

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

RANDY G. FARRAR

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

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

12
13 Q. What is your educational background?

14
15 A. I received a Bachelor of Arts degree from The Ohio State
16 University, Columbus, Ohio, in June 1976 with a major in
17 history. Simultaneously, I completed a major program in
18 economics. Subsequently, I received a Master of Business
19 Administration degree, with an emphasis on market
20 research, in March 1978, also from The Ohio State
21 University.

22
23 Q. What is your work experience?

24
25 A. From 1978 to 1983 I was employed by the

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1 Commission of Ohio. In 1980, I was promoted from
2 Financial Analyst to Senior Financial Analyst. My duties
3 included the preparation of Staff Reports of
4 Investigation concerning rate of return and cost of
5 capital. I also designed rate structures, evaluated
6 construction works in progress, measured productivity,
7 evaluated treatment of canceled plant, and performed
8 financial analysis, for electric, gas, telephone, and
9 water utilities. I presented written and oral testimony
10 on behalf of the Commission Staff in over twenty rate
11 cases.

12
13 I have been employed by Sprint Corporation or one of its
14 predecessor companies since 1983. From 1983 to 1986 I
15 was Manager - Rate of Return. I presented written and
16 oral testimony before state public utilities commissions
17 in Iowa, Nebraska, South Carolina, and Oregon.

18
19 From 1986 to 1987 I was Manager - Local Exchange Pricing.
20 I investigated alternate forms of pricing and rate
21 design, including usage sensitive rates, extended area
22 service alternatives, intraLATA toll pricing, and
23 lifeline rates.

24
25 From 1987 to 1992 I was Manager - Local Exchange Costing.

1 In 1992 I was promoted to Manager - Network Costing and
2 Pricing. I perform financial analyses for various
3 business cases, which analyze the profitability of
4 entering new markets and expanding existing markets,
5 including Custom Calling, Centrex, CLASS and Advanced
6 Intelligent Network features, CPE products, Public
7 Telephone and COCOT, and intraLATA toll. I am an
8 instructor for numerous training sessions for subsidiary
9 companies, designed to support corporate policy on
10 pricing and costing theory, and to educate and support
11 the use of various costing models. I was a member of the
12 United States Telephone Association's New Services and
13 Technologies Issues Subcommittee from 1989 to 1992, and
14 the Economic Analysis Training Work Group from 1994 to
15 1995. In 1996, I have presented written and/or oral
16 testimony before the Illinois Commerce Commission and the
17 New Jersey Board of Public Utilities on the avoided costs
18 of resold services; and before the Pennsylvania Public
19 Utilities Commission on the cost of local loop.

20
21 Q. What is the purpose of your testimony?

22
23 A. My testimony will cover two areas: Sprint's perspective
24 on cost-based pricing for unbundled network elements; and
25 Sprint's position on the appropriate methodology for

1 determining wholesale rates for retail services.

2
3 Sprint's perspective on the pricing and costing of
4 unbundled network elements and wholesale discounts is
5 neither solely one of a local telephone company, nor
6 solely one of a new competitor. Rather, Sprint's
7 perspective represents an accommodation of interests
8 similar to those that the Commission must balance in this
9 docket. Sprint is a multi-billion dollar company
10 providing traditional local exchange service, long
11 distance service, and PCS/wireless communication. In
12 addition, Sprint Communications Company L.P. will compete
13 as a competitive local exchange carrier (CLEC).

14
15 My testimony is divided into two sections: Section I
16 addresses cost-based pricing for unbundled network
17 elements, and Section II addresses wholesale discounts
18 for retail services.

19
20 **I. COST-BASED PRICING FOR UNBUNDLED NETWORK ELEMENTS.**

21
22 **A. TELRIC-based Pricing Methodology**

23
24 **Q.** What does the Telecommunications Act of 1996 (the Act)
25 require for pricing network elements?

1 **A.** Section 252 (d)(1) of the Act, Interconnection and
2 Network Element Charges, states that,

3

4 Determinations by a State commission of the just
5 and reasonable rate for the interconnection of
6 facilities and equipment for purposes of subsection
7 (c)(2), and the just and reasonable rate for
8 network elements for purposes of section (c)(3) of
9 such section -

10 (A) shall be -

11 (i) based on the cost (determined without
12 reference to a rate-of-return or other
13 rate-based proceeding) of providing the
14 interconnection or network element
15 (whichever is applicable), and

16 (ii) nondiscriminatory, and

17 (B) may include a reasonable profit.

18

19 **Q.** What does the FCC Order say about the pricing of network
20 elements?

21

22 **A.** The FCC requires, at paragraph 672 of its First Report
23 and Order ("FCC Order"), issued August 8, 1996, in CC
24 Docket No. 96-98, that prices for interconnection and
25 unbundled elements should be set at forward-looking

1 economic costs. In the FCC's view, this will mean that
2 prices are based on the Total Service Long Run
3 Incremental Cost (TSLRIC) of the network element, which
4 the FCC titled Total Element Long Run Incremental Cost
5 (TELRIC). Importantly, TELRIC will include a reasonable
6 allocation of forward-looking joint and common costs.
7

8 Q. The Eighth Circuit Court of Appeals stayed the FCC Order.
9 In light of this development, what is Sprint's position
10 concerning the cost, price, and unbundling requirements
11 for network elements?
12

13 A. Sprint's policy in this area is unchanged. Sprint
14 believes the cost methodology in the FCC Order, TELRIC
15 for unbundled network elements, is correct.
16

17 It is imperative that the same cost standard be applied
18 to all Florida ILECs. Sprint believes the Commission
19 should adopt a TELRIC-based costing and pricing standard
20 for all Florida ILECs. A different pricing standard for
21 different ILECs will produce non-competitive costs and
22 prices among ILECs, disadvantaging some while benefiting
23 others.
24

25 Q. Please describe Sprint's pricing policy for network

1 elements.

2

3 A. Sprint believes that prices for network elements must be
4 based on economic costs. More specifically, Sprint
5 recommends:

6

7 ▶ Prices for unbundled elements should be developed
8 using a TELRIC-based pricing methodology.

9 ▶ The level of contribution to shared and common costs
10 should be recovered from each network element on a per
11 unit basis.

12 ▶ The reasonable profit level to be included in TELRIC
13 should be the most recent authorized interstate rate
14 of return.

15 ▶ Prices for network elements should be geographically
16 deaveraged; for example, according to high cost,
17 medium cost, and low cost areas, where such cost
18 differences have been quantified.

19 ▶ The same costing and pricing standards must be
20 applicable on a industry-wide and statewide basis.

21

22 1. TSLRIC (Total service Long Run Incremental Cost)

23

24 Q. Please explain what is meant by TSLRIC.

25

1 **A.** TSLRIC represents the incremental cost of an entire
2 product. In other words, TSLRIC represents all the costs
3 directly caused by a service. TSLRIC is also sometimes
4 called total incremental cost, long run service
5 incremental cost, long run incremental cost - total
6 service, or average incremental cost (when divided by
7 output). TSLRIC includes all of the service-specific
8 fixed costs and volume sensitive costs. It represents
9 the total direct burden that the service places upon the
10 resources of the company. In more precise terms, TSLRIC
11 is the difference between (1) the total cost of a company
12 that provides the study service and a number of other
13 services, and (2) the total cost of that same company if
14 it provided all of its other services in the same
15 quantities, but not the study service.

16

17 **2. TELRIC (Total Element Long Run Incremental Cost)**

18

19 **Q.** Is TSLRIC costing different from TELRIC costing?

20

21 **A.** Essentially, TSLRIC and TELRIC costing methodologies are
22 the same. Their differences are related to the items
23 being costed, not the method of developing the costs.
24 The FCC Order, paragraph 678, states,

25

1 While we are adopting a version of the
2 methodology commonly referred to as TSLRIC as
3 the basis for pricing interconnection and
4 unbundled elements, we are coining the term
5 "total element long run incremental cost"
6 (TELRIC) to describe our vision of this
7 methodology. The incumbent LEC offerings to
8 be priced using this methodology generally
9 will be "network elements," rather than
10 "telecommunications services," as defined by
11 the 1996 Act.

12
13 TSLRIC studies determine the forward-looking, long run
14 incremental cost of services while TELRIC studies
15 determine the forward-looking, long run incremental cost
16 of network elements. Neither TSLRIC nor TELRIC include
17 common costs. Many shared costs at the service level are
18 direct at the element level. The FCC chose the term
19 total "element" long-run incremental cost to reflect that
20 the "services" in question are, in reality, "elements" of
21 the network. The FCC also noted that unlike
22 telecommunication services, network elements correspond
23 to distinct network facilities.

24
25 Q. Please describe Sprint's position on an appropriately

1 developed TELRIC cost of service study.

2
3 A. Sprint believes that the major characteristics of an
4 appropriately developed TELRIC cost of service study are
5 as follows:

6
7 1. The ILEC's prices for interconnection and unbundled
8 network elements will recover the forward-looking
9 costs directly attributable to the specified
10 element, as well as a reasonable allocation of
11 forward-looking common costs. (FCC Order, para.
12 682.)

13 2. Per-unit costs will be derived from total costs
14 using reasonably accurate "fill factors" (estimates
15 of the proportion of a facility that will be
16 "filled" with network usage); that is, the per unit
17 costs associated with a particular element must be
18 derived by dividing the total cost associated with
19 the element by a reasonable projection of the
20 actual total usage of the element. (FCC Order,
21 para. 682.)

22 3. Directly attributable forward-looking costs will
23 include the incremental costs of shared facilities
24 and operations. Those costs will be attributed to
25 specific elements to the greatest extent possible.

1 Certain shared costs that have conventionally been
2 treated as common costs (or overheads) will be
3 attributed to the individual elements to the
4 greatest extent possible. (FCC Order, para. 682.)

5 4. The forward-looking pricing methodology for
6 interconnection and unbundled network elements
7 should be based on costs that assume that wire
8 centers will be placed at the ILEC's current wire
9 center locations, but that the reconstructed local
10 network will employ the most efficient technology
11 for reasonably foreseeable capacity requirements.
12 (FCC Order, para. 685.)

13 5. Only forward-looking, incremental costs are
14 included in a TELRIC study. (FCC Order, para.
15 690.)

16 6. Retailing costs, such as marketing or customer
17 billing costs associated with retail services, are
18 not attributable to the production of network
19 elements that are offered to interconnecting
20 carriers and are not included in the forward-
21 looking direct cost of an element. (FCC Order,
22 para. 691.)

23 7. The TELRIC methodology provides for a reasonable
24 profit and thus no additional profit is required
25 under the statutory language. (FCC Order, para.

1 699.)

2 8. The currently authorized rate of return is a
3 reasonable starting point for TELRIC calculations.
4 (FCC Order, para. 702.)

5

6 **3. Shared and Common Costs**

7

8 Q. What are shared costs?

9

10 A. Shared costs are costs that:

11

- 12 ▶ support a group of services,
- 13 ▶ are incremental to that group of services, and
- 14 ▶ are unaffected by any individual service.

15

16 Another way of saying this is that shared costs are
17 essential to the provision of more than one service and
18 do not vary with the output of any of the individual
19 services.

20

21 Q. What does the FCC Order say about the treatment of shared
22 costs?

23

24 A. The FCC Order, at paragraph 682, indicates that shared
25 costs be attributed to specific elements to the greatest

1 extent possible.

2

3 Q. What are common costs?

4

5 A. Common costs are a specific type of shared costs. They
6 are costs shared by all services offered by the company.
7 These are costs that do not change or go away unless the
8 company goes out of business. The classic example is the
9 president's desk. As with TSLRIC, TELRIC does not
10 include common costs.

11

12 Q. What is the magnitude of common costs to be included
13 under the TELRIC-based pricing methodology?

14

15 A. The FCC Order, at paragraph 695, states that the level of
16 common costs for network elements should be less than
17 that for services, because network elements correspond to
18 discrete network facilities that have distinct operating
19 characteristics. Many shared costs of facilities and
20 operations are attributed to specific elements to the
21 greatest extent possible. (FCC Order, para. 682.)

22

23 Q. What is Sprint's recommendation on the size and
24 allocation of shared and common costs?

25

1 **A.** Sprint recommends that shared and common costs be
2 recovered on a percentage basis, above the TELRIC of each
3 individual element, to reflect the forward-looking shared
4 and common costs of a reasonably efficient firm.
5 Sprint's methodology and recommended allocation amounts
6 are explained in Section B. 12, below.

7

8 **4. Return On Investment**

9

10 **Q.** Please describe cost of capital.

11

12 **A.** Cost of capital is what a company has to pay creditors
13 and shareholders for the money the company uses. The
14 payment to creditors is generally called interest. The
15 payment to shareholders is generally called profit.
16 Regulation and economic texts have long recognized that
17 there is a normal level of profit, or return on
18 investment, that shareholders need to receive if they are
19 to continue to invest in the company. This normal level
20 of profit is often referred to as the cost of equity.

21

22 **Q.** Is cost of capital part of TELRIC?

23

24 **A.** Yes. The incremental cost of network elements includes
25 the cost of making additional investments. The money to

1 make these investments comes from creditors and
2 shareholders. As I explained above, the cost of
3 obtaining money from creditors and shareholders is called
4 the cost of capital.

5
6 Q. Does TELRIC include profit?

7
8 A. Yes. TELRIC provides for a reasonable profit consistent
9 with Section 252(d)(1)(B) of the Act which states that
10 rates for network elements "may include a reasonable
11 profit." Because TELRIC includes the cost of capital,
12 TELRIC includes a normal level of profit.

13
14 Q. What level of return on investment does Sprint recommend
15 using?

16
17 A. Sprint recommends the use of the current authorized
18 interstate rate of return on investment of 11.25%.

19
20 **5. Other TELRIC Considerations**

21
22 Q. Please describe what is meant by "reasonably accurate
23 fill factors."

24
25 A. Fill factors are the percentage of available network

1 capacity utilized. Utilization is due to three factors.

2
3 1. When engineering and building telecommunications
4 facilities, LECs attempt to anticipate future
5 needs. For example, it is more cost-effective to
6 dig a trench once and install facilities necessary
7 to meet additional forecasted demand, than to dig
8 up the trench and install new facilities every time
9 a new loop is required.

10 2. It is the nature of the telecommunications industry
11 that capacity is acquired in large blocks. Unused
12 capacity will exist while demand grows into the
13 available capacity.

14 3. An engineering interval, a period of time necessary
15 to plan and construct facilities, is required when
16 replacing or expanding capacity.

17
18 Efficient deployment balances the cost-benefit
19 relationship of unused capacity and the cost of
20 installation. Not enough capacity results in inefficient
21 rework (e.g. digging new trenches every month); and too
22 much capacity is an inefficient use of resources (e.g.
23 burying plant that will never be used).

24
25 Q. What is the significance of applying a standard that

1 requires the use of "current wire center locations and
2 the most efficient technology available?"

3
4 A. Forward-looking cost measurements require capturing the
5 costs of network facilities that will be incurred in the
6 future. The use of current wire center locations and the
7 most efficient technology available in determining
8 forward-looking economic costs is the approach that
9 reasonably balances the interests of ILECs, CLECs, and
10 consumers. ILECs need prices that will recover their
11 legitimate forward-looking economic costs. CLECs need to
12 be provided the opportunity compete on an equitable basis
13 with the ILEC. Consumers will benefit the most when
14 there is facilities-based competition.

