved cost factors from UNE Docket No. 990649B-TP in this collocation cost study. The factors include all annual charge factors, other direct expense factors, and the common cost factor.

The Surrebuttal Testimony of Sprint witness Mr. Jimmy R. Davis discusses all other collocation cost issues, and contains a copy of the Sprint collocation cost model as Revised Exhibit JRD-2.

THE USE OF A SINGLE COLLOCATION COST MODEL

Efficiencies of Using a Sprint-Specific Cost Model

Q. Has Sprint developed an efficient process for developing collocation rates?

A. Yes. Sprint has developed an efficient process, as illustrated by the following four characteristics:

1. Sprint has limited resources dedicated to collocation issues,
2. Sprint has developed a single collocation cost model for use in eighteen states,
3. Sprint has developed standardized collocation price lists and price structures, and
4. This standardization allows Sprint to respond to regulatory demands in a timely manner.

Q. Concerning the first characteristic, please describe the resources Sprint dedicates to collocation cost studies.

A. Sprint has limited resources. Sprint has a cost support staff of approximately twenty-eight people, with the equivalent of only two and one-half people dealing regularly with collocation issues in all eighteen states where Sprint operates as an ILEC. Sprint simply must use its limited human resources in the most efficient manner possible.

Sprint has also developed a standard methodology for collecting the hundreds of inputs necessary to complete a collocation cost study.

Q. Concerning the second characteristic, is the Sprint collocation cost model used in other jurisdictions?

A. Yes. The Sprint collocation cost model is the single collocation model used by Sprint in all eighteen states where it operates as an ILEC. The Sprint-standard collocation price list used by all ALECs in all eighteen states is derived from this collocation cost model.

Q. Has any state commission ordered Sprint to use another company's collocation cost model?

A. No. Sprint has provided ALECs with collocation rates in each of the eighteen states where Sprint operates as an ILEC. Sprint provides collocation facilities in at least fifteen of these eighteen states. No ALEC has requested arbitration concerning Sprint's collocation rates in any of these states. Virtually all Sprint collocation rates have been developed using the Sprint collocation cost model.

Q. Concerning the third characteristic, does the use of a single model allow Sprint to standardize its collocation procedures?

A. Yes. The use of a single Sprint-standard collocation price list allows Sprint to standardize its collocation rate structures and OSS / billing systems.

Q. On page 9, line 11, Mr. Turner states, "... moving to a single rate structure for collocation will simplify the interconnection process for ALECs within the state of Florida." Please comment.

A. This statement ignores the fact that many ALECs do not operate solely in the state of Florida. Many ALECs, including Mr. Turner's client AT&T, operate in more than one state. If the Commission adopts Mr. Turner's suggestion to use a single collocation model in Florida, ALECs will still have to deal with multiple collocation models and rate structures. For example, ALECs will still have to deal with the Sprint collocation model in the other 17 states in which Sprint operates as an ILEC, as well as collocation cost models used by Verizon, SBC, Qwest, and other ILECs in all states other than Florida.

In fact, Mr. Turner's suggestion will cause more confusion for these ALECs. When dealing with Sprint in more than one state, the ALECs would have to deal with

multiple cost models and multiple price structures.

Q. Concerning the fourth characteristic, does the use of a single Sprint-standard cost model allow Sprint to respond to regulatory demands in a more efficient manner?

A. Yes. For example, in the FCC's Fourth Report And Order in Docket No. 98-147, dated August 8, 2001, the FCC required ILECs to provide cross-connects between collocators. The use of a single Sprint-specific model allowed Sprint to complete these cost studies in eighteen states in a timely manner.

Q. On page 8, line 13, Mr. Turner states, "As such, no harm would come to any of the three companies involved in using a single cost model ... ." Is this correct?

A. No. Forcing Sprint to arbitrarily utilize another company's cost model and rate structure in Florida will create costly inefficiencies for both Sprint and ALECs alike.

