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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. 960838-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 William E. Cheek.

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

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UNITED TELEPHONE COMPANY
OF FLORIDA
CENTRAL TELEPHONE COMPANY
OF FLORIDA
DOCKET NO. 960838-TP
FILED: August 23, 1996

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL 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. Did you previously submit prefiled direct testimony in this proceeding?

A. Yes.

Q. What is the purpose of providing rebuttal testimony in this arbitration proceeding?

A. As stated in my direct testimony of August 12, 1996, the FCC adopted its First Report and Order and its Rules in CC Docket No. 96-98, on August 1, 1996, regarding

interconnection, unbundling and resale, as required by Section 251 of the Communications Act of 1996. The Order and Rules were released by the FCC on August 8. At the time my direct testimony was prepared and subsequently filed, insufficient time existed to allow for a detailed evaluation of the FCC Order. I have since reviewed my direct testimony in light of the FCC Order and offer these revisions to the positions previously stated which I believe conform the direct testimony to the FCC directives.

Given the firm direction and interim rate prescriptions contained in the FCC Order, it is likely that many of the differences between the positions of MFS and Sprint can be resolved. My rebuttal testimony will outline those areas where disagreement between the parties is likely to remain. In addition, I would like to clarify our positions regarding directory issues and the most favored nations clause. Sprint will continue its efforts to reach an agreement with MFS on those remaining differences in hopes of presenting an interconnection agreement to the Commission for approval prior to any arbitration decision becoming necessary.

Q. Would you please summarize your rebuttal testimony?

A. Yes. This rebuttal testimony was prepared to assist the Commission in its analysis of the FCC Order and its implications on the differences between the parties. The positions adopted by the FCC, in certain areas, have necessitated changes to Sprint's positions contained in my direct testimony and, in certain cases, invalidated the positions taken by MFS in Mr. Devine's direct testimony. This rebuttal testimony addresses these matters in the same order as they were contained in my direct testimony by providing the cite to the FCC Order and corresponding rules to aid the Commission in its review of the testimony in this proceeding.

Q. Does the FCC Order provide clarification regarding points of interconnection that Sprint should make available to MFS?

A. Yes, as indicated in my direct testimony at page 9, Sprint does not object to interconnection with MFS on a meet-point basis. The FCC Order, ¶ 553, confirms that meet-point arrangements must be available upon request to CLECs. In a meet-point arrangement, each party pays its portion of the costs to build out the facilities to the meet-point, typically the wire center boundary. The FCC concluded that meet-point arrangements make sense for

interconnection pursuant to Section 251(c)(2), but not for unbundled access under Section 251(c)(3).

MFS requests interconnection under Section 251(c)(2) for the purpose of exchanging traffic with Sprint. In this situation, Sprint and MFS are co-carriers and each gains value from the interconnection agreement. The FCC concluded that it is reasonable to require each party bear a portion of the economic costs of the arrangement.

Q. Does the FCC Order support Sprint's position on direct connections and transiting traffic that was stated on page 10, line 24 of your direct testimony?

A. Yes. As stated in my direct testimony, Sprint does not object to collocated CLECs establishing direct connections with other collocated carriers as long as the cross-connecting facilities between the CLECs are provided by Sprint. Sprint's position is supported in ¶¶ 594 and 595 of the FCC Order, which state in part, "We therefore will require that the incumbent LECs allow collocating telecommunication carriers to connect collocated equipment to such equipment of other carriers within the same LEC premises so long as the collocated equipment is used for interconnection with the incumbent

LEC or access to the LEC's unbundled network elements. We clarify that we here require incumbent LECs to provide the connection between the equipment in the collocated spaces of two or more collocating telecommunications carriers unless they permit the collocating parties to provide this connection for themselves. We do not require incumbent LECs to allow placement of connecting transmission facilities owned by competitors within the incumbent LEC premises anywhere outside of the actual physical collocation space." This is codified in Subpart D of Part 51 of the FCC's Rules at Section 51.323(h)(1) which states, "An incumbent LEC shall provide the connection between the equipment in the collocated spaces of two or more telecommunications carriers, unless the incumbent LEC permits one or more of the collocating parties to provide this interconnection for themselves...."