15
16 The FCC rejected alternative approaches which represented
17 extreme viewpoints that would either frustrate
18 facilities-based competition, or hinder competitive
19 entry. At one extreme, the FCC rejected the use of a
20 hypothetical, least cost network in calculating forward-
21 looking element costs, because this would discourage
22 facilities-based competition (i.e., the incentive to
23 build would be reduced if facilities were already
24 available at least-cost prices). At the other extreme,
25 the FCC rejected cost recovery based entirely on the past

1 network design and technology (i.e., embedded cost),
2 because this would result in inefficient pricing to the
3 detriment of competitive entry.

4
5 Instead, the FCC adopted a standard that uses the
6 existing wire center locations and the most efficient
7 technology deployed as most closely representing the
8 incremental costs ILECs will actually incur in making
9 elements available to new entrants.

10
11 Q. Please expand on the use of economic depreciation rates.

12
13 A. The use of economic depreciation rates in TELRIC ensures
14 that costs represent the actual useful economic lives of
15 ILEC facilities, instead of regulatory lives. The actual
16 useful economic lives may be different from that
17 reflected in the existing prescribed depreciation rates.

18
19 **6. Geographic Deaveraging**

20
21 Q. What does Sprint propose with regard to geographic
22 deaveraging?

23
24 A. Sprint believes that geographically deaveraged prices for
25 network elements are appropriate. However, the

1 deaveraging methodology for loops is different than that
2 for switching and transport. Switching and transport
3 costs are a function of traffic density and can be
4 deaveraged to high cost, medium cost, and low cost
5 exchanges based on traffic density characteristics. Loop
6 costs, however, are a function of loop length and the
7 density of end-user locations. These loop cost
8 characteristics should be reflected in deaveraged prices
9 that may vary from the geographic areas used for
10 switching and transport deaveraging. For example, an
11 exchange with low switching costs may have both high and
12 low cost loops.

13
14 Q. Why are deaveraged rates important?

15
16 A. Deaveraged rates are appropriate to more closely reflect
17 the actual costs of providing network elements in
18 different areas. Loop costs in particular can vary
19 widely across a large geographical area. For example, an
20 ILEC's service area that is composed of both densely
21 populated and sparsely populated areas will have
22 different costs depending on distances, densities and
23 other factors affecting costs.

24
25 While average pricing has served to permit lower prices

1 in sparsely populated areas, average pricing distorts
2 CLECs' entry decisions regarding whether to build or
3 lease unbundled network elements. Deaveraging provides
4 accurate market signals, which will encourage efficient
5 utilization of resources while discouraging uneconomic
6 decisions by CLECs.

7
8 **B. Unbundled Network Elements Costs and Prices**

9
10 **Q.** How should unbundled rates be developed?

11
12 **A.** In keeping with the general guidelines offered by the
13 FCC's Order, Sprint's rates for unbundled elements will
14 recover those costs in a manner that reflects the way
15 they are incurred. (FCC Order, para. 743.) The charges
16 for dedicated facilities will be flat-rated, including,
17 but not limited to, charges for unbundled loops,
18 dedicated transport, interconnection, and collocation.
19 (FCC Order, para. 744.) Recurring costs will be
20 recovered through recurring charges, rather than through
21 a nonrecurring charge. (FCC Order, para. 745.)

22
23 **Q.** How many unbundled elements does Sprint propose to offer?

24
25 **A.** Sprint proposes to offer the following ten unbundled

1 network elements.

2

3 1. Local Loops

4 2. Cross-connect Facilities

5 3. Network Interface Devices

6 4. Local Switching

7 5. Tandem Switching

8 6. Transport

9 7. Digital Cross-connect

10 8. Signaling Links and STP Ports

11 9. Call Related Data Bases

12 10. Operator Services and Directory Assistance

13

14 1. Local Loop

15

16 Q. What is the appropriate rate structure for unbundled
17 local loops?

18

19 A. In essence, the FCC Order, at paragraph 790, requires the
20 use of a TELRIC methodology to establish geographically
21 deaveraged, flat-rate charges for access to unbundled
22 loops. Sprint agrees, and is currently in the process of
23 developing deaveraged unbundled loop costs using the
24 TELRIC methodology and the Benchmark Cost Model forward-
25 looking network.

1 Q. How can BCM 2 be used to calculated the TELRIC of the
2 unbundled loop?

3

4 A. Two relatively easy modifications to BCM 2 can be made to
5 produce the TELRIC of unbundled loop. First, it is
6 necessary to isolate loop investment. Since BCM 2
7 considers all investments associated with basic service,
8 it includes investment not only in loop, but in Network
9 Interface Devices (NID), switching, and central office
10 equipment associated with line termination. Each of
11 these investments are treated separately in BCM 2, so the
12 loop investment can easily be isolated.

13

14 Second, a forward-looking annual charge factor was used
15 to develop TELRIC. The derivation of this annual charge
16 factor is described in Section B. 11, below.

17

18 Q. Is the loop investment developed by BCM 2 appropriate for
19 a TELRIC study?

20

21 A. Absolutely. The result of BCM 2 is a loop network
22 representing a forward-looking network using state-of-
23 the-art technology, employing existing wire centers.

24

25 Q. How are these loop investments converted to a loop cost

1 per month?

2

3 A. Loop investments are multiplied by a forward-looking
4 annual charge factor, then divided by twelve to arrive at
5 the monthly recurring cost.

6

7 Q. Do these costs include a reasonable allocation of shared
8 and common costs?

9

10 A. No. The shared and common cost study methodology is
11 discussed at Section B. 12, below.

12

13 Q. How many TELRIC cost zones are calculated?

14

15 A. Costs are computed for each Census Block Group (CBG);
16 thus each CBG has its own unique TELRIC. The individual
17 CBG TELRIC results must be aggregated into a manageable
18 number of cost zones. The greater the number of cost
19 zones, the closer the actual CBG cost will be to the cost
20 zone. The lesser the number of zones, the easier and
21 less costly the plan is to administer. The goal is to
22 determine the number and placement of these zones in
23 order to accurately deaverage costs without creating
24 costly administrative burden.

25

1 The following method is proposed to develop the cost
2 zones. First, a distribution of all CBG loop costs is
3 developed. Second, the minimum number of \$5 cost zones
4 were created, such that at least 80% of the loops were
5 included in that number of zones. Third, since the loop
6 cost distribution is not a normal distribution, the \$5
7 cost zones are not contiguous. Thus, for administrative
8 purposes, the \$5 cost zones were expanded to make them
9 contiguous. Finally, the cost of each zone is equal to
10 the weighted average of the cost of all loops within that
11 zone.

12
13 **2. Cross-Connect Facilities**

14
15 **Q.** What are cross-connect facilities?

16
17 **A.** These are the facilities required to connect the
18 unbundled loop to the CLEC facilities within the ILEC
19 central office.

20
21 **3. Network Interface Device (NID)**

22
23 **Q.** What is a NID, and why is it a distinct network element?

24
25 **A.** The NID represents the interface between LEC-owned loop

1 facilities and customer-owned inside wire and CPE. It
2 provides the following functions:

- 3
- 4 ▶ Cross-connect point
- 5 ▶ Over-voltage protection
- 6 ▶ Electrical ground
- 7 ▶ Testing point
- 8

9 It is unbundled as a distinct network element because the
10 NID will likely possess more intelligence as more
11 sophisticated services are offered over the loop to the
12 end-user customer. Thus the CLEC may wish to provide its
13 own NID, or purchase an unbundled NID from the ILEC.

14

15 There are several loop/NID combinations available to the
16 CLEC. Here are several possible combinations. First,
17 the CLEC can simply purchase both the existing unbundled
18 loop and NID from the ILEC. Second, the CLEC can provide
19 its own loop and NID, interconnecting its NID to the ILEC
20 NID in order to access the customer's inside wire.
21 Third, the CLEC may purchase an unbundled loop from the
22 ILEC, and interconnect (directly or through the existing
23 NID) that loop to another NID, which it may own or lease
24 from the ILEC. One limitation is that the ILEC loop
25 cannot be left disconnected from a NID.

1 Q. Please describe your TELRIC methodology for the unbundled
2 NID.

3
4 A. A separate TELRIC cost/price has been developed for 1-
5 line NID, 2-line NID, smart jack, and HDSL NID.

6
7 The TELRIC methodology consists of four steps. First,
8 the EF&I (Engineered, Furnished, and Installed) material
9 cost of the NID, ground wire, and ground rod, is
10 determined. This includes the actual equipment vendor
11 price, installation and engineering costs, and any
12 applicable sales taxes.

13
14 Second, a forward-looking annual charge factor is
15 applied. The development of this factor is discussed
16 below in Section B. 11, below.

17
18 Third, this annual cost is divided by twelve to produce
19 a monthly cost.

20
21 Fourth, the shared and common cost factor is added to the
22 above TELRIC result to produce the rate of the unbundled
23 element. The development of the shared and common costs
24 is discussed below in Section B. 12, below.

25

1 **4. Local Switching**

2

3 **Q.** How does Sprint propose to price unbundled switching?

4

5 **A.** Local switching will be priced as three separate
6 components; a flat-rated port, usage sensitive switching,
7 and flat-rated features.

8

9 The port charge will be assessed on a monthly basis on
10 each access line the CLEC interconnects with the Sprint
11 switch. The usage sensitive switching charge will be
12 assessed on two separate per MOU charges, one for line-
13 side switching, another for trunk-side switching. The
14 flat-rated feature will be assessed on each access line.

15

16 **Q.** Please describe Sprint's local switching TELRIC
17 methodology.

18

19 **A.** The TELRIC methodology for local switching consists of an
20 Excel worksheet model, SWIM (Switching Model). SWIM
21 takes output of the Bellcore SCIS (Switching Cost
22 Information System) model, and combines it with actual
23 usage information to derive TELRIC results, deaveraged
24 for two distinct cost zones. These two cost zones are:

25

- 1 1. Host Offices, and remote switches within the same
- 2 exchange.
- 3 2. Remote offices outside of the host office's
- 4 exchange.

5

6 The TELRIC methodology for switching consists of seven

7 basic steps.

8

9 Q. Please describe the first step.

10

11 A. The first step is to determine the total forward-looking

12 switching investment using the SCIS model. Nortel DMS-

13 100/200 switches in Florida were modeled, assuming a

14 minimum Supernode-60 processor capability. Supernode-60

15 is the minimum processor size currently supported by

16 Nortel. Although earlier vintage processors may be

17 currently in use, they represent obsolete technology and

18 do not represent forward-looking technology as required

19 by TELRIC standards. The DMS-100/200 switch represents

20 the predominate technology deployed by Sprint in Florida,

21 accounting for 95% of all access lines.

22

23 This investment is segregated into seven investment

24 categories. These are,

25

- 1 1. Getting Started Cost - the minimum investment
2 required to provide switching, regardless of usage.
3 It is composed primarily of the central processor
4 and memory.
- 5 2. Line Termination Cost - the investment required to
6 terminate the local loop in the central office. It
7 is composed primarily of a line card, the main
8 distribution frame, and protector.
- 9 3. Line CCS - the investment associated with usage
10 sensitive line-side switching. It is composed
11 primarily of the line concentrating module, DS-30A
12 links, line group controller, DS-30 links, and the
13 network module. (CCS is an acronym for 100 call
14 seconds.)
- 15 4. Trunk CCS - the investment with usage sensitive
16 trunk-side switching. It is composed primarily of
17 digital trunk controllers, DS1 links, and the
18 network module.
- 19 5. Tandem Trunk CCS - the investment associated with
20 usage sensitive tandem trunk switching.
- 21 6. Umbilical CCS - the usage-sensitive investment in
22 Host-Remote links.
- 23 7. SS7 - investment associated with the SSP (Service
24 Signaling Point) located in the central office.

25

1 The SCIS model considers only the hardware investment in
2 the central office. One-time software investment
3 required to provide basic switching must also be
4 included. This proprietary information was provided to
5 Sprint by Nortel.

6
7 The second step is to accumulate the demand data needed
8 to complete the study. Current traffic studies are used
9 to gather MOU and call set-ups by call types.

10
11 The third step is to determine the number of processor
12 milliseconds required to process each type of call.

13
14 The fourth step is to derive monthly expense per
15 investment category by multiplying the investment by the
16 appropriate forward-looking annual charge factor. The
17 development of the annual charge factor is discussed
18 below in Section B. 11, below.

19
20 The fifth step is to calculate the cost per call set-up
21 per call type. This is done by determining the total
22 processor cost per call type, and dividing by the
23 appropriate MOU.

24
25 The sixth step is to calculate the cost per MOU per call

1 type. This is done by determining the total CCS
2 investment by call type, and dividing by the appropriate
3 MOU.

4
5 The seventh and final step is to apply the shared and
6 common cost factor to the above TELRIC results to produce
7 the rate of the unbundled element. The development of
8 the shared and common costs is discussed in Section B.
9 12, below.

10
11 Q. Have you completed your TELRIC studies for the features
12 portion of switching?

13
14 A. No. These studies will be provided upon completion.

15
16 **5. Tandem Switching**

17
18 Q. Please describe the TELRIC methodology for tandem
19 switching.

20
21 A. That methodology is the same as included in the local
22 switching discussion in Section B. 4, above.

23
24 Q. Have you completed your TELRIC studies for tandem
25 switching?

1 **A.** No. These studies will be provided upon completion.

2

3 **6. Transport**

4

5 **Q.** Has Sprint calculated its TELRIC studies for transport?

6

7 **A.** No. However, we have completed the redesign of our
8 transport costing model, and have completed preliminary
9 studies. These studies will be provided when completed.

10

11 **7. Digital Cross-Connect**

12

13 **Q.** Has Sprint completed its TELRIC studies for digital
14 cross-connect?

15

16 **A.** No. These studies will be provided when completed.

17

18 **8. Signaling Links and STP Ports**

19

20 **a. Signaling Links**

21

22 **Q.** Please describe the unbundled STP Signaling Links
23 service.

24

25 **A.** The signaling links are 56 kbps circuits which

1 interconnect the STP with the end office switching
2 network.

3
4 Q. Has Sprint completed its TELRIC studies for unbundled
5 signaling links?

6
7 A. No. Until these studies are completed, Sprint proposes
8 to use existing interstate rates. These rates were
9 recently developed, and approximate TELRIC costs.

10
11 b. **STP Ports**

12
13 Q. Please describe the unbundled STP Port service.

14
15 A. The STP Port is the interface equipment contained in the
16 STP to which the signaling links interconnect.

17
18 Q. Please describe your TELRIC methodology for the unbundled
19 STP port.

20
21 A. The TELRIC methodology is relatively straight-forward.

22
23 The TELRIC methodology consists of four steps. First,
24 the EF&I (Engineered, Furnished, and Installed) material
25 cost of the Link Port Card, MP1624 Processor Card,

1 Cluster Card Kit, and Frame is determined. This includes
2 the actual equipment vendor price, installation and
3 engineering costs, and any applicable sales taxes.

4
5 Second, these investment are adjusted for fill factors
6 and capacity.

7
8 Third, a forward-looking annual charge factor is applied.
9 The development of this charge factor is discussed below
10 in Section B. 11, below.

11
12 Fourth, this annual cost is divided by twelve to produce
13 a monthly TELRIC result.

14
15 Fifth, the shared and common cost factor is added to the
16 above TELRIC result to produce the rate of the unbundled
17 element. The development of the shared and common costs
18 is discussed below in Section B. 12, below.

19
20 **c. STP Switching**

21
22 **Q.** Please describe unbundled STP switching.