Sprint's entire costing process is designed to efficiently produce a wide array of cost studies in eighteen states. It would be grossly inefficient, burdensome, and costly to force Sprint to use a separate, Florida-only collocation cost model.

If Sprint was forced to adopt a Florida-only model, Sprint would incur Florida-specific incremental expenses which could be reasonably recovered only from higher collocation rates in Florida.

Model Inputs vs. Model Methodology

Q. Are the validity of a cost model and the validity of inputs separate and distinct?

A. Yes. A perfectly good model will produce faulty results if the model inputs are not valid. However, these faulty inputs and results should not be used to condemn the model itself.

Also, two sets of different but valid inputs will produce different, but valid results. The observation that different inputs produce different results also should not be used to condemn the model.

It is therefore important to separate the two issues of model validity and input validity.

Q. In a discussion beginning on page 5, line 4 of his Rebuttal Testimony, Mr. Turner cites two "significant problems" with using company-specific collocation cost models. The first is the level of investment. Specifically, he states:

> ***First*, the focus needs to be placed on the efficient, forward-looking investment that should be used to develop the cost for DC power. In this regard, BellSouth and Sprint have largely similar investments with Verizon as the obvious outlier. (Page 5, line 10.)**

Is this first concern valid?

A. No. This is an example of confusing the two separate issues of model methodology and model inputs. Placing two sets of different inputs into a single model will obviously produce two different sets of results. This does not in any way invalidate the model methodology. Mr. Turner's observation that the investment inputs vary between ILECs simply does not invalidate the model methodologies.

The Surrebuttal Testimony of Mr. Jimmy R. Davis addresses the level of Sprint collocation investments.

Q. Mr. Turner's second concern is cost factors. Specifically, he states:

> ***Second*, while BellSouth and Sprint have similar investments that differ by only 7.9%, the use of the two different cost models has resulted in rates for DC Power that differ by 48.5%. It is true that BellSouth and Sprint have different Commission-approved common cost factors and cost of capital inputs, but these differences simply do not account for the wide disparity in results produced by the two cost models. (Page 5, line 20.)**

Is this second concern valid?

A. No. While he is correct that both BellSouth and Sprint have Commission-approved common cost factors and cost of capital inputs, Mr. Turner ignores the fact that both companies also have Commission-approved maintenance factors, and other direct (shared) cost factors. The difference in rates observed by Mr. Turner is due much more to differences in Commission-approved factor inputs than to model methodologies.

To demonstrate, I have run the Sprint collocation cost model to determine the rate per load amp using the BellSouth investment input, cost of capital inputs, maintenance rate, economic depreciation life, salvage value, other direct (shared, and land & building) expense factor, and common cost factor. The results are illustrated in Exhibit RGF-1, which consists of four pages.

1. Page 1 is the Input worksheet to the Sprint collocation cost model, as contained in the Surrebuttal Testimony of Mr. Jimmy R Davis.

2. Page 2 is the Input worksheet containing BellSouth's:
   - Common Cost and Gross Receipts Tax factors (Line 8), and
   - DC Power Maintenance factor (Line 9) as calculated by the Sprint Annual Charge Factor Model using BellSouth's cost of capital, maintenance factor, economic depreciation lives, salvage values, and shared expense factor.
3. Page 3 is the DC Power worksheet to the Sprint collocation cost model, as contained in the Surrebuttal Testimony of Mr. Jimmy R. Davis.
4. Page 4 is the DC Power worksheet resulting from using the BellSouth inputs.

The result is a rate of $11.14, compared to the BellSouth rate of $10.87. In other words, the Sprint model, using BellSouth data, produces a rate which is only 2.5% [1 – (11.14 / 10.87)] different than the BellSouth rate for the same collocation rate element. Thus the two models, with the same inputs and factors, produce rates that differ by only 2.5%, not the 48.5% claimed by Mr. Turner.

Q. Is it reasonable for Sprint and BellSouth to have different cost factors?

A. Yes BellSouth is a much larger company than Sprint, with greater economies of scale. BellSouth serves significantly different and more urban markets than does Sprint. There is no reason to expect these two companies to have the same cost factors.