Also, for transiting traffic, the FCC Order supports the establishment of usage-sensitive charges to recover tandem switching costs. The FCC has established a default rate ceiling of $0.0015 per minute of use for tandem switching that should be used until completion of a forward-looking economic cost study. FCC Order, ¶ 824. Sprint proposes the interim FCC rate be adopted pending

approval of a TELRIC-based economic study. In his rebuttal testimony, Mr. Farrar discusses how the TELRIC methodology differs from that employed in his direct testimony.

Q. Please explain the relationship between the FCC Order and the local interconnect rate elements proposed in your direct testimony, beginning on page 12, line 18.

A. The FCC Order identifies the same three network elements as I proposed in my testimony. Local switching is discussed beginning with ¶ 810 of the Order; a default price range for local switching of $0.002 to $0.004 per minute of use is established in ¶ 811 and discussed in ¶ 815. The transport discussion begins with ¶ 820. The FCC concludes that for dedicated transport, states should rely upon existing tariffed rates for dedicated transport as a proxy ceiling. In addition to dedicated transport, the Order requires that shared transmission facilities (transport) be developed in a similar manner, ¶ 822. The FCC concludes that those rates are close to economic cost levels. The third element, tandem switching, was discussed previously. The FCC Order, ¶ 825, establishes a proxy ceiling rate of $0.0015 per minute of use.

Q. Has Sprint reconsidered its proposed flat-rated, capacity-based port charge approach in light of the FCC decision in CC Docket 96-98?

A. Yes. Consistent with the FCC findings, ¶ 810, we agree that a combination of a flat-rated charge for line ports, i.e., line cards, and a per-minute usage charge for the switching matrix and for trunk ports, best reflects the way costs for unbundled local switching are incurred and should be used. The FCC concluded, ¶ 815, that the sum of the flat-rated charge for line ports and the product of the projected minutes of use per port and the usage-sensitive charges for switching and trunk ports, all divided by the projected minutes of use, should not exceed $0.004 per minute of use and should not be lower than $0.002 per minute of use. Contrary to Sprint's original bill-and-keep proposal for end office ports, the FCC found, "that carriers incur costs in terminating traffic that are not *de minimis*, and consequently, bill-and-keep arrangements that lack any provisions for compensation do not provide for recovery of costs." FCC Order, ¶ 1112. Sprint has reconsidered the flat-rated, capacity-based charge in favor of a combination of flat-rated and usage-based charges described above. However, consistent with authority granted to the states by the

FCC at ¶ 1112, absent evidence that the traffic volumes are not balanced, Sprint proposes an interim bill-and-keep arrangement until such time as TELRIC economic studies have been completed and approved by this Commission.

Q. Does the Order provide a "true-up" mechanism to ensure that no carrier is disadvantaged by an interim rate?

A. Yes. A mandatory "true-up" of interim transport and termination rates is discussed in the FCC Order, ¶ 1066. The "true-up" ensures that certain carriers will not be disadvantaged by implementing the interim rates.

Q. On page 15, line 5 of your direct testimony, you propose an unbundled loop price of $23.01. How does that price compare with the default price proposed in the FCC Order for Florida?

A. The unbundled loop price in my direct testimony was developed based on the BCM 2 model, however, since the FCC did not use BCM 2, because of time constraints (see FCC Order, ¶ 796), Sprint will accept the $13.68 default price (FCC Order, Appendix D) as an "interim" default price until Sprint can develop its deaveraged costs and

proposed pricing. The FCC stated its intention to continue its investigation of the various models that have been used to develop unbundled loop pricing.

Q. Does the Order support Sprint's position that the additional costs associated with conditioned loops, such as ADSL, HDSL and ISDN, be recovered from the requesting carrier?

A. Yes, the FCC Order, ¶ 382, addresses cost recovery for conditioning. As I stated on page 20 of my direct testimony, assuming the technical requirements of these facilities can be adequately identified and cost recovery agreed to, Sprint would agree to provide these capabilities.