23
24 **A.** The STP switching service is for the routing of the
25 Initial Set-Up and Processing (ISUP) message through the

1 STP. The rate for switching is applied on the basis of
2 equivalent 56 kbps trunks per month. The T-1 rate is
3 equal to 24 times the STP switching rate per 56 kbps
4 trunk per month.

5
6 Q. Please describe your TELRIC methodology for unbundled STP
7 switching.

8
9 A. Sprint has developed its own levelizing program to
10 develop TELRIC results when investment must be recovered
11 over an extended period of time.

12
13 Q. Please describe this levelizing program.

14
15 A. Levelizing simply projects total expenses and demand over
16 the expected economic life of the investment, and
17 discounts these projections to the present using the
18 current cost of capital. There are five main components.

- 19
20 1. Maintenance - Maintenance is stated as a percent of
21 gross investment.
22 2. Depreciation - Actual tax depreciation schedules
23 are used, which reflect a five-year class of plant.
24 3. Economic Live - The tax depreciation rate will not
25 necessarily match the actual useful life of any

1 particular investment. Therefore, the study uses
2 a seven-year economic life.

3 4. Rate of Return - The currently authorized federal
4 rate of return on investment of 11.25% is used.

5 5. Ad Valorem Taxes - The rate in Florida is 1.88%.

6

7 Shared and common costs must be added to the TELRIC
8 result to determine the price.

9

10 **9. Call-Related Data Bases**

11

12 **a. Line Information Data Base (LIDB) Administration Service**

13

14 **Q.** Please describe LIDB Administration service.

15

16 **A.** LIDB Administration service provides administrative
17 support to the Line Information Data Base. This service
18 provides the administrative interface for automated loads
19 and updates of carrier line information, including
20 Alternate Billing Service restrictions (ABS) and Personal
21 Identification numbers in the LIDB data base. In
22 addition, this service monitors queries to the LIDB and
23 responds to alerts initiated by queries exceeding
24 predetermined thresholds.

25

1 Q. Please describe the TELRIC costing methodology.

2

3 A. A simple methodology consists of four steps. First,
4 direct costs were identified. This includes
5 administrative salaries, software right-to-use fees,
6 depreciation, and computer equipment and software.

7

8 Second, shared and common costs will be determined in
9 accordance with the methodology as shown in Section B.
10 12, below.

11

12 Third, average demand over the next five years was
13 estimated.

14

15 Fourth, and finally, total expenses are divided by total
16 demand, and divided by twelve to develop a cost per
17 access line per month.

18

19 **b. Directory Assistance Data Base Listing and Update**

20

21 Q. Please describe the Directory Assistance Data Base
22 Listing and Update service.

23

24 A. Directory Assistance Data Base Listing and Update service
25 is the provision of Subscriber Listing Information. This

1 enables carriers to provision their own directory
2 assistance data bases, which support their provision of
3 directory assistance service to end users.

4

5 Q. Please describe the TELRIC methodology.

6

7 A. It is similar to the methodology described for LIDB
8 service, above.

9

10 c. **Directory Assistance Data Base Query Service**

11

12 Q. Please describe the Directory Assistance Data Base Query
13 service.

14

15 A. Directory Assistance Data Base Query Service makes the
16 ILEC's directory listing information data base available
17 for processing. The functions include the directory
18 listing information, the data base equipment, and the
19 local area networking equipment required to provide
20 access to the data base.

21

22 Q. Please describe the TELRIC methodology.

23

24 A. It is similar to the methodology described for LIDB
25 service, above.

1 **10. Operator Services and Directory Assistance**

2

3 **a. Toll Assistance Service (Live)**

4

5 **Q.** Please describe the Toll Assistance Service (Live).

6

7 **A.** The Toll Assistance Service (Live) provides live
8 assistance to a customer to complete a telephone call.
9 The function includes a live operator and the associated
10 facilities and equipment necessary to bill and/or
11 complete the call.

12

13 **Q.** Please describe the TELRIC methodology.

14

15 **A.** It is similar to the methodology described for LIDB
16 service, above.

17

18 **b. Directory Assistance Service (Live)**

19

20 **Q.** Please describe the Directory Assistance Service (Live).

21

22 **A.** The Directory Assistance Service (Live) provides live
23 assistance to a customer to obtain directory listing
24 information and/or complete a telephone call. The
25 service includes a live operator, a data base of

1 directory listing information, and the associated
2 facilities and equipment necessary to access the data
3 base and/or complete the call. This service does not
4 include customized branding. The calls must be delivered
5 to an existing operator center.

6
7 Q. Please describe the TELRIC methodology.

8
9 A. It is similar to the described for LIDB service, above.

10
11 **11. Annual Charge Factors**

12
13 Q. Please describe Sprint's methodology for calculating the
14 annual charge factor used in the above unbundled network
15 element TELRIC studies.

16
17 A. Sprint has developed its own Annual Charge Factor Program
18 (ACFP) to develop these TELRIC factors.

19
20 Q. What are the main components of the ACFP?

21
22 A. There are five main components.

23
24 1. Maintenance - Maintenance is stated as a percent of
25 gross investment, based upon actual 1995

1 information. This 1995 data is the most up-to-date
2 information available, and represents the current
3 maintenance costs associated with current
4 technology.

5 2. Depreciation. Actual tax depreciation schedules
6 are used, which reflect the MACRS (Modified
7 Accelerated Cost Recovery System) class of plant of
8 each investment category.

9 3. Economic Life - The tax depreciation rate will not
10 necessarily match the actual useful life of any
11 particular investment. Therefore, Sprint's ACFP
12 uses as a study period the predicted economic life
13 of each investment. This forecast are taken from
14 the 1995 study, "Depreciation Lives for
15 Telecommunication Equipment," written by
16 Technologies Futures, Inc., on behalf of the
17 Telecommunications Technology Forecasting Group.

18 4. Rate of Return - The currently authorized federal
19 rate of return on investment of 11.25% is used.

20 5. Ad Valorem Taxes - State specific property tax
21 rates are used. The rate in Florida is 1.88%.

22
23 **12. Shared and Common Costs**

24
25 Q. Sprint agrees with the FCC formula where the price of an

1 unbundled element is equal to its TELRIC plus a
2 reasonable allocation of shared and common costs. How
3 does Sprint calculate the appropriate shared and common
4 cost factor?

5
6 A. Sprint has created an Excel workbook program, Unbundled
7 Cost Allocation, to determine the shared and common costs
8 using 1995 general ledger information, the most recent
9 financial information available.

10
11 The process for determining shared and common costs to
12 the unbundled network elements consists of four steps.
13 The first step is to identify each General Ledger account
14 at the four-digit level as either direct, shared, or
15 common. Direct expenses are those which are included in
16 the development of the TELRIC annual charge factor, and
17 are excluded from this analysis. Examples of direct
18 expenses include,

- 19
20 ▶ Central office switching (621X)
21 ▶ Operator systems (6220)
22 ▶ Central office transmission (623X)
23 ▶ Cable & wire facilities (64XX)
24 ▶ Depreciation associated with direct investment (656X)
25 ▶ Portions of following accounts:

1 - Marketing (661X)

2 - Services (662X)

3

4 Shared expenses include,

5

6 ▶ Network support (611X)

7 ▶ General support (612X)

8 ▶ Other terminal equipment (6362)

9 ▶ Provisioning (6512)

10 ▶ Network operations (653X)

11 ▶ Depreciation associated with shared investment (656X)

12 ▶ Portions of the following accounts:

13 - Marketing (661X)

14 - Services (662X)

15

16 Common expenses include,

17

18 ▶ Executive and Planning (671X)

19 ▶ General and Administrative (672X)

20

21 The following accounts were excluded from the analysis
22 because they do not pertain to unbundled network
23 elements.

24

25 ▶ Station apparatus (6311)

- 1 ▶ Large PBX (6341)
- 2 ▶ Public Telephone Terminal Equipment (6351)
- 3 ▶ Access expense (6540)
- 4 ▶ Foreign Directory (portion of 6622)

5

6 The second step is to develop an investment base for each
7 of the eleven unbundled network elements. The General
8 Ledger investment accounts which are considered direct
9 investment include,

10

- 11 ▶ Central Office (22XX)
- 12 ▶ Cable & Wire Facilities (24XX)

13

14 The investment accounts which are considered shared
15 include,

16

- 17 ▶ General support assets (21XX)
- 18 ▶ Other terminal equipment (2362)
- 19 ▶ Amortizable assets (26XX)

20

21 The third step is to allocate each shared and common
22 expense account to one of the eleven unbundled network
23 elements based upon one of the following allocation
24 methods.

25

- 1 1. Direct - Allocated directly to a specific element.
- 2 2. Indirect - Allocated based on a cost causative
- 3 linkage to another account.
- 4 3. Generally Allocated - Allocated based on a summary
- 5 of the direct and indirect allocation accounts.

6

7 **Q.** How are these results applied to TELRIC results to arrive

8 at prices for unbundled elements?

9

10 **A.** Investment factors are developed for both shared and

11 common costs. First, the TELRIC result is multiplied by

12 the shared factor. Second, this result is multiplied by

13 the common factor.

14

15 **II. WHOLESALE DISCOUNTS**

16

17 **Q.** What methodology does Sprint propose for determining the

18 level of discounts for its retail services which are

19 resold?

20

21 **A.** Section 252(d)(3) of the Federal Telecommunications Act

22 of 1996 states, "For the purposes of section 251(c)94),

23 a State commission shall determine wholesale rates on the

24 basis of retail rates charged to subscribers for the

25 telecommunications service requested, excluding the

1 portion thereof attributable to any marketing, billing,
2 collection, and other expenses that will be avoided by
3 the local exchange carrier." This is further clarified
4 and interpreted in the FCC Order which specifies
5 particular accounts to be presumed avoided, unless the
6 ILEC proves that specific expenses will be incurred in
7 the provisioning of wholesale services, or that the
8 particular expenses within these accounts are not
9 included in the retail price of the service being resold.

10
11 Q. What effect does the stay of the FCC's resale rules
12 (Subpart 6) in CC Docket 96-98 have on Sprint's position?

13
14 A. Sprint believes the policy portions of the FCC Order are
15 correct. Sprint agrees with the majority of the FCC
16 Order concerning the appropriate level of the wholesale
17 discount. However, there are two significant areas in
18 the calculation of the wholesale discount in which Sprint
19 believes the FCC made an error. The first is the
20 treatment of common costs as avoided. The second is the
21 inclusion of number services and call completion services
22 expenses. These will be addressed in detail below.

1 **A. Methodology**

2

3 **Q.** Please overview Sprint's avoided cost study methodology.

4

5 **A.** First, Sprint's study identifies and reviews expenses, at
6 seven-digit subaccount level, to determine whether they
7 are avoided or non-avoided in a wholesale environment for
8 the services. Second, an activity-based study
9 methodology is used to identify the appropriate levels of
10 avoided expenses associated with each account. The
11 revenues for the various services and the net avoided
12 expenses are categorized into retail service groups.
13 Third, the net avoided cost for the retail service group
14 is divided by the total revenues for the service group to
15 develop the percent discount applicable to the rates of
16 the individual services included in each retail service
17 group. Exhibit RGF-1, the user guide, provides a more
18 detailed explanation of the avoided cost study
19 methodology.

20

21 **Q.** Please explain how avoided expenses are assigned to the
22 services.

23

24 **A.** The avoided expenses are assigned to services based on
25 the actual activity which creates or drives specific

1 types of expenses. For example, if a specific study
2 indicates that a particular expense activity is unrelated
3 to residential services, activity-based costing will
4 assign this avoided expense only to other services. To
5 the extent that an expense can be associated with a
6 service, an increase (or decrease) in the activity drives
7 an increase (or decrease) in the expense associated with
8 that service.

9
10 Q. Please explain how net avoided expenses were developed.

11
12 A. In developing the net avoided expenses Sprint calculated
13 both the incremental expenses and avoided expenses
14 associated with providing services on a wholesale basis.
15 The net result is a reasonable estimate of avoided
16 expense.

17
18 Q. How were the incremental wholesale expenses developed?

19
20 A. Sprint evaluated each category of customer operations
21 expenses presumed by the FCC to be avoided to determine
22 what, if any, expenses in these accounts would be
23 incurred in the provision of services on a wholesale
24 basis. This evaluation included quantification of any
25 incremental expenses incurred directly related to the

1 wholesale offering of Sprint's retail products.

2

3 Q. Were these incremental wholesale expenses included in the
4 avoided cost study?

5

6 A. Yes. The FCC Order recognizes the need to include these
7 expenses in paragraph 928 of its Order, which states, "We
8 also agree ... that some new expenses may be incurred in
9 addressing the needs of resellers as customers." It
10 would be improper not to include these incremental
11 wholesale expenses in the wholesale prices. Simply
12 discounting retail prices does not make the LEC a
13 wholesaler; the LEC must take additional steps and will
14 incur additional expenses in connection with its
15 wholesaling activities. Exhibit RGF-2, page 3 of 20,
16 includes a summary of the incremental wholesale expenses
17 by service groups.

18

19 Q. How many discount levels for retail services were
20 developed?

21

22 A. Five, based on classification of all retail services into
23 five retail service groups.

24

25 Q. How were the services categorized and what are the five

1 retail service groups?

2

3 **A.** The services are categorized to the retail service groups
4 by service type and the expense structure required to
5 support and provide the services. The five retail
6 service groups are:

7

8 1. Simple Access - individual residential and business
9 access lines.

10 2. Complex Access - Sprint's multiple access lines
11 services; i.e., Key and PBX trunks and Centrex
12 lines.

13 3. Features - Custom calling, ExpressTouch (CLASS) and
14 Centrex features.

15 4. Operator and Directory Assistance - Local and toll
16 operator call completion and local directory
17 assistance services.

18 5. Other - All other retail services.

19

20 **B. Avoided Expenses**

21

22 **Q.** What expense accounts were included in Sprint's activity
23 analysis?

24

25 **A.** In developing the avoided cost study, Sprint evaluated

1 the customer operations expense categories (6611, 6612,
2 6613, 6621, 6622, and 6623) presumed to be avoided by the
3 FCC Order to determine which types of expenses would be
4 impacted by the sale of services on a wholesale versus
5 retail basis. From this analysis, Sprint has determined
6 there are certain functions within these expense
7 categories that will continue to apply to a wholesale
8 marketplace. Therefore, these expenses are not avoided.

9
10 **Q.** What expenses are not avoided in a wholesale environment?

11
12 **A.** Sprint's evaluation of operating company expenses
13 indicates that portions of product management (6611),
14 sales (6612), product advertising (6613), call completion
15 (6621), number services (6622), and customer services
16 (6623) expenses will not be avoided in a wholesale
17 environment. Sprint's methodology evaluated detailed
18 seven-digit subaccounts in each of these categories to
19 determine which specific expenses would be avoided or not
20 avoided. Exhibit RGF1 includes a list, beginning on page
21 16 of 20, of Sprint's expense accounts and indicates
22 Sprint's treatment in the study as avoided, not avoided,
23 or included a mix of avoided and not avoided expenses.

1 Product Management (6611)

2
3 **Q.** Which subaccounts within product management are not
4 avoided in a wholesale environment?

5
6 **A.** Product management expenses include costs associated with
7 the administrative activities related to marketing
8 products and services. The majority of the expenses in
9 this category are avoided since they are directly related
10 to retail sales. However, there are two subaccounts
11 which are non-avoided. The first is account 6611.06X,
12 Forecasting - ICSC. This account includes the pay,
13 office, travel, and other expenses of employees who
14 coordinate planning sessions between Sprint and the IXCs.
15 Since exchange access services are not subject to resale
16 (see FCC Order, paragraph 874), these expenses are not
17 avoided.