Q. On page 3, line 20, Mr. Turner states, "Quite simply, the use of three different collocation cost models makes it almost impossible for the Commission to easily compare inputs ... ." Further, on page 6, line 10, he states, "In short, the use of a single model will allow the Commission and parties to focus on the

critical input issues ... ." Please comment.

A. This is not correct. While I agree that inputs are a critical issue, subject to review by all parties, the use of separate ILEC models does not prevent anyone from analyzing inputs.

For example, the existence of separate ILEC models did not prevent Mr. Turner from analyzing inputs. In fact, 42 of the 57 pages of Mr. Turner's rebuttal testimony deal with the "Evaluation of Collocation Inputs." Clearly, it is not "almost impossible to easily compare inputs."

Sprint Cannot Efficiently Adopt the BellSouth Cost Calculator

Q. Can Sprint easily adopt the BellSouth Cost Calculator?

A. No. There are at least five reasons Sprint cannot easily adopt the BellSouth Cost Calculator. Specifically, the BellSouth Cost Calculator:

1. Is a proprietary model which is not readily available to use by Sprint or any other party,
2. Cannot be easily modified to add new, Sprint-specific cost elements,
3. Cannot be easily modified to use Sprint's Commission-approved common cost factor,
4. Is not compatible with Sprint's accounting systems, and
5. Produces results which cannot be easily audited or verified.

Q. Concerning your first reason, can Sprint simply adopt the BellSouth Cost Calculator for its own use?

A. No. The BellSouth Cost Calculator is a proprietary model developed and owned by

BellSouth. Sprint cannot simply use their model. BellSouth would rightfully expect compensation for both its time and use of its intellectual property. Specifically, in response to Sprint's First Interrogatories, Item No. 1, August 19, 2003, BellSouth responded:

> Even though reprogramming is not required, the model would need to be placed in "administrative Mode", **which would give users access to BellSouth's intellectual property, for which BellSouth should be compensated**. Once users gain access to administrative mode, they would need to be trained by BellSouth, for which a fee would be assessed. In addition, there may be consulting fees that may apply after a training program has been completed. Given that BellSouth does not offer this option today, definitive fees cannot be provided. (Emphasis added.)

Also, in response to Sprint's First Interrogatories, Item No. 5, August 19, 2003, BellSouth responded:

> Because BellSouth has not made the BSCC available to any other party, BellSouth cannot provide definitive terms, conditions, and fees at this time. However, BellSouth would seek compensation on the use of its "Intellectual Property" as well as the time required to train others on the use of the BSCC. It would take significant training to bring other ILECs to an understanding of how the applications (BSCC, Shared & Common, and Capital Cost) work. Moreover, BellSouth would also seek compensation on subsequent consulting services provided by it. (Emphasis in original.)

Q. Concerning your second reason, can Sprint-specific cost elements be easily added to the BellSouth Cost Calculator?

A. No. On page 11 of his April 18, 2003 Rebuttal Testimony, Mr. Turner claims the

BellSouth Cost Calculator is flexible. Specifically, he states:

> Finally, the BellSouth Cost Calculator is flexible allowing the user to easily add new cost elements if necessary .... (Page 11, line 3)

This assessment is incorrect. To Sprint's knowledge, Sprint cannot "easily add new cost elements," to the BellSouth Cost Calculator. In response to Staff's 6th Interrogatories, Item No. 112, June 2, 2003, BellSouth states,

> The BellSouth Cost Calculator that was supplied to the Florida Commission was provided as a tool for modifying the parameters that produce the costs of the elements provided in the study, thus allowing the user to produce "what if" scenarios. **The user is not able to modify the structure of the study by adding or deleting elements**. (Emphasis added.)