Q. In your direct testimony on page 24 you address MFS' proposed pricing guidelines which would require the price for unbundled elements not exceed the price of the bundled element. Does the FCC Order support your position?

A. Yes. There are numerous statements in the Order regarding the development of prices based on cost. The FCC Order, ¶ 620, specifically states that "states may

not set prices lower than the forward-looking incremental costs directly attributable to the provision of a given element."

Q. Will Sprint allow resellers to rebrand Directory Assistance as their own in light of the FCC Order?

A. Consistent with the FCC Second Report and Order (issued August 8, 1996, in CC Docket No. 96-98), ¶ 148, Sprint will comply with reasonable, technically feasible requests of CLECs for the rebranding of directory assistance services in the CLEC's name. The CLEC will be responsible for the costs incurred to implement such a request.

Q. Would you please clarify your position on the directory issues?

A. United Telephone Company of Florida's telephone directories are published by Sprint Publishing and Advertising. Central Telephone Company of Florida's directories are published by CenDon Partnership, a partnership composed of the Reuben H. Donnelley Corporation and Centel Directory Company. Sprint has secured agreement with Sprint Publishing and Advertising

to provide directory services consistent with those outlined in my direct testimony. A similar agreement with CenDon does not exist at this time. Sprint agrees that it will work with MFS in seeking the cooperation and approval of the CenDon Partnership in an effort to meet the directory publishing commitments similar to those contained in my direct testimony. A separate publishing agreement may be required between MFS and the CenDon Partnership.

Q. Has Sprint amended the "Most Favored Nations" clause contained in its draft Interconnection and Resale Agreement?

A. Yes. Section X. OPTION TO ELECT OTHER TERMS has been amended to coincide with the FCC Rules, Sections 51.301(3), 51.303, and 51.809. A copy of this revision is provided in Exhibit WEC-3 to my rebuttal testimony.

Q. Does this conclude your rebuttal testimony?

A. Yes.

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X. OPTION TO ELECT OTHER TERMS

If, at any time while this Agreement is in effect, Company provides arrangements similar to those described herein to a third party CLEC operating within the same LATAs (including associated Extended Area Service Zones in adjacent LATAs) to which this Agreement applies, on terms different from those available under this Agreement (provided that the third party is authorized to provide local exchange services), then Carrier may opt to adopt any individual rates, terms, and conditions offered to the third party in place of specific rates, terms, or conditions otherwise applicable under this Agreement for its own arrangements with Company regardless of volume discounts, other quantity terms, or other restrictions or provisions contained in the Agreement or tariff available to such third party.

In addition, if Company entered in an agreement (the "Other Agreement") approved by the Commission pursuant to Section 251 and/or Section 252 of the Act, and/or is subject to Order of the Commission, which provides for the provision of an interconnection, service, or unbundled element to another authorized Carrier, Company shall make available to Carrier such interconnection, service or unbundled element on an individual element-by element or service-by-service basis without regard to other restrictions in said agreement upon the best individual terms and conditions as those provided in the Other Agreement.

Not withstanding the above provision, this Agreement shall be at all times subject to such changes or modifications with respect to the rates, terms or conditions contained herein as may be ordered or directed by the [State] Public Service Commission or the Federal Communications Commission in the exercise of their respective jurisdictions (whether said changes or modifications result from a rulemaking proceeding, a generic investigation or an arbitration proceeding which applies to the Company or in which the [State] Public Service Commission makes a generic determination). This Agreement shall be modified, however, only to the extent necessary to apply said changes where Company specific data has been made available to the Parties and considered by the [State] Public Service Commission. Any rates, terms or conditions thus developed shall be substituted in place of those previously in effect and shall be deemed to have been effective under this Agreement as of the effective date of the order by the [State] Public Service Commission or the FCC, whether such action was commenced before or after the effective date of this Agreement. If any such modification renders the Agreement inoperable or creates any ambiguity or requirement for further amendment to the Agreement, the Parties will negotiate in good faith to agree upon any necessary amendments to the Agreement.