18
19 The second account is 6611.07X, Forecasting - Other.
20 This account consists of four functions:

- 21
22 1. Forecasts of customer demand for all services
23 affecting central office equipment, outside plant,
24 and interexchange facilities.
25 2. Administrative forecasts, such as toll message and

1 revenue forecasts, and forecasts of movement and
2 gain used in the preparation of Sprint's
3 construction program

4 3. Local economic forecasts

5 4. Special purpose forecasts, such as those used for
6 determining interexchange service requirements.

7

8 Forecasting is a non-avoided expense. Forecasting is an
9 essential function and will include the forecast for both
10 retail sales and wholesale units in order to ensure
11 Sprint's network is properly sized for wholesale and
12 retail services sold.

13

14 Q. Are there any other non-avoided expenses in the product
15 management accounts?

16

17 A. Yes. For each of the above product management expense
18 categories, Sprint/United of Florida also receives
19 customer operations expense allocations and charges from
20 the parent company for various services. These are
21 referred to as General Services and Licenses (GS&L)
22 expenses. Many GS&L expenses are avoided. For example,
23 "conduit" GS&L expenses, account 6611.987, are corporate
24 activities performed specifically for Sprint/United
25 Florida, and are considered avoided.

1 However, GS&L expenses such as product research and
2 development are not avoided in a wholesale environment.
3 Therefore, the study results include an avoided expense
4 assignment of GS&L charges equal to the proportion of
5 avoided expense to total expenses within the entire
6 product management expense category.

7
8 The FCC Order in Paragraph 928 indicates that 90% of the
9 expenses in the Product Management account (6611) are
10 presumed to be avoided when calculating a default range
11 for wholesale discounts. Sprint's detailed expense
12 analysis indicates that 63.48% of these expenses are
13 avoided.

14
15 Sales (6612)

16
17 Q. Which subaccounts within sales are not avoided in a
18 wholesale environment?

19
20 A. Accounts associated with traditional retail sales
21 activity are 100% avoided in a wholesale environment.
22 However, there are two subaccounts which are not avoided.
23 The first is account 6612.02X - Sales - Interexchange
24 Carrier Service Center. This account includes the
25 administrative staff and direct expenses incurred to

1 promote access orders from interexchange carriers, and to
2 implement the associated marketing strategies. Since
3 exchange access services are not subject to resale (see
4 FCC Order, paragraph 874), these expenses are not
5 avoided. This account also includes expenses
6 attributable to intraLATA private line service. These
7 expenses are avoided.

8
9 The second account is 6612.4XX - Engineering and Project
10 Management. This is not a traditional sales activity
11 account, and did not exist prior to 1991. This account
12 includes the expenses incurred by personnel that support
13 project management and administration of sales projects,
14 including provisioning and installation. The positions
15 charged to this account include technical support, sales
16 engineers, project managers, and customer service. These
17 functions will be required for the provisioning and
18 installation of resale services such as Centrex, Key, and
19 PBX trunks.

20
21 GS&L expenses are treated in the same manner as discussed
22 above under product management. An exception is GS&L
23 sales account 6612.986. A special study of this account
24 indicates that 94.83% of these expenses are associated
25 with sales to interexchange carriers. Since exchange

1 access services are not subject to resale (see FCC Order,
2 paragraph 874), these expenses are not avoided.

3
4 The FCC Order in Paragraph 928 indicates that 90% of the
5 expenses in the Sales account (6612) are presumed to be
6 avoided when calculating a default range for wholesale
7 discounts. Sprint's detailed expense analysis indicates
8 that 72.19% of these expenses are avoided. Most of the
9 non-avoided expenses are corporate level sales to
10 interexchange carriers which appear in this account, as
11 discussed below.

12
13 Product Advertising (6613)

14
15 Q. Which subaccounts within product advertising are not
16 avoided in a wholesale environment?

17
18 A. Product advertising is directly linked to the retail
19 sales of products and services. In a purely wholesale
20 environment, these expenses are avoided. The FCC Order,
21 in Paragraph 928, indicates that 90% of the expenses in
22 this account are presumed to be avoided when calculating
23 a default range for wholesale discounts. Sprint's
24 detailed expense analysis indicates that 100% of these
25 expenses, including GS&L, are avoided.

1 However, Sprint recognizes that products will be
2 advertised to the wholesale market. This study does not
3 include the additional advertising expense needed to
4 support the wholesale function. Note that the FCC
5 assumes that 10% of these expenses are non-avoided. Thus
6 this analysis includes 10% of existing advertising
7 expenses as an incremental wholesale expense, as
8 discussed below.

9
10 Call Completion (6621)

11
12 Q. Which subaccounts within call completion are not
13 avoidable in a wholesale environment?

14
15 A. Operator Call Completion expenses are non-avoided. In
16 the instance where a reseller provides its own operator
17 services, Sprint would not charge the reseller for
18 operator functions. Therefore, there is no resold
19 service in which to apply a wholesale discount. If a
20 reseller chooses to resell Sprint's operator services,
21 there are no avoided call completion expenses.

22
23 For example, suppose the ILEC currently has 100 operators
24 serving 100% of the market. Two new competitors enter
25 the market. Competitor A captures 30% of the market and

1 provides its own operator services. Competitor B
2 captures 20% of the market but chooses to resell the
3 ILECs operator services. The ILEC will no longer incur
4 the expenses associated with the 30 operators who were
5 serving the 30% of the market now served by Competitor A.
6 However, in the case of Competitor B who is reselling
7 the ILEC's operator services, the expenses associated
8 with the 20 operators serving that 20% of the market
9 remain, i.e. are not avoided.

10
11 Competitor A is not due a discount because it is not
12 reselling the ILEC's service. Competitor B is not due a
13 discount because the ILEC is not avoiding any expenses
14 associated with the 20% of the market served by
15 Competitor B. In other words, while it is true that
16 expenses are not incurred when Competitor A provides its
17 own operator services, neither Competitor A nor B is due
18 a discount on these expenses.

19
20 Number Services (6622)

21
22 Q. Which subaccounts within number services are not avoided
23 in a wholesale environment?

24
25 A. There are two types of number service expenses. First

1 are expenses associated with provisioning of Directory
2 Assistance. Second are Alphabetical Directory Expenses,
3 which are the expenses of providing white page listings
4 and directory production and distribution associated with
5 the white page section.

6
7 For directory assistance, these expenses are non-avoided.
8 If Sprint provides the directory assistance service on a
9 wholesale basis to the reseller, there are no avoided
10 directory assistance expenses. If the reseller provides
11 directory assistance for their customers, the reseller
12 will not be buying a wholesale directory assistance
13 service from Sprint. Therefore, there is no resold
14 service with an avoided cost-based discount rate.

15
16 For the Alphabetical Directory expenses, these are non-
17 avoided. The reseller buying Simple or Complex Access
18 Services will receive directory listings and publications
19 as part of the bundled access line service. These
20 expenses are not avoided in the provisioning of wholesale
21 services.

22
23 Customer Services (6623)

24
25 Q. Which subaccounts within customer services are not

1 avoided in a wholesale environment?

2

3 **A.** Customer services expenses include business office
4 functions that are directly related to retail sales.
5 These expenses will be avoided for services resold by a
6 local service reseller. However, there are five
7 subaccounts which are not avoided. The first is account
8 6623.05X - Collecting and Reporting Paystations. Since
9 paystations are not a retail service, they will not be
10 offered at wholesale. Therefore, this is not an avoided
11 expense.

12

13 The second account is 6623.1XX - Interexchange Customer
14 Service Center. This account includes the expenses of
15 Interexchange Customer Service Center employees engaged
16 in establishing and servicing customer accounts
17 pertaining to switched and special access and
18 interexchange private line. Only the portion of these
19 expenses attributable to private line is avoided. Since
20 exchange access services are not subject to resale (see
21 FCC Order, paragraph 874), the portion of these expenses
22 attributable to switched and special access are not
23 avoided.

24

25 The third account is 6623.62X - Toll Processing and

1 Control. This account includes the cost of the
2 accounting staff necessary to operate the Toll Processing
3 and Control module. The toll processing function will be
4 required in both a retail and wholesale environment.

5
6 The fourth account is 6623.63X - Carrier Access Billing.
7 This account includes the costs associated with billing
8 interexchange carriers for the use of Sprint's network.
9 It also includes the costs associated with the accounting
10 staff necessary to support the Carrier Access Billing
11 System, including the costs of reconciling general ledger
12 accounts and investigating and correcting billing errors.
13 Since exchange access services are not subject to resale
14 (see FCC Order, paragraph 874), these expenses are not
15 avoided.

16
17 The fifth account is 6623.7XX - Paystation Commissions.
18 This account includes the amount paid to owners or
19 tenants of premises upon which public telephone stations
20 are located. Since paystations are not a retail service,
21 they will not be offered at wholesale. Therefore, this
22 is not an avoided expense.

23
24 The FCC Order in Paragraph 928 indicates that 90% of the
25 expenses in the Customer Services (6623) account are

1 presumed to be avoided when calculating a default range
2 for wholesale discounts. Sprint's detailed expense
3 analysis indicates that 85.49% of these expenses are
4 avoided.

5
6 Q. How has Sprint calculated the avoided expenses associated
7 with the indirect expenses General Support Expenses (6121
8 - 6124), Corporate Operations (6711 - 6728) and
9 Telecommunications Uncollectibles (5301) (Indirect
10 Expense)?

11
12 A. While the FCC Order considers these expenses "to be
13 avoided in proportion to the avoided direct expenses,"
14 Sprint disagrees.

15
16 What the FCC Order refers to as indirect costs, are the
17 general support and common costs of the firm. Common
18 costs are those costs used to support all of the
19 individual products and services offered by the company.
20 Common costs are, by definition, costs which cannot be
21 attributed to individual services. They are not avoided
22 due to the resale of retail services.

23
24 Uncollectible revenue expenses also fall into the FCC
25 definition of indirect costs. Uncollectibles are avoided

1 only if the ILEC will no longer incur lost revenues in a
2 wholesale environment. The evidence indicates this will
3 not be the case. First, the experience of Sprint's long
4 distance division indicates that problems with revenue
5 collection still exist when dealing with resellers.
6 Their experience with reseller write-offs,
7 unsubstantiated billing adjustments, and fraudulent code
8 abuse, are similar to the rate of uncollectibles
9 experienced by Sprint's local telecommunications
10 division. Although the type of uncollectible revenues
11 are different for a retailer and wholesaler, the problem
12 itself does not disappear.

13
14 Second, a real-life example was referred to by the
15 California PUC in Docket R.95-04-043/I.95-05-044. The
16 final order states, "... Sonic Communications, Inc. ...
17 our recognition of the millions of dollars that company
18 owed Pacific and GTE when it went bankrupt are all too
19 clear in our minds. We therefore cannot accept the
20 assumption of zero uncollectibles at the wholesale level
21 "

22
23 Incremental Wholesale Expenses

24
25 Q. Has Sprint calculated incremental expenses incurred in

1 the offering of wholesale services?

2

3 A. Yes. Sprint agrees with the FCC Order, paragraph 928,
4 which states, "We also agree ... that some new expenses
5 may be incurred in addressing the needs of resellers as
6 customers. Much of the incremental wholesale market
7 function will be performed at a national or parent level
8 for Sprint. These parent level incremental wholesale
9 expenses were apportioned to the various state and
10 operating company jurisdictions based upon access lines.
11 Operating company level incremental wholesale expenses
12 were also determined. Wholesale market expenses include
13 advertising, expenses to develop systems for electronic
14 bonding of database information, reseller customer
15 services functions, regulatory/legal support, end-user
16 customer education, employee training, and system
17 modifications for billing and service maintenance.

18

19 The total incremental wholesale expenses were allocated
20 to the five retail service groups based upon the avoided
21 expenses in each of the service groups relative to the
22 total avoided expenses.

23

24 Q. What are the results of the avoided cost study for
25 Sprint?

1 **A.** The results of the avoided cost study for Sprint 's
2 Florida operations are as follows:

3

- 4 1. Simple Access - 16.10%
- 5 2. Complex Access - 10.49%
- 6 3. Features - 30.35%
- 7 4. Operator/DA - 10.00%
- 8 5. Other Services - 10.58%

9

10 More detail on the service group revenues and avoided
11 expenses is included in Exhibit RGF-2.

12

13 **Q.** How would these discounts be applied in the development
14 of wholesale rates?

15

16 **A.** While Sprint has segregated its services into five
17 service groups, there are many individual services within
18 each service group. The appropriate avoided expense
19 percent will be applied to each of Sprint's retail rates
20 to determine a service-specific wholesale rate quoted in
21 dollars.

22

23 For example, using Centel's rate group 6, the retail rate
24 for basic residential R1 service is \$9.65. Applying the
25 Simple Access service group discount of 16.10% yields a

1 wholesale discount of \$1.55, which will not change as the
 2 retail rate changes. The wholesale rate is \$8.10. The
 3 following table shows the retail rates, percent
 4 discounts, dollar discounts, and wholesale rates for
 5 several other services in Centel's rate group 6.

6
 7 The dollar amount of avoided expenses is independent of
 8 the retail price. As retail prices are increased or
 9 decreased, there is no reason that the dollar amount of
 10 avoided expenses should change. Therefore, the dollar
 11 wholesale discount will remain constant over time,
 12 independent of any retail price changes. However, as the
 13 retail rate changes, the wholesale rate will change.

15	Tariff	Retail	Percent	Dollar	Wholesale
16	<u>Service</u>	<u>Rate</u>	<u>Discount</u>	<u>Discount</u>	<u>Rates</u>
17	B1	\$21.75	16.10	\$3.50	\$18.25
18	B1 Rotary	32.65	10.49	3.42	29.23
19	PBX Trunk	43.50	10.49	4.56	38.94
20	Call Waiting -				
21	Residence	3.50	30.35	1.06	2.44

22
 23 Q. Please summarize your discussion of wholesale discounts.

24

25 A. The Act specifies that an avoided cost discount is to be

1 applied to retail rates to determine the wholesale rates
2 for services to be resold. The FCC Order has defined
3 certain expense categories to be presumed avoided, but
4 allows states to consider a company's rebuttal of these
5 presumptions. Sprint considers an activity-based cost
6 methodology appropriate for the determination of avoided
7 expenses in the five retail service groups. Sprint has
8 also quantified additional expenses it will incur to
9 resell its retail services. Consideration of these
10 additional wholesale expenses is appropriate in
11 determining the wholesale discount.

12
13 I recommend that the Commission adopt the results of
14 Sprint's avoided cost study, as summarized above, to
15 establish the appropriate wholesale rates for retail
16 services that will be resold. A copy of the avoided cost
17 study is provided in Exhibit RGF-2.

18
19 Q. Does this conclude your testimony?

20
21 A. Yes, it does.
22
23
24

25 jjw\utd\farrar.230

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II. Work Sheets

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I. STUDY SUMMARY

A. Purpose

The purpose of the study is to develop the avoided cost associated with the resale of local exchange service.

B. Scope

The cost results were developed specific for the State jurisdiction and will only be applicable for intraLATA company operations.

C. Introduction

The Telecommunications Act of 1996 (Act) states:

A State commission shall determine wholesale rates on the basis of retail rates charged to subscribers for the telecommunications service requested, excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier. (252(d)(3))

The Avoided Cost Study was developed to meet the requirements of the Public Utilities Commission's Docket utilizing the Act as a methodology guideline. The Avoided Cost Study determines the level of avoided expenses associated with establishing wholesale rates for the resale of bundled services. Since the Act specifically refers to "marketing, billing, collection, and other expenses that will be avoided", the avoided cost study concentrates on those types of expenses. See Section , Methodology - Accounts Analysis, for a general discussion of that topic.