In addition, in response to Sprint's 1st Interrogatories, Item No. 1, August 19, 2003, BellSouth stated,

> The BellSouth Cost Calculator © (BSCC) provided in this docket was intended to give the Commission and other interested parties the ability to view and make modifications to the parameters that produce the costs of the elements within BellSouth's filing structure. **It was not intended to provide the ability to add or delete elements**. (Emphasis added.)

Q. Concerning your third reason, can the BellSouth Cost Calculator be easily adjusted to adopt Sprint's Commission-approved common cost factor?

A. No. On page 14, line 23 of his Rebuttal Testimony, Mr. Turner states,

> The BellSouth Cost Calculator provides an input that allows the user to incorporate a company-specific common cost factor. BellSouth, Sprint, and Verizon-specific common cost factors have been used in developing my restated collocation rates for each company.

Further, in response to Sprint's 1st Request for Production of Documents, POD 1, April 30, 2003, AT&T responded,

> As stated in testimony, the cost of money and the common cost factor are Sprint FL-specific.
>
> For the requested electronic copy of the "Sprint Restatement" version of the BellSouth Cost Calculator 2.6, please see the two attachments: BellSouth Cost Calculator setup instructions and BSCC Investments Files.

However, when Sprint attempted to override the BellSouth Cost Calculator's common cost factor with a Sprint-specific factor following the procedure outlined in Steps 7 and 8 of Attachment A, Sprint was unable to replicate the results. As a result, in Sprint's 1st Interrogatories, Item No. 4, Sprint asked BellSouth if the common cost factor could be overridden using AT&T's proposed procedure. BellSouth's response was:

> The common cost factor cannot be overridden in the BSCC as provided using the steps above. Also see BellSouth's response to Item No. 1b.

Q. Concerning your fourth reason, is the BellSouth Cost Calculator compatible with Sprint's accounting systems?

A. No. Sprint's accounting systems are not compatible with BellSouth's accounting systems. Although all ILECs are subject to the FCC's Part 32 USOA (Uniform System of Accounts) which provides consistent reporting at a high level (four-digit accounts), the detailed sub-accounts used by the various ILEC accounting systems vary. The support systems which provide data to the Part 32 accounting systems vary to an even greater extent. For example, these support systems provide labor codes, job functions, and asset management data necessary to account for the ILECs operations under USOA, but have little or no resemblance to other ILEC support

systems

Although modifications could, in theory, be made to Sprint's accounting systems to make them compatible with the BellSouth Cost Calculator, this would likely be an expensive and impractical exercise.

In response to Sprint's 1st Interrogatories, Item No. 3, August 19, 2003, BellSouth stated:

> The BSCC is simply an application and was not designed to function solely on BellSouth's specific accounting system. However, the factors, labor rates, Job Function codes (JFC), and Field Reporting Codes (FRC) were developed based on BellSouth's accounting system The Shared & Common Application and the Capital Cost Calculator © are applications that are integrated into the BSCC process and were also designed using BellSouth specifications. These inputs and applications could be modified to accommodate other ILEC's systems but without a detailed knowledge of their systems, BellSouth is unable to determine what modifications would be necessary.

Q. Concerning your fifth reason, are the results of the BellSouth Cost Calculator easily audited and verified?

A. No. On page 11 of his Rebuttal Testimony, Mr. Turner claims the BellSouth Cost Calculator is auditable. Specifically, he states:

> Finally, the BellSouth Cost Calculator ... is auditable in that all of the internal calculations within the model can be exported to EXCEL spreadsheets to demonstrate how the calculations within the model are conducted. (Page 11, line 3)

This is not correct. The vast majority of the calculations are simply not easily auditable, nor can they be exported to Excel worksheets. Mr. Turner's statement is valid only concerning the final steps of the BellSouth Cost Calculator, where collocation investments are multiplied by the various charge factors. But the calculations of the charge factors themselves cannot be audited nor can they be exported to Excel worksheets.

