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July 26, 1994

Ms. Blanco Bayo  
Director, Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Fletcher Building  
Tallahassee, Florida 32399-0850

RE: Expanded Interconnection Phase II and Local Transport Restructuring  
Docket No. 921074-TP

Dear Ms. Bayo:

Enclosed for filing with the Commission are an original and fifteen (15) copies of Sprint Communications Company Limited Partnership's Rebuttal Testimony and Prehearing Statement along with a 5-1/4" diskette in the above-referenced matter. Please return a filed-stamped copy in the enclosed return self-addressed envelope.

Sincerely,

*Chanthina R. Bryant*

Chanthina R. Bryant  
Attorney, State Regulatory

- ACK
- AFA \_\_\_\_\_
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07631 JUL 27 8  
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**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served a copy of the within and foregoing Rebuttal Testimony in Docket No. 921074-TP; "EXPANDED INTERCONNECTION PHASE II AND LOCAL TRANSPORT RESTRUCTURING" via first class mail, by depositing same with sufficient postage and properly affixed and properly addressed to:

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This 26<sup>th</sup> day of July, 1994.

SPRINT COMMUNICATIONS COMPANY LIMITED  
PARTNERSHIP

BY: Chanthina R. Bryant  
Chanthina R. Bryant  
Attorney, State Regulatory

**Florida Public Service Commission**  
**Rebuttal Testimony of Fred I. Rock**

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**Docket Number 921074-TP**

**July 27, 1994**

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

2 **A. My name is Fred I. Rock and my business address is 7171 West 95th Street,**  
3 **Overland Park, KS 66212. I am employed by Sprint Communications**  
4 **Company Limited Partnership ("Sprint") as Manager - Regulatory Access**  
5 **Planning.**

6

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

8 **A. I will address the additional pricing flexibility proposed by GTE Witness, Mr.**  
9 **R. Kirk Lee, for all switched access services.**

10

11 **Q. What pricing proposals has Mr. Lee supported in his testimony?**

12 **A. Mr. Lee proposed pricing flexibility for all switched access services using**  
13 **volume and term discounts, zone pricing and contract service arrangements**  
14 **("CSAs").**

15

16 **Q. Do you believe the pricing options introduced by Mr. Lee are appropriate?**

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1 A. I support GTE in the introduction of zone pricing for access services where the  
2 underlying unit cost of providing the service varies by geographic location (or  
3 wire center). I believe LECs should be allowed to reflect differences in  
4 underlying service costs in pricing like services. If the LEC can prove cost  
5 differences due to the density of a wire center, it should be allowed to reflect  
6 these differences in its prices.

7

8 However, I cannot generally support volume/growth discounts or contract  
9 service arrangements for switched access as introduced by GTE. I am not  
10 aware of any data that supports lower unit costs for any LECs total shared  
11 network because the traffic volume of one IXC is greater than another. Lower  
12 access unit costs are obtained by the LEC as total volume grows and not by  
13 individual IXC traffic, shifting of traffic from one IXC to another, or individual  
14 serving arrangements.

15

16 Q. How does GTE's proposed volume/growth plan work?

17 A. The plan provides savings to access customers (IXCs) who commit to various  
18 percentages of usage growth over a one year time period. In addition, a volume  
19 based feature is included within the plan that affords varying discounts to access  
20 customers of different sizes.

21

22 Q. What is Sprint's concern with the plan?

1 A. Since GTE elected to exclude the discount levels from the proposed matrix, it is  
2 difficult to thoroughly assess the impact of its volume/growth discount plan.  
3 However, the structure of this plan is almost identical to a volume discount plan  
4 GTE filed at both the FCC and in Illinois both of which are still pending.

5  
6 If GTE continues the trend established with this plan at the FCC and in Illinois,  
7 it will award an access customer with large volumes a specified discount even if  
8 it had virtually no volume growth, whereas an access customer with smaller  
9 volumes would have to grow at a faster rate to achieve the same discounts as the  
10 larger customer. In other words, the growth discount factors contained in the  
11 plan may be weighted by an access customer's relative size as determined by  
12 network usage.

13  
14 Q. Is the premise of GTE's proposed volume/growth plan consistent with the  
15 underlying cost characteristic of LECs switched networks?

16 A. The discounts awarded for the achievement of usage growth are consistent with  
17 the underlying cost characteristics of LEC switched networks, whereas the  
18 discounts awarded to a customer for its relative size based on historical volumes  
19 are not.

20  
21 Q. Please explain why?



1 A. The volume banding feature contained in the proposed growth plan is clearly  
2 inconsistent with underlying cost characteristics of LEC switched networks.  
3 LEC switched network capacity is planned and ultimately sized to enable the  
4 LEC to handle the current traffic volumes of all customers and the anticipated  
5 growth in those volumes over some specified period of time. Ultimately, the  
6 total network capacity employed by the LEC is the result of all anticipated  
7 traffic volumes from all customers during the planning interval, including the  
8 LEC's own local and toll traffic.

9  
10 Once the network has been sized and the capital has been invested to build it,  
11 this investment becomes a sunk cost. Given that network size is a function of  
12 all customers' current and anticipated future traffic volumes, including the  
13 LEC's own traffic, and the sunk characteristics of that investment in the  
14 network, the only way to reduce incremental cost per unit of traffic is through  
15 utilization of the spare capacity contained in the switched network.

16  
17 Utilization of spare capacity and the resulting reduction in per unit cost is only  
18 accomplished through the growth of traffic volumes carried on the network that  
19 are additional traffic. The volume aspect of the plan rewards customers with  
20 relatively high levels of historical usage, but does not lead to lower future unit  
21 costs.

1 Sprint has always been a strong proponent of cost-based pricing for switched  
2 access services, which reflects the underlying cost characteristics of LEC  
3 switched networks. In addition, Sprint believes that the use of "market  
4 considerations" in the pricing of any service is more appropriately reserved to  
5 rate pricing of services offered in "competitive" markets, unlike the current  
6 switched access market in Florida, wherein LECs still carry over 99% of  
7 Sprint's switched access minutes in their service area.

8  
9 Q. What aspects of GTE's proposed volume/growth plan does Sprint find  
10 discriminatory?

11 A. The volume banding feature contained in the Growth Plan proposal unfairly  
12 advantages the largest IXC at the expense of small and medium sized IXCs.  
13 This is particularly troubling to Sprint because the largest IXC would receive  
14 the largest benefit from the proposed growth plan simply on the basis of traffic  
15 volumes that accrued while operating as a near monopolist, and not on any  
16 fundamental underlying network cost characteristics as I addressed earlier in my  
17 testimony.

18  
19 To reward such a customer for its historical monopoly position, rather than its  
20 marketplace performance in terms of generating additional traffic on the LEC  
21 network, could potentially harm interexchange competition in Florida which is  
22 not in the public's interest.



1 Q. What is Sprint's position on CSAs for switched access?

2 A. The access customer(s) that will benefit from CSAs will be limited to those with  
3 competitive alternatives which is primarily the largest customer. Again, lower  
4 prices will be awarded to an access customer for its relative size and  
5 marketpower based on historical volumes instead of actions which lead to lower  
6 network unit costs for the LEC.

7

8 Q. What actions do you recommend the Commission take on the pricing options  
9 described by Mr. Lee?

10 A. I believe the Commission should allow density zone pricing for switched access  
11 services based on the cost differences by location. I strongly urge the  
12 Commission to reject discounts based on individual IXC traffic volumes and  
13 CSAs for switched access services.

14

15 Q. Does this conclude your rebuttal testimony?

16 A. Yes, it does.

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