Sprint believes that the identification of avoided expenses should be based on the most recent data available that is identified through an Activity Based Costing procedure. Sprint's Avoided Cost Study utilizes an activity-based cost approach which identifies the avoided expense by expense category (subaccount) and assigns these expenses to service groups, based on an activity driver. To the extent that an expense can be associated with an activity, an increase (or decrease) in the activity drives an increase (or decrease) in the associated service groups.

The Avoided Cost Study uses the most recent expense and revenue data available. These revenues and expenses are assigned to a service group based on the actual

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activity which creates or drives a specific type of expense, rather than on arbitrary assignment methodologies based on investment or revenue.

D. Service Groups

In order to determine the level of avoided expenses, it was necessary to consider that some services could have higher magnitudes of avoided expenses. For example, a highly competitive or complementary service would most likely have a greater amount of marketing resources dedicated to it, resulting in relatively greater avoided expenses. While there are numerous individual services provided by Sprint, it is impractical to study each service individually. Five service groups are identified for this study which are:

1. Simple Access (R1, B1, and local usage)
2. Complex Access (Centrex, Key, and PBX)
3. Features (CCF, CLASS, and Centrex features)
4. Operator / Directory Assistance
5. Other (e.g. private line and intraLATA toll)

E. Assumptions

1. The year-end 1995 revenue and expense balances are the most current available and are considered appropriate for this study.
2. The analysis of Product Management, Sales, and Product Advertising expenses was provided by the Marketing Department and is considered appropriate for this study.
3. The Local Message Processing (LMP) information provided by Accounting is considered appropriate for use in this study.
4. The special study provided by National Access Service Center (NASC) is considered appropriate for use in this study.
5. The monthly Billing Statistics Accounts Report is the most current available and is considered appropriate for use in this study. This report records billing activity by account, not access lines.
6. The March 1996 Customer Information System Report was provided by the Regulatory Department and is considered appropriate for this study. This report counts accounts by class of service, and not by access lines.

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7. The 1995 annual Business Office time and motion study is the most current report and is considered appropriate for this study.
8. The 1995 annual Business Service Center time and motion study is the most current report and is considered appropriate for this study.
9. The December 1995 Station Data report was used for access line information and is considered appropriate for this study.

F. Methodology - Account Analysis

The following accounts contain expenses which may be avoided due to resale. An analysis of each account was conducted which resulted in the determination that some subaccounts are avoided and some are non-avoided.

6611.XXXProduct Management
6612.XXXSales
6613.XXXProduct Advertising
6623.XXXCustomer Services

These are the accounts detailed in the Avoided Cost Study.

Sprint believes that the identification of avoided expense should be based on the most recent expense and revenue data available that is identified through an Activity Based Costing procedure. These revenues and expenses are assigned to service groups based on the actual activity which creates or drives a specific type of expense, rather than on arbitrary assignment methodologies based on investment or revenue. To the extent that an expense can be associated with an activity, an increase (or decrease) in the activity drives an increase (or decrease) in the associated service groups.

The definition of avoided expense is, of course, the key to any such analysis. While the Act and FCC Order 96-325 do not specifically identify or define avoided expenses, they do give the proper direction. The Act indicates what type of expenses are avoided, specifically "marketing, billing, collection, and other costs." The FCC Order lists the specific accounts it considers avoided (see table in section F above). Each of these broad expense categories will be briefly discussed.

Depreciation (General Ledger (GL) accounts 6561 to 6565) relates directly to Sprint's capital assets used to provide service to both its own customers and those of the reseller. The vast majority of Sprint's capital assets are used to provide the services that competitors wish to resell. A competitor reselling Sprint's service will have no

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effect on the nature of these capital assets. Sprint will continue to provide the physical facilities (switching, cable and wire, and circuit equipment) necessary to provide service to the reseller's customers as well as its own. Depreciation expenses will not be avoided.

Rate of Return is a cost of doing business. Investors must earn a fair return on their investment or capital will not be available for the company. Return is directly related to the level of investment. Because there will be no effect on investment, there will be no effect on return. Rate of Return is not avoided.

Taxes will not be avoided because Sprint must still pay taxes on profits earned on services that it provides for resale. Because the avoided expenses will be used to determine wholesale rates the expense will be deducted on an expense dollar for revenue dollar basis, the net effect on profit is effectively zero and will have relatively no effect on taxes. Taxes are not avoided.

Sprint's maintenance expenses (GL accounts 6211 to 6540) are related to the facilities used to provide the services that competitors will resell. Because Sprint will continue to own these facilities, the maintenance functions will remain with Sprint. The existence of a competitor reselling Sprint services will not alter Sprint's responsibility to maintain its network for the benefit of both its customers and those of the reseller. Sprint will continue to repair, monitor, test, and maintain equipment, and meet all safety requirements. Maintenance expenses are not avoided.

Common expenses are not avoided; common costs are necessary to support all of the Company's services, they are not avoided due to the resale of retail services.

Uncollectible expenses are not avoided. Sprint's long distance division's experience with reseller write-offs, unsubstantiated billing adjustments, and fraudulent code abuse are similar to the rate of uncollectibles experienced by Sprint's local division. The type of uncollectible may be different, but the problem is still there.

G. Methodology - Account Analysis

The following accounts contain expenses which are not avoided due to resale. An analysis of each account was conducted which resulted in the determination that some subaccounts are avoided and some are non-avoided.

- ▶ 6611.XXX - Product Management
- ▶ 6612.XXX - Sales
- 6621.XXX - Call Completion Services

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- ▶ 6622.XXX - Number Services
- ▶ 6623.XXX - Customer Services

The following accounts were identified as having non-avoided expenses.

6611.06X - FORECASTING - ICSC

This account shall include the pay, office, travel, and other expenses of employees whose responsibilities include coordinating planning sessions between the company and carriers for determining access facility requirements.

Exchange access services is not subject to resell, therefore the expense is not avoided. (FCC Order 96-325, Paragraph 874)

6611.07X - FORECASTING - OTHER

This account consists of the following four functions.

- ▶ Forecasts of customer demand for all services affecting central office equipment, outside plant, and interexchange facilities.
- ▶ Administrative forecasts, such as toll message and revenue forecasts and forecasts of movement and gain used in the preparation of the company construction program.
- ▶ Local economic forecasts.
- ▶ Special purpose forecasts, such as those used for determining interexchange service requirements.

The above functions will be required for all services including wholesale/resell services.

6612.02X - SALES - INTEREXCHANGE CARRIER SERVICE CENTER

This account shall include the administrative staff and direct expenses incurred to promote access orders from interexchange carriers and implementing the associated marketing strategies.

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Exchange access service is not subject to resell. The above expenses are not avoided. (FCC Order 96-325, Paragraph 874)

6612.4XX - ENGINEERING AND PROJECT MANAGEMENT-BMO

This account shall include the expenses incurred by personnel that support project management and administration of sales projects, and shall include provisioning and installation. The positions charged to this account will be the managers-Technical Support, Senior Sales Engineers, Sales Engineers and Project Managers and Customer Service Specialist.

These functions will be required for the provisioning and installation of resell services such as CENTREX, Key, PBX, etc.

6621.XXX - CALL COMPLETION SERVICES

This account shall include expenses incurred in helping customers place and complete calls, except directory assistance. This includes handling and recording; intercept; quoting rates, time and charges; and all other activities involved in the manual handling of calls.

Resellers have stated they will provide these services themselves; therefore, this is not a resell service and there are no expenses to be avoided.

6622.1XX - NUMBER SERVICES

This account shall include expenses incurred in providing customer number and classified listings. This includes preparing or purchasing, compiling, and disseminating those listings through directory assistance or other means.

Resellers have stated they will provide these services themselves; therefore, this is not a resell service and there are no expenses to be avoided.

6622.2XX - ALPHABETICAL DIRECTORY EXPENSE

This account shall include alphabetical expenses associated with compilation, printing, binding, distribution, advertising commissions, etc. for the white page section.

A white page listing is part of the basic access line service and the expense is not avoided.

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6623.XXX - CUSTOMER SERVICES

This account shall include expenses incurred in establishing and servicing customer accounts. This includes:

- ▶ Initiating customer service orders and records;
- ▶ Maintaining and billing customer accounts;
- ▶ Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;
- ▶ Collecting and reporting pay station receipts; and
- ▶ Instructing customers in the use of products and services.

This account shall also include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for billing and collection services.

The following sub-accounts of Customer Services were defined as having non-avoided expenses.

6623.05X - COLLECTING AND REPORTING PAYSTATIONS

This account shall include the expenses associated with coin telephone collection work including:

- ▶ Scheduling, making and delivering collections from coin telephones.
- ▶ Handling of working and duplicate coin telephone keys.
- ▶ Opening receptacles and counting coins.
- ▶ Preparing coin deposits.
- ▶ Internal security activities, including supervisory safeguarding checks.
- ▶ Expenses of attendants, clerks, messengers and operators at public telephones.
- ▶ Expenses of employees engaged in direct supervision of the operation of paystation collection and reporting activities.
- ▶ Clerical and miscellaneous operations associated with activities 1-7 above.

Paystations are not a retail offering; therefore, the expenses are not avoided.

6623.1XX - INTEREXCHANGE CUSTOMER SERVICE CENTER

This account shall include the expenses of Interexchange Customer Service Center (ICSC) employees engaged in the work functions of establishing and servicing customer accounts pertaining to switched and special access and interexchange private line.

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- ▶ Serving as the initial point of contact with the carriers for receiving and processing customers' requests for service.
- ▶ Administering documented standard intervals for service by coordinating company activities as required.
- ▶ Creating and maintaining records of carrier services and handling customer complaints and requests.
- ▶ Administering the company's credit, deposit, advance payment and account treatment policies.
- ▶ Coordinating and handling all carrier billing inquiries and dispute resolutions.
- ▶ Providing for and making billing adjustments or special billings; and ensuring the accuracy of the billing data.
- ▶ Administering applicable interstate, intrastate, and general subscriber tariffs pertaining to provisioning and billing.
- ▶ Coordinating internal and external equal access conversion and post conversion PIC processing maintenance.

The only part of this service that will be avoided is the portion assigned to intraLATA private line. The portion attributable to switched and special access is not avoided. (FCC Order 96-325, Paragraph 874)

6623.62X - TOLL PROCESSING AND CONTROL

This account shall include the expense of the accounting staff necessary to operate the Toll Processing and Control module.

The toll processing function will be required in a wholesale/resell environment.

6623.63X - CARRIER ACCESS BILLING

This account shall include:

- ▶ The expenses associated with billing interexchange carriers for use of the company's network.
- ▶ The expenses associated with the accounting staff necessary to support the Carrier Access Billing System (this would include expenses of reconciling general ledger accounts and investigating and correcting the billing of errors).
- ▶ Division of revenue matters - monthly interchange of toll settlements with Bell or other connecting companies.

Exchange access services should not be subject to resell; therefore, these expenses are not avoided. (FCC Order 96-325, Paragraph 874)

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6623.7XX - PAYSTATION COMMISSIONS

This account shall include amounts paid to the owners or tenants of premises upon which attended or non-attended public telephone stations and public toll stations are located, as general compensation for occupancy privileges, light, heat, attendance, and all services rendered incident to the furnishing of service from such stations.

Paystations are not a retail service. There will be no avoided expenses.

H. Methodology - Work Sheets

1. Introduction

The Introduction worksheet is simply a title page, including a brief (1 - 3 lines) description of each individual worksheet.

2. Summary

The Summary worksheet is a one-page summary of the Avoided Cost Study results. The worksheet identifies the total revenue per service group as calculated in the Revenue worksheet, the total avoided expense per service group as calculated in the Avoided Expense worksheet, the incremental expense directly attributable to resale as calculated in the Incremental worksheet, the net avoided expense as a percent of revenue, and the avoided expense amount per access line.

3. Revenue

The Revenue worksheet assigns each individual 7-digit GL revenue account to the service groups. The information is for the twelve-month period ending December 1995.

The worksheet shows the total account amount for the time period studied. It also identifies the service group to which the account is assigned and the amount that is actually assigned.

4. Avoided Expense

The Expense worksheet assigns each individual 7-digit GL expense account to the service groups. The information is for the twelve-month period ending December 1995.

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The worksheet shows the total account amount for the time period studied. The worksheet also identifies whether the account is avoided according to the guidelines provided by the Act and the amount assigned to each service group based upon the expense drivers developed in the Drivers worksheet.

5. Drivers

The Drivers worksheet contains the expense drivers used to assign expenses in the Expense worksheet. The worksheet identifies the GL expense account and references the worksheet where this driver was developed. The worksheet also references what percent will be assigned to each service group.

Three accounts are directly assigned to service groups. These are Product Advertising - Other Services (GL account 6613.044), Customer Services - Revenue Accounting - Miscellaneous Customer Billing (GL accounts 6623.64X), and Customer Services - Customer Instruction (GL account 6623.01X).

6. Centrex

The Centrex worksheet segregates Centrex feature avoided expenses from Centrex access avoided expenses.

7. Product Management (Prod. Mgmt.)

The Marketing Department performed an informed judgment analysis of the product management function. Based upon the results of this study, Product Management expenses (GL accounts 6611.XXX) are assigned to the service groups.

8. Sales

The Marketing Department performed an analysis of the actual labor reporting associated with the sales function. Based upon the results of this labor reporting, Sales expenses (GL accounts 6612.XXX) were assigned to the service groups.

9. Product Advertising (Prod. Adv.)

The Marketing Department performed a responsibility code analysis of the product advertising function. Based upon the results of this study, Product Advertising expenses (GL accounts 6613.XXX) were assigned to the service groups.

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10. Local Message Processing (LMP)

The Local Message Processing system maintains a record of IXC errors and exceptions by type and carrier. Based upon the summary of this information, Customer Services - Centralized Toll Investigation expenses (GL accounts 6623.02X) were assigned to the service groups.

11. National Access Services Center (NASC)

The NASC has replaced the Interexchange Carrier Services Center (ICSC). The NASC provided a special study which allows assignment of NASC activity to the service groups.

12. Customer Perception Survey (CPS)

A Customer Perception Survey is conducted regularly and based on the number and type of contacts. Based upon the summary of this information, Customer Services - Telephone Survey System expenses (GL accounts 6623.31X) were assigned to the service groups.

13. Billing Statistics (Bill.Stat.)

Customer Records and Billing (CRB) expenses were assigned to service groups utilizing the "Billing Statistics - Accounts" report and Customer Information System report. These reports record billing activity by account, not access lines. Based upon the summary of this information, Customer Services - Centralized Mail Remittance expenses (GL accounts 6623.32X) and Customer Services - CRB expenses (GL accounts 6623.61X) were assigned to the service groups.

14. Business Office Study (Bus. Off.)

An annual Business Office time and motion study is conducted by Sprint. The most recent report (excluding non-regulated products) is used to assign Business Office Production - Incoming Demand - Consumer/Simple Business expenses (GL accounts 6623.41X) to the service groups.

15. Business Service Center (Bus. Svc. Cntr.)

An annual Business Service Center time and motion study is conducted by Sprint. The most recent report (excluding non-regulated products) is used to assign Business Office Production - Incoming Demand - Complex Business expenses (GL accounts 6623.43X) to the service groups.