Q. Can you provide a simple example of the difficulty in analyzing the BellSouth Cost Calculator?

A. Yes. When analyzing the calculations for "H.1.71 – Physical Collocation – Power per Used Amp," a common cost factor of [redacted] is used. The calculation of the common cost factor is shown on a page titled "Common Cost Factor" within the "Shared and Common Cost Application" module of the BellSouth Cost Calculator. (Note that while various numbers and calculation results are shown on this page, the actual calculations themselves are performed within Visual Basic code, not in an Excel worksheet.)

The first step in the calculation of the common cost factor is "Costs Common To Both Wholesale and Retail Operations" of [redacted]. This value simply appears. It is not the result of any visible Excel calculations, but is the result of hundreds, if not thousands, of Visual Basic calculations. None of these calculations can be "exported to Excel Spreadsheets" as claimed by Mr. Turner. The Sprint network costing work group has literally spent over a dozen man-hours and held several hours of conference calls with BellSouth subject matter experts, and Sprint still cannot independently replicate this single value.

While I have no reason to doubt the accuracy of the BellSouth calculations, the

point is that it is extremely difficult to verify internal calculations within the BellSouth Cost Calculator.

Q. How does the Sprint cost model differ from the BellSouth Cost Calculator?

A. The most significant difference is that in the Sprint Cost model is completely "open." This means that **all** calculations are performed within the actual Excel worksheets. No calculations are performed in Visual Basic macros or any other programming language.

Sprint has deliberately created its cost model in this manner to avoid any "black box" model criticism. Any cost analyst, with only the most basic Excel knowledge, can use Excel's auditing feature to trace every calculation – beginning with the final result and tracing each and every calculation back to the initial inputs.

Another area where the Sprint collocation cost model is more open than the BellSouth Cost Calculator is investment development. As discussed in the Surrebuttal Testimony of Mr. Jimmy R. Davis, the Sprint collocation cost model includes a detailed development of DC Power investment. In the BellSouth Cost Calculator, the DC Power investment is an input, apparently developed outside the actual model

Q. On page 10 of his Rebuttal Testimony, Mr. Turner claims that the BellSouth Cost Calculator is the easiest model to use. Specifically, he states:

> **As noted earlier, the BellSouth Cost Calculator his significant advantages over the Sprint and Verizon Cost models with regards to its comprehensive ability to internally calculate and flexibly apply cost factors. As I alluded to above and will discuss in more detail below, the**

BellSouth Cost Calculator is the only model of the three that easily permits the Commission to change the cost of capital inputs and have these inputs flow through to resulting costs for the three companies.

Is this statement correct?

A. No. The Sprint collocation cost model also allows the user to easily change cost of capital inputs and produce new results. I personally input BellSouth's cost of capital, cost of debt, debt percentage, income tax rate, ad valorem tax rate, switching depreciation life, switching salvage rate, and switching maintenance rate into the Sprint collocation cost model and produced new rates for all collocation elements reflecting these new inputs. The entire process took less than five minutes.

Most of this five minutes involved manually transferring the output of the factor development modules (eight unique numbers) into the collocation cost model itself. If desired, anyone with the most elementary knowledge of Excel can link the modules, reducing the time required to change inputs and produce new rates from about five minutes to about thirty seconds. (Note that because Sprint utilized the Commission-approved cost factors from UNE Docket No. 990649B-TP, no effort was made to link the various modules, since they were never intended to change.)

THE USE OF COMMISSION-APPROVED UNE COST FACTORS

Q. In the Sprint collocation cost model, did Sprint utilize the same cost factors approved by the Commission in UNE Docket No. 990649B-TP?

A. Yes, with two exceptions, as discussed below

Q. On pages 11 – 13 of his Rebuttal Testimony, Mr. Turner questions whether Sprint actually used the same cost factors in its collocation cost study as those approved by the Commission in UNE Docket 990649B-TP. Specifically, Mr. Turner states:

> **In general, BellSouth has utilized the same cost factors for collocation that this Commission already approved for unbundled elements generally. ... Sprint claims to have taken a similar approach. (Page 11, line 23.)**
>
> **While BellSouth and Sprint both acknowledge that the use of existing approved factors are the appropriate route to take for collocation costs (even though I believe Sprint may not have implemented this approach), ... (Page 13, line 14.)**

Is this criticism valid?

