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August 23, 1996

## 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. 960836-TP

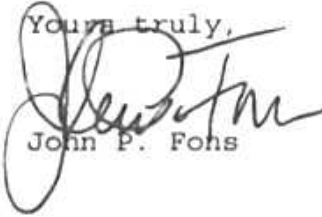
Dear Ms. Bayo:

Enclosed for filing in the above docket are the original and fifteen (15) copies of Sprint United/Centel's Rebuttal Testimony of Randy G. Farrar.


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. Fohs

ACK   
AFA Enclosure  
APP cc: All parties of record  
CAF utd/838.by0  
CML Shelton  
CTR \_\_\_\_\_  
EAG \_\_\_\_\_  
LEG 2  
LH 5 + org  
GPC \_\_\_\_\_  
ROH \_\_\_\_\_  
SEC 1  
WAS \_\_\_\_\_  
OTH \_\_\_\_\_

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DOCUMENT FILED DATE  
09039 AUG 23 1996  
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1                   BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

2                                   REBUTTAL TESTIMONY

3   OF

4   RANDY G. FARRAR

5  
6           Q.    Please state your name, occupation, and business address.

7  
8           A.    My name is Randy G. Farrar. I am employed as Manager -  
9                Network Costing and Pricing for Sprint/United Management  
10               Company, an affiliate of United Telephone Company of  
11               Florida and Central Telephone Company of Florida. My  
12               business address is 2330 Shawnee Mission Parkway,  
13               Westwood, Kansas, 66205.

14  
15          Q.    Did you submit prefiled direct testimony in this  
16                proceeding?

17  
18          A.    Yes, I did.

19  
20          Q.    What is the purpose of your rebuttal testimony?

21  
22          A.    To offer revisions in my direct testimony in light of the  
23                August 1 FCC First Report and Order and Rules, released  
24                August 8, 1996.

25  
DOCUMENT NUMBER-DATE

09039 AUG 23 96

FPSC-RECORDS/REPORTING

- 1 Q. Please summarize the necessary revisions.  
2
- 3 A. There are four. First, my TSLRIC methodology needs minor  
4 modifications to fit with the FCC's Total Element Long  
5 Run Incremental Cost (TELRIC) standard. Second, the  
6 tandem switching cost needs to be modified.  
7 Specifically, Sprint has proposed a tandem switching rate  
8 element based on a per DS1 port, but the FCC has  
9 indicated that usage-based rates are appropriate. Third,  
10 the transport costs need to be modified to fit the TELRIC  
11 standard. Fourth, Sprint proposed a bill-and-keep  
12 arrangement for end-office terminating compensation.  
13 However, the FCC states that bill-and-keep arrangements  
14 may not necessarily allow for recovery of costs.  
15
- 16 Q. The first revision concerns your TSLRIC methodology.  
17 Does your TSLRIC methodology fit with the requirements of  
18 the FCC Order?  
19
- 20 A. With minor modifications, yes. The FCC has established  
21 a TELRIC standard for both unbundled network elements and  
22 terminating compensation. FCC Order, ¶¶ 672-690. TELRIC  
23 includes a reasonable allocation of forward-looking joint  
24 and common costs. FCC Order, ¶ 672. Sprint's original  
25 interpretation of the Telecommunications Act of 1996 (the

1 Act) included an allowance for joint and common costs for  
2 unbundled network elements, but not for terminating  
3 compensation. Sprint treated this allowance as an  
4 additive to cost in order to arrive at price, not an  
5 element of the cost itself. Thus, the costs included in  
6 my direct testimony do not include an allowance for joint  
7 and common costs.  
8

9 Q. The second revision concerns tandem switching costs. Are  
10 the costs in your direct testimony consistent with the  
11 FCC Order?  
12

13 A. No, both the TELRIC methodology and the requirement for  
14 a usage-based rate require modification of these costs.  
15 With regard to tandem switching, the FCC Order supports  
16 the establishment of usage-sensitive charges. FCC Order,  
17 ¶ 824. The FCC has established a default ceiling of  
18 \$0.0015 per minute of use for tandem switching that  
19 should be used until the completion of a TELRIC study.  
20 States may use this proxy rate and impose flat-rated  
21 charges for tandem switching, provided the rates are set  
22 so that the price does not exceed the \$0.0015 per minute  
23 of use. Assuming an industry standard usage of 9,000  
24 minutes of use per DS1 (FCC Order, ¶ 822, fn. 1949), the  
25 equivalent tandem switching rate at a DS1 port level

1 would be \$324. This is less than the \$377.50 rate  
2 contained in my direct testimony. Sprint has agreed to  
3 adopt the FCC interim rate of \$0.0015 per minute of use  
4 pending approval of a TELRIC study. To the extent that  
5 TELRIC exceeds the interim price, it will be implemented  
6 on a going-forward basis.  
7

8 Q. The third revision concerns transport costs. Are the  
9 costs in your direct testimony consistent with the FCC  
10 Order?  
11

12 A. No, with regard to transport, the FCC Order, § 821,  
13 requires the state commissions to use existing interstate  
14 rates to develop a default proxy ceiling for both  
15 dedicated and shared transport. The costs provided in my  
16 Revised Exhibit RGF-1 do not comply with the FCC's Order.  
17 Therefore, we are in the process of developing TELRIC  
18 costs for both dedicated and shared transport. These  
19 costs will be provided as soon as developed. Until such  
20 cost studies are completed, we propose to use the FCC's  
21 proxy ceiling; that is, the interstate rates as per FCC  
22 Rule 51.513(c)(3) and (4).  
23

24 Q. The fourth revision concerns end-office interconnection.  
25 Is the bill-and-keep proposal in your direct testimony

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consistent with the FCC Order?

A. No. Sprint previously proposed an interim two-year bill-and-keep reciprocal compensation agreement. Given the FCC Order, ¶ 1111, Sprint has reconsidered that approach. The FCC concluded that bill-and-keep arrangements do not satisfy the cost recovery provisions of the Act, unless traffic is balanced and rates are symmetrical. FCC Order, ¶ 1112. For an interim period, Sprint proposes that, absent evidence of a traffic imbalance, bill-and-keep should be used until TELRIC studies have been approved.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.