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16. Postage

This expense (GL account 6623.615) is caused primarily by monthly billings to end-users. The number of access related accounts from the Billing Statistics worksheet is multiplied by the bulk postage rate to determine the amount of local postage. This local postage is assigned to service groups based upon that number of billed accounts.

17. Customer Service (Cust. Svc.)

This worksheet is used to assign customer services GS&L expenses to the service groups.

18. Lines

The Lines worksheet contains access line information used to assign End User - Business Flat Rate - Interstate revenue (GL account 5081.130) to service groups.

19. Incremental

There will be incremental expenses related to the wholesale function. For example, a bill must be prepared and sent to the reseller. Such expenses will have the effect of reducing the net level of avoided expenses. The Incremental worksheet determines the total incremental expenses directly attributable to local competition.

II. WORK SHEETS

The attached exhibit lists Sprint's General Ledger accounts. Column C indicates whether the account is considered avoided or non-avoided.

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AVOIDED EXPENSE ANALYSIS

Company: Sprint

Year: Twelve Months Ending December 1995

(A) Account Number	(B) (C) Avoided/ Account Description	Not Avoided
6112XXX	MOTOR VEHICLE EXPENSE	N
6113XXX	AIRCRAFT EXPENSE	N
6114XXX	SPECIAL PURPOSE VEHICLE EXPENSE	N
6115XXX	GARAGE WORK EQUIPMENT EXPENSE	N
6116XXX	OTHER WORK EQUIPMENT	N
6121XXX	LAND & BUILDING EXPENSE	N
6122XXX	FURNITURE & ARTWORKS EXPENSE	N
6123XXX	OFFICE EQUIPMENT EXPENSE	N
6124XXX	GENERAL PURPOSE COMPUTER EXPENSE	N
6211XXX	ANALOG ELECTRONIC EXPENSE	N
6212XXX	DIGITAL ELECTRONIC EXPENSE	N
6215XXX	STEP-BY-STEP SWITCHING EXPENSE	N
6220XXX	OPERATOR SYSTEMS EXPENSE	N
6231XXX	SATELLITE & EARTH STATION FACILITIES EXPENSE	N
6232XXX	CIRCUIT EQUIPMENT EXPENSE	N
6311XXX	STATION APPARATUS EXPENSE	N
6341XXX	LPBX EXPENSE	N
6351XXX	PUBLIC TELEPHONE TERMINAL EQUIPMENT EXPENSE	N
6362XXX	OTHER TERMINAL EQUIPMENT	N
6411XXX	POLES EXPENSE	N
6421XXX	AERIAL CABLE EXPENSE	N
6422XXX	UNDERGROUND CABLE EXPENSE	N
6423XXX	BURIED CABLE-METALLIC EXPENSE	N
6424XXX	SUBMARINE CABLE-METALLIC EXPENSE	N
6426XXX	INTRABUILDING NETWORK CABLE-METALLIC EXPENSE	N
6431XXX	AERIAL WIRE EXPENSE	N
6441XXX	CONDUIT SYSTEMS EXPENSE	N
6512XXX	PROVISIONING EXPENSE	N
6531XXX	POWER EXPENSE	N
6532XXX	NETWORK ADMINISTRATION EXPENSE	N
6533XXX	GENERAL SUPERVISION EXPENSE	N
6534XXX	PLANT OPERATION ADMINISTRATION EXPENSE	N
6535XXX	ENGINEERING EXPENSE	N
6540XXX	ACCESS EXPENSE	N
6561XXX	DEPRECIATION EXPENSE - TELECOMM. PLANT IN SERVICE	N
6562XXX	DEPRECIATION EXPENSE - PROP HELD FOR FUTURE USE	N
6563XXX	AMORTIZATION EXPENSE - TANGIBLE	N
6564XXX	AMORTIZATION EXPENSE-ORGANIZATIONAL COSTS	N

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6565XXX	AMORTIZATION EXP. - EMBEDDED INVESTMENT UNDER \$500N	
6611011	PRODUCT MGMT - CONSUMER - SALARIES	A
6611012	PRODUCT MGMT - CONSUMER - BENEFITS	A
6611014	PRODUCT MGMT - CONSUMER - OTHER	A
6611016	GENERAL SERVICE & LICENSE -PRODUCT MNGMT/MKTG ADMIN	A & N
6611017	SERVICE COMPANY BILLING-CONDUIT-PRODUCT MGMT/MKTG ADMIN	A
6611061	PRODUCT MGMT-FORECASTING-ICSC-SAL-NON EXEMPT	N
6611062	PRODUCT MGMT-FORECASTING-ICSC-BEN-NON EXEMPT	N
6611064	PROD MGMT-FORECASTING-ICSC-OTH-NONEXEMPT-OVHD ALLOC	N
6611071	PRODUCT MANAGE.-FORECASTING-OTHER/SALARIES-DISTRIBUTION	N
6611072	PRODUCT MANAGE.-FORECASTING-OTHER/BENEFITS-DISTRIBUTION	N
6611074	PRODUCT MANAGE.-FORECASTING-OTHER/OTHER-DISTRIBUTION	N
6611986	GENERAL SERVICE AND LICENSE - PRODUCT MANAGEMENT	A & N
6611987	SERVICE COMPANY BILLING-CONDUIT-PRODUCT MGMT-OTHER	A
6611988	PROUDCT MGMT-OTHER-INTEGRATION COST	N
6612011	REGULATED SALES AND SERVICES/SALARIES - CBS	A
6612012	REGULATED SALES AND SERVICES/BENEFITS - CBS	A
6612014	REGULATED SALES AND SERVICES/OTHER - CBS	A
6612021	SALES-ICSC-SAL-NON EXEMPT	A & N
6612022	SALES-ICSC-BEN-NON EXEMPT	A & N
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AVOIDED COST STUDY

OCTOBER 24, 1996

RANDY G. FARRAR

**AVOIDED COST STUDY
SUMMARY**

Company: Sprint Florida - Combined
Date: October 24, 1996

	Avoided Expenses				
	Revenue	Amount	Incremental Wholesale	Net	Percent of Revenue
Simple Access *	\$ 236,263,703	\$ 39,794,692	\$ 1,760,764	\$ 38,033,928	16.10%
Complex Access	77,623,421	8,520,447	376,997	8,143,450	10.49%
Features	48,284,998	15,332,704	678,414	14,654,290	30.35%
Operator/DA	19,528,792	2,043,630	90,423	1,953,207	10.00%
Other	76,124,717	8,424,924	372,771	8,052,153	10.58%
Total	457,825,631	74,116,397	3,279,369	70,837,029	15.47%

* Includes R1, B1, and Usage

**AVOIDED COST STUDY
SUMMARY**

Company: Sprint Florida - Combined
Date: October 24, 1996

		Wholesale Avoided Expenses					Total Avoided / Total Direct Expenses
Account	Description	Simple Access	Complex Access	Features	Operator/ Dir. Ass.	Other	Total
5XXX	Revenue	\$ 236,263,703	\$ 77,623,421	\$ 48,284,998	\$ 19,528,792	\$ 76,124,717	\$ 457,825,631
Avoided Expenses							
6121	Land & Building	0	0	0	0	0	0.00%
6122	Furniture	0	0	0	0	0	0.00%
6123	Office Equipment	0	0	0	0	0	0.00%
6124	General Purpose Computers	0	0	0	0	0	0.00%
656X	Depreciation & Amortization	0	0	0	0	0	0.00%
6611	Product Management	473,899	2,188,689	1,218,812	796,799	498,801	5,177,000 63.48%
6612	Sales	0	3,245,153	7,335,165	0	41,558	10,621,877 72.19%
6613	Product Advertising	569,703	21,415	2,497,032	0	681,274	3,769,424 100.00%
6621	Call Completion Services	0	0	0	0	0	0.00%
6622	Number Services	0	0	0	0	0	0.00%
6623	Customer Services	38,751,090	3,065,191	4,281,694	1,246,831	7,203,291	54,548,097 85.49%
6711	Executive	0	0	0	0	0	0.00%
6712	Planning	0	0	0	0	0	0.00%
6721	Treasury	0	0	0	0	0	0.00%
6722	External Relations	0	0	0	0	0	0.00%
6723	Human Resources	0	0	0	0	0	0.00%
6724	Information Management	0	0	0	0	0	0.00%
6725	Legal	0	0	0	0	0	0.00%
6726	Procurement	0	0	0	0	0	0.00%
6727	Research & Development	0	0	0	0	0	0.00%
6728	Other G & A	0	0	0	0	0	0.00%
5301	Uncollectible Revenue	0	0	0	0	0	0.00%
Total Avoidable Costs		39,794,692	8,520,447	15,332,704	2,043,630	8,424,924	74,116,397
Incremental Wholesale Costs		1,760,764	376,997	678,414	90,423	372,771	3,279,369
Net Avoided Costs		38,033,928	8,143,450	14,654,290	1,953,207	8,052,153	70,837,029
% of Revenue		16.10%	10.49%	30.35%	10.00%	10.58%	15.47%

COST DRIVERS

KEY:	
0.0000	Does Not Apply
0.0000	Calculated to zero

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	Reference Sheet	Residence Access	Simple Business Access	Centrex Access	Key Access	PBX Access	Features	LMS / EAS Usage	IntraLATA Toll	Local / Toll Private Line	Switched Access	Special Access	Operator / Dr. Asst.	Other	Non-Discounted Services	
6121.XXX	LAND & BUILDINGS	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6122.XXX	FURNITURE	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6123.XXX	OFFICE EQUIPMENT	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6124.XXX	GENERAL PURPOSE COMPUTERS	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
656X.XXX	DEPRECIATION & AMORTIZATION	GS Assets	0.4149	0.0596	0.0258	0.0542	0.0218	0.1833	0.0011	0.0407	0.0418	0.0234	0.0080	0.0244	0.0182	0.0827
6611.01X	PRODUCT MGMT / MARKETING ADMIN	Prod. Mgmt.	0.0409	0.0163	0.2196	0.0729	0.0595	0.1615	0.0142	0.0485	0.0266	0.0887	0.1006	0.1200	0.0000	0.0307
6611.016	GENERAL SERVICE & LICENSE -PROD. MGMT/MKTG ADMIN	Prod. Mgmt.	0.0229	0.0091	0.1226	0.0407	0.0332	0.0902	0.0079	0.0271	0.0149	0.0495	0.0562	0.0670	0.0000	0.0172
6611.986	GENERAL SERVICE AND LICENSE - PRODUCT MANAGEMENT	Prod. Mgmt.	0.0229	0.0091	0.1226	0.0407	0.0332	0.0902	0.0079	0.0271	0.0149	0.0495	0.0562	0.0670	0.0000	0.0172
6612.01X	SALES-REGULATED SALES & SERVICES	Sales	0.0000	0.0000	0.1749	0.4449	0.2273	0.1519	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0010	0.0000
6612.03X	SALES - TELEMARKETING - IN HOUSE	Sales	0.0000	0.0000	0.0000	0.0000	0.0000	0.9937	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0063	0.0000
6612.02X	SALES-ICSC	NASC	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.4888	0.0000	0.0000	0.0000	0.0000	0.5112
6612.04X	SALES - TELEMARKETING - CONTRACT	Sales	0.0000	0.0000	0.0000	0.0000	0.0000	0.9937	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0063	0.0000
6612.05X	SALES ADMINISTRATION DIRECT MARKETING	Sales	0.0000	0.0000	0.0000	0.0000	0.0000	0.9937	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0063	0.0000
6612.3XX	SALES - COMMISSIONS & INCENTIVE PAY	Sales	0.0000	0.0000	0.2065	0.5252	0.2683	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6612.986	GENERAL SERVICE AND LICENSE - SALES	Sales	0.0000	0.0000	0.0041	0.0105	0.0053	0.0316	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0002	0.0000
6613.01X	PRODUCT ADV - STAFF SUPPORT FOR PRODUCT ADV	Prod. Adv.	0.1420	0.0091	0.0681	0.0000	0.0057	0.5943	0.0000	0.1372	0.0000	0.0000	0.0000	0.0000	0.0436	0.0000
6613.02X	PRODUCT ADVERTISING - COMPLEX BUSINESS	Prod. Adv.	0.0000	0.0000	0.4519	0.0000	0.0377	0.0000	0.0000	0.4388	0.0000	0.0000	0.0000	0.0000	0.0716	0.0000
6613.03X	PRODUCT ADVERTISING - CONSUMER / SIMPLE BUS	Prod. Adv.	0.1739	0.0112	0.0000	0.0000	0.0000	0.7279	0.0000	0.0000	0.0870	0.0000	0.0000	0.0000	0.0000	0.0000
6613.04X	PRODUCT ADVERTISING - OTHER SERVICES	Prod. Adv.	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	
6613.986	GENERAL SERVICE AND LICENSE - PRODUCT ADVERTISING	Prod. Adv.	0.1420	0.0091	0.0681	0.0000	0.0057	0.5943	0.0000	0.1372	0.0000	0.0000	0.0000	0.0000	0.0436	0.0000
6621.XXX	CALL COMPLETION SERVICES	Direct	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6622.XXX	NUMBER SERVICES	Direct	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6623.01X	CUSTOMER SERVICES - CUSTOMER INSTRUCTION	Direct	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000
6623.016	SERVICE COMPANY BILLING - CUSTOMER INSTRUCTION	Note (2)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6623.02X	CUSTOMER SERVICES-CENTRALIZED TOLL INVESTIGATION	LMP	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.5167	0.0000	0.0000	0.0000	0.0000	0.0000	0.4833
6623.026	GENERAL SERVICE & LICENSE - CENTRALIZED TOLL INVEST	LMP	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.5167	0.0000	0.0000	0.0000	0.0000	0.0000	0.4833
6623.06X	CUSTOMER SERVICES-BUSINESS OFFICE PRODUCTION	Note (1)	0.6090	0.0869	0.0298	0.0421	0.0069	0.0835	0.0000	0.0223	0.0174	0.0303	0.0000	0.0000	0.0283	0.0436
6623.07X	CUSTOMER SERVICES-BUSINESS OFFICE SUPERVISION	Note (1)	0.6090	0.0869	0.0298	0.0421	0.0069	0.0835	0.0000	0.0223	0.0174	0.0303	0.0000	0.0000	0.0283	0.0436
6623.1XX	ICSC	NASC	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.4888	0.0000	0.0000	0.0000	0.0000	0.0000	0.5112
6623.21X	CUSTOMER SERVICES-GEN BUS OFC-MESSAGE RECORDING	Note (1)	0.6090	0.0869	0.0298	0.0421	0.0069	0.0835	0.0000	0.0223	0.0174	0.0303	0.0000	0.0000	0.0283	0.0436
6623.31X	CUSTOMER SERVICES-TELEPHONE SURVEY SYSTEM	CPS	0.8879	0.1121	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6623.316	TELEPHONE SURVEY SYSTEM - SERVICE CO. BILLING	CPS	0.8879	0.1121	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6623.32X	CUSTOMER SERVICES-CENTRALIZED MAIL REMITTANCE	Bill. Stat.	0.3612	0.0519	0.0015	0.0002	0.0001	0.0000	0.0000	0.2156	0.0036	0.0000	0.0000	0.1740	0.0000	0.1918
6623.326	GENERAL SERVICE & LICENSE - CENTRALIZED MAIL REMIT	Bill. Stat.	0.3612	0.0519	0.0015	0.0002	0.0001	0.0000	0.0000	0.2156	0.0036	0.0000	0.0000	0.1740	0.0000	0.1918
6623.41X	BUS OFC PROD-INCOMING DEMAND-CONS/SIMPLE BUS	Bus. Off.	0.7716	0.0475	0.0000	0.0000	0.0000	0.0887	0.0000	0.0227	0.0000	0.0315	0.0000	0.0000	0.0000	0.0380
6623.43X	BUS OFC PROD-INCOMING DEMAND-COMPLEX BUS	Bus. Svc. Cntr.	0.0000	0.2348	0.1412	0.1996	0.0326	0.0641	0.0000	0.0209	0.0824	0.0258	0.0000	0.0000	0.1340	0.0646
6623.4XX	BUS OFC PROD-INCOMING DEMAND-OTHER	Note (1)	0.6090	0.0869	0.0298	0.0421	0.0069	0.0835	0.0000	0.0223	0.0174	0.0303	0.0000	0.0000	0.0283	0.0436
6623.61X	CUSTOMER SERVICES-REV ACTG-CUST RECORDS & BILLG	Bill. Stat.	0.3612	0.0519	0.0015	0.0002	0.0001	0.0000	0.0000	0.2156	0.0036	0.0000	0.0000	0.1740	0.0000	0.1918
6623.615	CUSTOMER SERVICES- ...-POSTAGE	Local Pool														
	Toll Pool	Postage	0.8559	0.1230	0.0036	0.0005	0.0003	0.0000	0.0000	0.0000	0.0086	0.0000	0.0000	0.0000	0.0000	0.0081
		Postage	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
6623.616	SERVICE COMPANY BILLING-CUST RECORDS & BILLING	Bill. Stat.	0.3612	0.0519	0.0015	0.0002	0.0001	0.0000	0.0000	0.2156	0.0036	0.0000	0.0000	0.1740	0.0000	0.1918
6623.646	SERVICE COMPANY BILLING-MISC CUSTOMER BILLING	Bill. Stat.	0.3612	0.0519	0.0015	0.0002	0.0001	0.0000	0.0000	0.2156	0.0036	0.0000	0.0000	0.1740	0.0000	0.1918
6623.63X	REVENUE ACCOUNTING-CABS	CASS	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0091	0.0009	0.0000	0.0000	0.9900	
6623.64X	CUSTOMER SERVICES-REV ACTG-MISC CUSTOMER BILLG	Direct	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.0000	
6711.XXX	EXECUTIVE	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6712.XXX	PLANNING	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6721.XXX	TREASURY	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6722.XXX	EXTERNAL RELATIONS	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6723.XXX	HUMAN RESOURCES	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6724.XXX	INFORMATION MANAGEMENT	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6725.XXX	LEGAL	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6725.XXX	PROCUREMENT	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6727.XXX	RESEARCH & DEVELOPMENT	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
6728.XXX	OTHER GENERAL & ADMINISTRATIVE	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	
5301.XXX	UNCOLLECTIBLE REVENUE	Overhead	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	