A. No. I have confirmed that with two exceptions, Sprint has used the same Commission-approved cost factors for both collocation and UNEs. The two exceptions are:

- Different economic depreciation lives and salvage values, as discussed in the Surrebuttal Testimony of Mr. Jimmy R Davis.
- Lower Other Direct Expense factor, as discussed below.

Exhibit RGF-2 summarizes some of the actual Commission-approved cost factors used in the collocation cost studies and in the UNE cost studies in Docket No. 990649B-TP.

Q What is the Other Direct Expense factor?

A. This factor accounts for plant-specific expenses which cannot be directly attributed

to specific network elements. They are roughly equivalent to what the FCC Local Competition Order refers to as "shared expenses" The expenses included in this factor primarily include network support (Account 6110), provisioning (6512), and network operations (6530) expenses.

Q. Why does the Sprint collocation cost model use a lower Other Direct expense factor than that used in UNE Docket No. 990649B-TP.

A. The Other Direct Expense factor of 11.60% for UNE switching includes expenses associated with power (Account 6531) and testing (6533). In the Sprint collocation cost model, power expenses are directly attributed to the various rate elements. Therefore, power expenses are removed from the Other Direct Expense factor to avoid double recovery of these expenses Testing expenses are not applicable to collocation Therefore, these expenses are explicitly excluded from the Other Direct Expense factor used for collocation. These two changes reduce the Other Direct Expense factor from 11.60% to 9.15%

Q. Does the Sprint collocation cost model use the same Common Cost factor as that reflected in the Commission-approved UNE rates resulting from Docket No. 990649B-TP?

A. Yes. The Final Order adopted the position taken by the October 2, 2002 Staff Recommendation, including a reduction of Sprint's cost of capital from 12.26% to 9.86%. To assure that Sprint's final UNE rates would match the Staff's recommendations, Sprint requested that Staff provide a copy of the Sprint UNE Cost Model reflecting those recommendations. This Staff-revised model was dated October 29, 2002. The Staff-revised Sprint Model recognizes that changing the cost of capital while holding all other inputs constant, mathematically increases the Common Cost factor from 12.03% to 13.68%, while holding the actual common

expenses to be recovered unchanged. The mathematics of this change is discussed in Sprint's Response to Staff Interrogatory Number 11 (revised July 13, 2003).

V. CONCLUSION

Q. Please summarize your Surrebuttal Testimony.

A. It would be extremely difficult, and counter-productive, for the Commission to force Sprint to adopt the BellSouth Cost Calculator to determine Sprint collocation rates in Florida. Sprint has spent several years developing a collocation cost model which is accurate, easy to use, easy to analyze, and has been used to create collocation rates in Sprint's eighteen ILEC states. Sprint has reached a level of expertise which allows Sprint to create and maintain collocation price lists in each of these eighteen states in the most efficient manner possible.

It would be extremely difficult for Sprint to adopt the BellSouth Cost Calculator. It is a proprietary model which Sprint cannot use without compensation due to BellSouth. It is not physically compatible with Sprint accounting systems. Sprint would face unknown and extensive costs for right-to-use fees, training, and modifications to the BellSouth model and/or Sprint accounting systems.

Forcing Sprint to use a new, unfamiliar model in one state only will create costly inefficiencies. It will not create any efficiencies for the ALECs who must still deal with multiple companies and multiple ILECs in states other than Florida.

Finally, a single model is simply not necessary. The Sprint model and the

BellSouth model produce similar results when using the same inputs. The use of two models does not prevent a critical comparison of the ILECs' inputs.

Q. Does this conclude your Surrebuttal Testimony?

A. Yes, it does.

SPRINT INPUT WORKSHEET WITH SPRINT DATA

Collocation Study Inputs

Line	Description		Input	Source
1	Central Office Engineering	$	62.62	Work Activity Study
2	Central Office Labor	$	69 92	Work Activity Study
3	Sales Tax		6.75%	Department of Taxation
4	Building Annual Charge Factor		24.31%	Annual Charge Factor Model
5	Digital Circuit Annual Charge Factor		28 44%	Annual Charge Factor Model
6	Local Switching Factor		29.03%	Annual Charge Factor Model
7	Conduit Factor		15.83%	Annual Charge Factor Model
8	Common Factor		13 68%	Florida UNE Docket No. 990649B-TP
9	DC Power Annual Charge Factor		29.03%	Annual Charge Factor Model
10	DC Power Maintenance Factor		13.79%	Annual Charge Factor Model
11	Cost per KWH	$	0.0671	Annual Charge Factor Model
12	Conduit Cost	$	6.160	Florida UNE Docket No. 990649B-TP
13	Manhole Cost	$	8,407	Florida UNE Docket No. 990649B-TP
14	Assignable Transmission Space to Total		49.2%	Analysis of CO Drawings
15	Cable Rack Fill Factor		50%	SME Observation
16	Freight - Power Cable -as % of Material		5%	Freight Study
17	Freight - Transmission Equip - as % of Material		10%	Freight Study
18	OSP Engineering	$	49.11	Payroll Data
19	OSP Technician	$	58.21	Payroll Data
20	Legal Labor	$	88 79	Payroll Data
21	Application Engineering	$	62 82	Payroll Data
22	Network Sales Manager	$	70 52	Payroll Data
23	Field Service Manager	$	70 52	Payroll Data
24	Network Project Manager	$	50.55	Payroll Data
25	Power Engineer	$	56.08	Payroll Data
26	Land & Building Engineer	$	75.71	Payroll Data
27	CPR/CAD Technician - Drafting	$	33.07	Payroll Data
28	NASC Service Rep - Billing	$	36.74	Payroll Data
29	Contract Negotiator - National Acct. Manager	$	70.11	Payroll Data
30	Architect, Engineering & Construction Mgt. Fee		16.00%	RS Means Data
31	Distance in ft. from Manhole to Vault		95	SME Observation
32	Installed Cost of Ground Bar	$	3,000	Vendor Quote
33	Digital Circuit Recurring Expense Factor		8.20%	Annual Charge Factor Model

DOCUMENT NUMBER-DATE
09289 SEP 26 8
FPSC-COMMISSION CLERK

SPRINT INPUT WORKSHEET WITH BELLSOUTH DATA
(Changes are highlighted)

Collocation Study Inputs

Line	Description		Input		Source
1	Central Office Engineering	$	62 62		Work Activity Study
2	Central Office Labor	$	69.92		Work Activity Study
3	Sales Tax		6.75%		Department of Taxation
4	Building Annual Charge Factor		24.31%		Annual Charge Factor Model
5	Digital Circuit Annual Charge Factor		28.44%		Annual Charge Factor Model
6	Local Switching Factor		21.09%		Annual Charge Factor Model
7	Conduit Factor		15.83%		Annual Charge Factor Model
8	Common Factor	***	[redacted]	***	**Bell South Cost Calculator**
9	DC Power Annual Charge Factor		**21.09%**		Annual Charge Factor Model
10	DC Power Maintenance Factor		13.00%		Annual Charge Factor Model
11	Cost per KWH	$	0.0671		Annual Charge Factor Model
12	Conduit Cost	$	6.160		Florida UNE Docket No. 990649B-TP
13	Manhole Cost	$	8,407		Florida UNE Docket No. 990649B-TP
14	Assignable Transmission Space to Total		49 2%		Analysis of CO Drawings
15	Cable Rack Fill Factor		50%		SME Observation
16	Freight - Power Cable -as % of Material		5%		Freight Study
17	Freight - Transmission Equip - as % of Material		10%		Freight Study
18	OSP Engineering	$	49.11		Payroll Data
19	OSP Technician	$	58 21		Payroll Data
20	Legal Labor	$	88 79		Payroll Data
21	Application Engineering	$	62 82		Payroll Data
22	Network Sales Manager	$	70 52		Payroll Data
23	Field Service Manager	$	70 52		Payroll Data
24	Network Project Manager	$	50 55		Payroll Data
25	Power Engineer	$	56 08		Payroll Data
26	Land & Building Engineer	$	75 71		Payroll Data
27	CPR/CAD Technician - Drafting	$	33 07		Payroll Data
28	NASC Service Rep - Billing	$	36.74		Payroll Data
29	Contract Negotiator - National Acct. Manager	$	70 11		Payroll Data
30	Architect, Engineering & Construction Mgt. Fee		16 00%		RS Means Data
31	Distance in ft. from Manhole to Vault		95		SME Observation
32	Installed Cost of Ground Bar	$	3,000		Vendor Quote
33	Digital Circuit Recurring Expense Factor		8.20%		Annual Charge Factor Model