Note (1): Based on the weighted average of the Business Office study and the Business Service Center study, weighted on total expenses.

Note (2): No dollars in this account

CENTREX ADJUSTMENT

In the "Revenue" worksheet, Centrex feature revenue is segregated from Centrex access revenue. However, in the "Avoided Expense" worksheet, Centrex avoided expense cannot be segregated between features and access - Centrex avoided expense includes both access and features; Features avoided expense excludes Centrex features. Since the level of avoided costs for non-Centrex features is known, this level is assumed to be the same for Centrex features.

Total Feature Revenue		\$	48,284,998	(A)		
Centrex Feature Revenue			5,829,129	(B)		
Non-Centrex Feature Revenue			42,455,870	(C)=(A-B)		
Non-Centrex Feature Avoided Expenses				(D)		
% of Revenue				(E)=(D/C)		
			(F)	(G)=(F/C)	(H)=(G*B)	(I)=(F+H)
			Non-Centrex	% of	Centrex	Total
			Feature	Non-Centrex	Feature	Feature
			Avoided	Feature	Avoided	Avoided
			Expense	Revenue	Expense	Expense
6121.XXX	Land & Buildings	\$	-	0.00%	\$	-
6122.XXX	Furniture		-	0.00%	-	-
6123.XXX	Office Equipment		-	0.00%	-	-
6124.XXX	Gen. Purpose Computers		-	0.00%	-	-
656X.XXX	Depreciation & Amort.		-	0.00%	-	-
6611.XXX	Product Management		1,071,673	2.52%	147,139	1,218,812
6612.XXX	Sales		6,490,658	15.29%	844,507	7,335,165
6613.XXX	Product Advertising		2,240,340	5.28%	256,692	2,497,032
6621.XXX	Call Completion		0	0.00%	0	0
6622.XXX	Number Services		0	0.00%	0	0
6623.XXX	Customer Services		3,764,794	8.87%	516,901	4,281,694
6711.XXX	Executive		0	0.00%	0	0
6712.XXX	Planning		0	0.00%	0	0
6721.XXX	Treasury		0	0.00%	0	0
6722.XXX	External Relations		0	0.00%	0	0
6723.XXX	Human Resources		0	0.00%	0	0
6724.XXX	Information Management		0	0.00%	0	0
6725.XXX	Legal		0	0.00%	0	0
6726.XXX	Procurement		0	0.00%	0	0
6727.XXX	Research & Development		0	0.00%	0	0
6728.XXX	Other G & A		0	0.00%	0	0
5301.XXX	Uncollectible Revenue		0	0.00%	0	0
			13,567,465	31.96%	1,765,239	15,332,704

PRODUCT MANAGEMENT
Analysis of 6611.XXX
Company: Sprint Florida - Combined

	Complex Business	Consumer/ Simple Business	Total	Total %
1 Residence Access	0	4,276	4,276	4.09%
2 Simple Business Access	0	1,705	1,705	1.63%
3 Centrex Access	22,941	0	22,941	21.96%
4 Key Access	7,612	0	7,612	7.29%
5 PBX Access	6,217	0	6,217	5.95%
6 Features	0	16,870	16,870	16.15%
7 LMS/EAS Usage	0	1,479	1,479	1.42%
8 IntraLATA Toll	0	5,068	5,068	4.85%
9 Local/Toll Private Line	2,784	0	2,784	2.66%
10 Switched Access	9,264	0	9,264	8.87%
11 Special Access	10,512	0	10,512	10.06%
12 Operator/DA	8,640	3,903	12,543	12.00%
13 Other	0	0	0	0.00%
14 Non-Discounted Services	3,211	0	3,211	3.07%
	71,181	33,301	104,482	100.00%

Analysis of 6611.986

Account	Description	Residence Access	Simple Business Access	Centrex Access	Key Access	PBX Access	Features	LMS / EAS Usage	IntraLATA Toll	Local / Toll Private Line	Switched Access	Special Access	Operator / Dir. Asst.	Other	Non-Discounted Services
Avoided Expense Summary 6611.OXX															
6611011	PRODUCT MGMT - CONSU	79,210	31,584	424,964	141,006	115,165	312,504	27,397	93,881	51,571	171,608	194,727	232,349	0	59,481
6611012	PRODUCT MGMT - CONSU	15,745	6,278	84,476	28,030	22,893	62,120	5,446	18,662	10,252	34,113	38,708	46,187	0	11,824
6611014	PRODUCT MGMT - CONSU	51,205	20,417	274,718	91,154	74,448	202,018	17,711	60,689	33,338	110,936	125,881	150,202	0	38,452
6611061	PRODUCT MGMT-FORECA	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6611062	PRODUCT MGMT-FORECA	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6611064	PROD MGMT-FORECASTI	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6611071	PRODUCT MANAGE.-FOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6611072	PRODUCT MANAGE.-FOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6611074	PRODUCT MANAGE.-FOR	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sub Total	146,160	58,279	784,158	260,190	212,506	576,642	50,554	173,232	95,161	316,657	359,316	428,739	0	109,757
	% Avoided	2.29%	0.91%	12.26%	4.07%	3.32%	9.02%	0.79%	2.71%	1.49%	4.95%	5.62%	6.70%	0.00%	1.72%

	Complex Business	% of Total	Consumer/ Simple Business	% of Total	Total	% of Total
1 Residence Access	0	0.00%	0	0.00%	0	0.00%
2 Simple Business Access	0	0.00%	0	0.00%	0	0.00%
3 Centrix Access	55,301	20.65%	0	0.00%	55,301	17.49%
4 Key Access	140,651	52.52%	0	0.00%	140,652	44.49%
5 PBX Access	71,852	26.83%	0	0.00%	71,852	22.73%
6 Features	0	0.00%	48,029	99.37%	48,029	15.19%
7 LMS/EAS Usage	0	0.00%	0	0.00%	0	0.00%
8 IntraLATA Toll	0	0.00%	0	0.00%	0	0.00%
9 Local/Toll Private Line	0	0.00%	0	0.00%	0	0.00%
10 Switched Access	0	0.00%	0	0.00%	0	0.00%
11 Special Access	0	0.00%	0	0.00%	0	0.00%
12 Operator/DA	0	0.00%	0	0.00%	0	0.00%
13 Other	0	0.00%	303	0.63%	303	0.10%
14 Non-Discounted Services	0	0.00%	0	0.00%	0	0.00%
	267,804	100.00%	48,332	100.00%	316,137	100.00%

Analysis of 6612.986

Account	Description	Residence Access	Simple Business Access	Centrix Access	Key Access	PBX Access	Features	LMS / EAS Usage	IntraLATA Toll	Local / Toll Private Line	Switched Access	Special Access	Operator / Dir. Asst	Other	Non-Discounted Services
Avoided Expense Summary 6612.XX															
6612011	REGULATED SALES AND SERV	0	0	579,944	1,475,014	753,516	503,681	0	0	0	0	0	0	3,178	0
6612012	REGULATED SALES AND SERV	0	0	75,866	192,956	98,572	65,890	0	0	0	0	0	0	416	0
6612014	REGULATED SALES AND SERV	0	0	170,954	434,799	222,118	148,473	0	0	0	0	0	0	937	0
6612021	SALES-ICSC-SAL-NON EXEMPT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612022	SALES-ICSC-BEN-NON EXEMPT	0	0	0	0	0	0	0	0	31	0	0	0	0	32
6612024	SALES ICSC - OTHER	0	0	0	0	0	0	0	0	567	0	0	0	0	593
6612031	SALES-TELEMARKETING-IN HO	0	0	0	0	0	247,853	0	0	0	0	0	0	1,564	0
6612032	SALES-TELEMARKETING-IN HO	0	0	0	0	0	64,741	0	0	0	0	0	0	408	0
6612034	SALES-TELEMARKETING-IN HO	0	0	0	0	0	134,345	0	0	0	0	0	0	848	0
6612041	TELEMARKETING CL - TOUCH T	0	0	0	0	0	99,287	0	0	0	0	0	0	626	0
6612042	SALES - TELEMARKETING - CON	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612044	SALES-TELEMARKETING-CONT	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612051	SALES ADMINISTRATION-SPRIN	0	0	0	0	0	3,398,667	0	0	0	0	0	0	21,441	0
6612052	SALES ADMINISTRATION-SPRIN	0	0	0	0	0	749,491	0	0	0	0	0	0	4,728	0
6612054	SALES ADMIN *OTHER - JOINT C	0	0	0	0	0	941,881	0	0	0	0	0	0	5,942	0
6612061	GENERAL MANAGEMENT SUPP	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612062	GENERAL MANAGEMENT SUPP	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612064	GENERAL MANAGEMENT SUPP	0	0	2	5	2	2	0	0	0	0	0	0	0	0
6612321	SALES - COMMISSIONS & INCEN	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612322	SALES - COMM & INC PAY - BEN	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612324	TRAVEL & ENTERTAINMENT - B	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612334	MISC SELLING EXPENSE - BMO	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612411	ENGINEERING & PROJECT MGM	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612412	ENGINEERING & PROJECT MGM	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612414	ENGINEERING & PROJECT MGM	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612511	BRANCH MANAGEMENT - BMO *	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612512	BRANCH MANAGEMENT - BMO *	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6612514	BRANCH MANAGEMENT - BMO *	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Sub Total	0	0	826,766	2,102,774	1,074,209	6,354,311	0	0	598	0	0	0	40,087	626
	% Total	0.00%	0.00%	7.95%	20.22%	10.33%	61.10%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.39%	0.01%
	Avoided Expenses	0	0	17,740	45,120	23,050	136,348	0	0	13	0	0	0	860	13
	% Total	0.00%	0.00%	0.41%	1.05%	0.53%	3.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%	0.00%
6612.99	GENERAL SERVICE AND LICEN	4,315,352													
	% Avoided	5.17%													
	Avoided Expenses	223,145													
Special Study of 6612.986															
	Carrier Systems	#####													
	Carrier Operations	2,036,951													
	AT&T Program Development	1,440,590													
	Total IXC	18,170,142													
	Total 6612.986	17,051,888													
	% IXC Related	94.83%													

PRODUCT ADVERTISING STUDY
 Analysis of 6613.XXX
 Company: Sprint Florida - Combined

Sprint
 Docket No. 961230-TP
 Randy G. Farrar
 Exhibit No. RGF-2
 Page 9 of 20

KEY:	0.00 Does Not Apply
	0.00 Calculated to zero

	Complex Business	Consumer/ Simple Business	Other	Weighted Average *
1 Residence Access	0.00%	17.39%	0.00%	14.20%
2 Simple Business Access	0.00%	1.12%	0.00%	0.91%
3 Centrex Access	45.19%	0.00%	0.00%	6.81%
4 Key Access	0.00%	0.00%	0.00%	0.00%
5 PBX Access	3.77%	0.00%	0.00%	0.57%
6 Features	0.00%	72.79%	0.00%	59.43%
7 LMS/EAS Usage	0.00%	0.00%	0.00%	0.00%
8 IntraLATA Toll	0.00%	0.00%	0.00%	0.00%
9 Local/Toll Private Line	43.88%	8.70%	0.00%	13.72%
10 Switched Access	0.00%	0.00%	0.00%	0.00%
11 Special Access	0.00%	0.00%	0.00%	0.00%
12 Operator/DA	0.00%	0.00%	0.00%	0.00%
13 Other	7.16%	0.00%	100.00%	4.36%
14 Non-Discounted Services	0.00%	0.00%	0.00%	0.00%
Grand Total	100.00%	100.00%	100.00%	100.00%

* Weighted average based upon avoided expenses.

CUSTOMER SERVICES - CENTRALIZED TOLL INVESTIGATION

LOCAL MESSAGE PROCESSING SYSTEM

Company: Sprint Florida - Combined
Study Period: 1994

	IntraLATA (Carrier 000)			InterLATA (IXCs)		
	Deny All Knowledge	Unbilled	Other	Deny All Knowledge	Unbilled	Other
January	8,797	13,473	13,081	6,359	8,409	13,891
February	4,654	6,245	10,823	6,145	4,326	12,804
March	5,155	5,827	14,209	6,222	5,095	17,601
April	4,350	7,664	13,617	9,520	6,006	14,453
May	3,146	10,107	11,617	11,314	5,002	11,216
June	3,887	12,121	14,895	7,921	7,376	9,667
July	7,373	12,859	48,233	10,455	6,858	5,562
August	5,178	8,352	15,340	7,791	9,221	34,413
September	0	0	0	0	0	0
October	0	0	0	0	0	0
November	0	0	0	0	0	0
December	0	0	0	0	0	0
Total	42,540	76,648	141,815	65,727	52,293	119,607
Weighting	2	2	1	2	2	1
Wt. Total	85,080	153,296	141,815	131,454	104,586	119,607
Grand Total			380,191			355,647
% of Grand Total			51.67%			48.33%

NASC SPECIAL STUDY

Company: Sprint Florida - Combined
Study Period: 1995

KEY:	0.00 Does Not Apply
	0.00 Calculated to zero

Note: GL ISCS accounts include intraLATA private line as well as NASC activity. The difference between the GL account value and the actual NASC charges is directly attributable to intraLATA private line. The actual NASC activity is attributable to Switched Access and Special Access based upon ASR (Access Service Request) count.

ASRs	Florida Combined	Weighting	Weighted				Florida % of Total
			Total			Total	
Switched	5,956	1.50	8,934	-	-	8,934	88.25% (C)
Special	1,189	1.00	1,189	-	-	1,189	11.75% (D)
			10,123 (A)	-	-	10,123 (B)	100.00%
Actual 1995 NASC Charges							
Florida	2,040,992	(E)	IntraLATA Private Line		1,951,196	(G)	48.88%
Florida	2,040,992	(F) = (E * A/B)	Switched Access		1,801,267	(H * C)	45.12%
Amount Recorded in GL	3,992,188		Special Access		239,725	(H * D)	6.00%
Less Actual	2,040,992	(H)					
	1,951,196	(G)					100.00%

1 Residence Access	0.00%
2 Simple Business Access	0.00%
3 Centrex Access	0.00%
4 Key Access	0.00%
5 PBX Access	0.00%
6 Features	0.00%
7 LMS/EAS Usage	0.00%
8 IntraLATA Toll	0.00%
9 Local/Toll Private Line	48.88% (Avoided)
10 Switched Access	45.12% (Not Avoided)
11 Special Access	6.00% (Not Avoided)
12 Operator/DA	0.00%
13 Other	0.00%

	100.00%

CUSTOMER PERCEPTION SURVEY

Company: Sprint Florida - Combined
Time Period: August, 1996

KEY:	0.00 Does Not Apply
	0.00 Calculated to zero

	Survey Percent

1 Residence Access	88.79%
2 Simple Business Access	11.21%
3 Centrex Access	0.00%
4 Key Access	0.00%
5 PBX Access	0.00%
6 Features	0.00%
7 LMS/EAS Usage	0.00%
8 IntraLATA Toll	0.00%
9 Local/Toll Private Line	0.00%
10 Switched Access	0.00%
11 Special Access	0.00%
12 Operator/DA	0.00%
13 Other	0.00%
14 Non-Discounted Services	0.00%

	100.00%

BILLING STATISTICS - ACCOUNTS REPORT

Company: Sprint Florida - Combined
Period: December 1995 - May 1996

Report	Number of Accounts Billed		Percent of Total	Product Family
		Average		
Res. Svc.		1,260,257	36.12%	1
Bus. Svc.		181,031	5.19%	2
Centrex		5,287	0.15%	3
D/A Chrgs.		607,008	17.40%	12
PBX Svc.		450	0.01%	5
Key Sys.		736	0.02%	4
Semipublic		1,533	0.04%	14
Public		10,365	0.30%	14
Mobile		2	0.00%	14
WATS		878	0.03%	8
Local Pvt Ln		7,921	0.23%	9
Pvt TRA TER		53	0.00%	9
Pvt TRA TRA		4,748	0.14%	9
Pvt TER TER		0	0.00%	11
Pvt TER TRA		0	0.00%	11
MTS TRA TER		316,404	9.07%	14
MTS TRA TRA		713,085	20.44%	8
MTS TER TER		341,026	9.77%	14
MTS TER TRA		38,493	1.10%	8
Grand Total		3,489,277	100.00%	

Note (1): Access Line information is from CIS data base, as of March 1996.

BUSINESS OFFICE STUDY

Office:
Study Date:

Sprint Florida - Combined
February 1 - 28, 1995

KEY:	0.00 Does Not Apply
	0.00 Calculated to zero

Sprint
Docket No. 961230-TP
Randy G. Farrar
Exhibit No. RGF-2
Page 14 of 20

Weighted Monthly Tallies

	Service Order Processing	Service / Repair Inquires	Billing Inquires	Total	% of Total
1 Residence Access	30,857,016	10,136,840	8,454,983	49,448,839	76.99%
Touchtone *	69,992	37,225	2,733	109,950	0.17%
Total Residence	30,927,008	10,174,065	8,457,716	49,558,789	77.16%
2 Simple Business Access	1,739,925	835,107	465,504	3,040,536	4.73%
Touchtone *	3,947	3,067	150	7,164	0.01%
Total Simple Business	1,743,872	838,174	465,654	3,047,700	4.75%
3 Centrex Access	0	0	0	0	0.00%
4 Key Access	0	0	0	0	0.00%
5 PBX Access	0	0	0	0	0.00%
6 CCF	2,845,106	1,671,896	62,329	4,579,331	7.13%
CLASS	707,970	387,906	21,119	1,116,995	1.74%
Features	3,553,076	2,059,802	83,448	5,696,326	8.87%
7 LMS/EAS Usage	0	0	0	0	0.00%
8 IntraLATA Toll - Intrastate	0	0	1,459,287	1,459,287	2.27%
IntraLATA Toll - Interstate	0	0	0	0	0.00%
Total IntraLATA Toll	0	0	1,459,287	1,459,287	2.27%
9 Toll Private Line	0	0	0	0	0.00%
Local Private Line	0	0	0	0	0.00%
Total Private Line	0	0	0	0	0.00%
10 InterLATA Toll - Intrastate	0	0	0	0	0.00%
InterLATA Toll - Interstate	0	0	2,022,661	2,022,661	3.15%
Total Switched Access	0	0	2,022,661	2,022,661	3.15%
11 Special Access	0	0	0	0	0.00%
12 Operator Svc/Dir Asst	0	0	0	0	0.00%
13 Directory	0	0	0	0	0.00%
Other	0	0	0	0	0.00%
Total Other	0	0	0	0	0.00%
14 Non-Discounted Services					
Directory Advertising	0	0	0	0	0.00%
Equal Access	1,293,013	862,479	284,598	2,440,090	3.80%
	1,293,013	862,479	284,598	2,440,090	3.80%
Grand Total	37,516,969	13,934,520	12,773,364	64,224,853	100.00%
Touchtone *	73,939	40,292	2,883		

* Assigned to Residence and Simple Business

BUSINESS SERVICE CENTER STUDY

Office: Sprint Florida - Combined
 Study Date: April 3 - 24, 1995

KEY:	0.00 Does Not Apply
	0.00 Calculated to zero

Sprint
 Docket No. 961230-TP
 Randy G. Farrar
 Exhibit No. RGF-2
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	Weighted Monthly Tallies				
	Service Order Processing	Service / Repair Inquires	Billing Inquires	Total	% of Total
1 Residence Access	0	0	0	0	0.00%
2 Simple Business Access	886,798	599,097	313,551	1,799,446	23.48%
Touchtone *	0	0	0	0	0.00%
	886,798	599,097	313,551	1,799,446	23.48%
3 Centrex Access	408,408	533,276	140,991	1,082,675	14.12%
Touchtone *	0	0	0	0	0.00%
	408,408	533,276	140,991	1,082,675	14.12%
4 Key Access	773,843	563,436	192,336	1,529,615	19.96%
Touchtone *	0	0	0	0	0.00%
	773,843	563,436	192,336	1,529,615	19.96%
5 PBX Access	99,381	106,966	43,819	250,166	3.26%
Touchtone *	0	0	0	0	0.00%
	99,381	106,966	43,819	250,166	3.26%
6 CCF CLASS	242,827	240,942	7,358	491,127	6.41%
Features	0	0	0	0	0.00%
	242,827	240,942	7,358	491,127	6.41%
7 LMS/EAS Usage	0	0	0	0	0.00%
8 IntraLATA Toll - Intrastate	34,874	93,849	31,634	160,357	2.09%
IntraLATA Toll - Interstate	0	0	0	0	0.00%
Total IntraLATA Toll	34,874	93,849	31,634	160,357	2.09%
9 Local Private Line	68,352	203,717	44,278	316,347	4.13%
Toll Private Line	65,597	189,315	60,501	315,413	4.11%
Switched Link	0	0	0	0	0.00%
Total Private Line	133,949	393,032	104,779	631,760	8.24%
10 InterLATA Toll - Intrastate	0	0	0	0	0.00%
InterLATA Toll - Interstate	69,130	96,744	31,884	197,758	2.58%
Total Switched Access	69,130	96,744	31,884	197,758	2.58%
11 Special Access	0	0	0	0	0.00%
12 Operator Svc/Dir Asst	0	0	0	0	0.00%
13 WATS	0	0	0	0	0.00%
Other	0	0	0	0	0.00%
Total Other	272,209	586,520	168,547	1,027,276	13.40%
14 Non-Discounted Services					
COCOT	0	0	0	0	0.00%
Public Telephone	0	0	0	0	0.00%
E911	0	0	0	0	0.00%
Touchtone *	0	0	0	0	0.00%
Equal Access	126,000	198,990	89,178	414,168	5.40%
Directory Advertising	34,850	24,806	21,008	80,664	1.05%
	160,850	223,796	110,186	494,832	6.46%
Grand Total	3,082,269	3,437,658	1,145,085	7,665,012	100.00%
Touchtone *	0	0	0		

* Assigned to Simple Business, Centrex, Key, PBX, COCOT, Public Telephone, E911, and Switched Link.

POSTAGE ANALYSIS

Company: Sprint Florida - Combined

KEY: 0.00 Does Not Apply
 0.00 Calculated to zero

	Local Pool			
	Accounts	% of Total		Postage Calculation
1 Residence Access	1,260,257	85.59%	Bulk Rate: \$	0.2810 (B)
2 Simple Business Access *	181,031	12.30%	6623.615 \$	4,591,314 (C)
3 Centrex Access	5,287	0.36%	Local Pool:	4,591,314 (D)
4 Key Access	736	0.05%	Toll Pool:	0 (E)
5 PBX Access	450	0.03%		
6 Features	0	0.00%		
7 LMS/EAS Usage	0	0.00%	(D) = (A * B * 12); or (C)	
8 IntraLATA Toll	0	0.00%	(E) = (D - C)	
9 Local/Toll Private Line	12,722	0.86%		
10 Switched Access	0	0.00%		
11 Special Access	0	0.00%		
12 Operator/DA	0	0.00%		
13 Other **	0	0.00%		
14 Non-Discounted Services ***	11,900	0.81%		
	(A) 1,472,383	100.00%		

* Includes 1, 2, 4, and multi- party business, and foreign exchange

** Includes Public, Semi-Public, COCOT, Mobile, Service Station, and WATS

CASS STUDY
Company: Sprint Florida - Combined

KEY:	0.00 Does Not Apply
	0.00 Calculated to zero

	%
	Avoided

1 Residence Access	0.00%
2 Simple Business Access	0.00%
3 Centrex Access	0.00%
4 Key Access	0.00%
5 PBX Access	0.00%
6 Features	0.00%
7 LMS/EAS Usage	0.00%
8 IntraLATA Toll	0.00%
9 Local/Toll Private Line	0.00%
10 Switched Access	0.91%
11 Special Access	0.09%
12 Operator/DA	0.00%
13 Other	0.00%

	1.00%

Note:
Only that portion utilized by non-IXC
end-users is considered avoided.

ACCESS LINE INFORMATION
Company: Sprint Florida - Combined

KEY:	0.00 Does Not Apply
	0.00 Calculated to zero

	Access Lines	% of Total	% of Business	Business Weighted	% of Business Weighted
1 Residence Access *	1,227,659	72.60%	0.00%		
2 Simple Business Access **	204,032	12.07%	44.03%	714,112	31.89%
3 Centrex Access	105,420	6.23%	22.75%	632,520	28.24%
4 Key Access	110,739	6.55%	23.90%	664,434	29.67%
5 PBX Access	30,967	1.83%	6.68%	185,802	8.30%
6 Features	0	0.00%	0.00%		
7 LMS/EAS Usage	0	0.00%	0.00%		
8 IntraLATA Toll	0	0.00%	0.00%		
9 Local/Toll Private Line	0	0.00%	0.00%		
10 Switched Access	0	0.00%	0.00%		
11 Special Access	0	0.00%	0.00%		
12 Operator/DA	0	0.00%	0.00%		
13 Other ***	945	0.06%	0.21%	3,308	0.15%
14 Non-Discounted Services ****	11,269	0.67%	2.43%	39,442	1.76%
	1,691,031	100.00%	100.01%	2,239,617	100.00%

* Includes LMS customers.

** Includes 1, 2, 4, and multi- party business, and foreign exchange

*** Includes COCOT, Service Station, and WATS; excludes company official.

**** Includes Public, Semi-Public, and Mobile; excludes company official.

INCREMENTAL WHOLESALE EXPENSES

	Year 1	Year 2	Year 3	Year 4	Year 5
CORPORATE SUMMARY					
System Development	\$ 1,488,744	\$ 7,967,232	\$ 6,806,292	\$ 5,053,789	\$0
System Development Support	139,051	144,613	150,398	156,414	162,670
Miscellaneous	25,194	26,202	27,250	28,340	29,473
Corporate Staff	2,579,599	2,682,783	2,232,076	1,741,019	1,207,106
	4,232,588	10,820,830	9,216,016	6,979,561	1,399,250
Demand	6,765,853	7,036,487	7,317,947	7,610,664	7,915,091
Levelized at 10%					
Expense	3,847,808	8,942,835	6,924,129	4,767,134	868,824
Demand	6,150,775	5,815,279	5,498,082	5,198,186	4,914,649
\$ / Access Line / Year	\$ 0.9193				
OTC specific	\$ 1.02				
Total per Access Line	\$ 1.9393				
Access Lines	1,691,031				
Total Incremental Add-Back	\$ 3,279,369 (1)				

(1) This value is attributed to services based upon avoided expenses.

	Avoided Expenses	% of Total	Attributed Incremental Add-Backs
1 Residence Access	34,712,858	46.84%	\$ 1,535,912
2 Simple Business Access	4,987,881	6.73%	220,695
3 Centrex Access	2,162,550	2.92%	95,685
4 Key Access	4,531,814	6.11%	200,516
5 PBX Access	1,826,083	2.46%	80,797
6 Features	15,332,704	20.69%	678,414
7 LMS/EAS Usage	93,954	0.13%	4,157
8 IntraLATA Toll	3,406,191	4.60%	150,711
9 Local/Toll Private Line	3,493,517	4.71%	154,575
10 Switched Access *	0	0.00%	0
11 Special Access *	0	0.00%	0
12 Operator/DA	2,043,630	2.76%	90,423
13 Other	1,525,216	2.06%	67,485
14 Non-Discounted Services *	0	0.00%	0
	74,116,397	100.00%	3,279,369

* Add-backs not assigned to Non-Discounted Services

OPERATOR SURCHARGE ADJUSTMENT

Account 5100.410, IntraLATA Toll, includes operator surcharge revenues, which properly belong in the Operator/DA product (Product 12), not the IntraLATA Toll product (Product 8).

Operator assisted calls: -
Rate per call \$ -

Operator assist revenues: \$ 3,509,032 Source - See Below

Operator Assited Revenues (A/C 5100 410):

	<u>Category</u>	<u>Avg Units</u>	<u>Rate</u>	<u>Annual Revenue</u>
Credit Card		114812	\$0.75	\$1,033,308
Person To Person		3130	\$2.50	\$93,900
Other		155475	\$1.00	\$1,865,700
Set Use Charge		168885	\$0.25	\$506,655
Busy Verify		680	\$0.95	\$7,752
Emergency Interrupt		318	\$0.45	<u>\$1,717</u>
				\$3,509,032