*** BellSouth Proprietary ***

SPRINT DC POWER WORKSHEET WITH SPRINT INPUTS

Rate Element: DC Power Cost - Per Load Ampere Ordered
Exhibit 5.0: Rate Calculation

Line		Source	Investment
	A. Investment		
1	DC Power Investment	Wp 4.1, Ln CC2	$ 463.00
	B. Annual Cost		
2	Annual Charge Factor - DC Power	Input Sheet Ln 9	29.03%
3	Direct Cost - DC Power Plant	Ln 1 * Ln 2	$ 134.41
4	Cost per Amp for Commercial AC Power Usage	Wp 5.8, Ln 3	$ 3.00
5	Annual Cost for Commercial AC Power per Amp	Ln 4 * 12	$ 36.01
6	Total Direct Cost + Commercial AC Power	Ln 3 + Ln 5	$ 170.42
7	Common Cost Factor	Input Sheet Ln 8	13.68%
8	Common Cost	Ln 6 * Ln 7	$ 23.31
9	Total Annual Cost	Ln 6 + Ln 8	$ 193.74
	C. Pricing		
10	**Monthly Rate per Load Amp**	**Ln 9 / 12**	**$ 16.14**

SPRINT DC POWER WORKSHEET WITH BELLSOUTH INPUTS
(Changes are highlighted)

Rate Element: DC Power Cost - Per Load Ampere Ordered
Exhibit 5.0: Rate Calculation

Line		Source	Investment
	A. Investment		
1	DC Power Investment	Wp 4.1, Ln CC2	*** [redacted] ***
	B. Annual Cost		
2	Annual Charge Factor - DC Power	Input Sheet Ln 9	21.09%
3	Direct Cost - DC Power Plant	Ln 1 • Ln 2	$ 89.29
4	Cost per Amp for Commercial AC Power Usage	Wp 5.8, Ln 3	$ 3.00
5	Annual Cost for Commercial AC Power per Amp	Ln 4 * 12	$ 36.01
6	Total Direct Cost + Commercial AC Power	Ln 3 + Ln 5	$ 125.30
7	Common Cost Factor	Input Sheet Ln 8	*** [redacted] ***
8	Common Cost	Ln 6 • Ln 7	$ 8.40
9	Total Annual Cost	Ln 6 + Ln 8	$ 133.70
	C. Pricing		
10	**Monthly Rate per Load Amp**	Ln 9 / 12	$ 11.14

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Sprint's Commission-Approved Cost Factors

Factor	Collocation	UNE Docket No. 990649B-TP
Cost of Money	9.86%	9.86%
Composite Income Tax Rate	38.58%	38.58%
Ad Valorem Tax Rate	0.72%	0.72%
Switching Maintenance Rate	2.75%	2.75%
Other Direct Factor - Switching		
Total	11.60%	11.60%
Excluding Power & Testing	9.15%	DNA
Common Cost Factor	13.68%	13.68%