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June 25, 2001

BY HAND DELIVERY

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 990649-TP

Dear Ms. Bayo:

Enclosed for filing in the above docket is the original and fifteen (15) copies of Sprint's Response to BellSouth's Motion for Reconsideration.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Yours truly,


John P. Fons

Enclosures

cc: All parties of record

DOCUMENT NUMBER-DATE

07845 JUN 25 2001

FTSD-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into
Pricing of Unbundled Network
Elements
(Phase II - BellSouth)

DOCKET NO. 990649-TP

FILED: June 25, 2001

**SPRINT'S RESPONSE TO BELLSOUTH'S
MOTION FOR RECONSIDERATION**

Sprint-Florida, Incorporated and Sprint Communications Company Limited Partnership ("Sprint") responds ("Response") to BellSouth Telecommunications, Inc.'s ("BellSouth") Motion for Reconsideration ("Motion"), stating as follows:

1. In its Motion, BellSouth requests that the Commission reconsider its Order, issued May 25, 2001. Order No. PSC-01-1181-FOF-TP ("Order"). BellSouth asks the Commission to reconsider six areas; namely, Inflation Factors, Hybrid Copper/Fiber Loops, xDSL-Capable Loops, Loop Conditioning, NID Costs and SAC Time Discrepancies. In this Response, Sprint addresses only the first issue, "Inflation Factors." Nevertheless, BellSouth's Motion should be rejected in its entirety because the Commission neither overlooked nor failed to consider certain evidence applicable to these issues. The proper standard of review for a motion for reconsideration is whether the motion identifies some material and relevant point of fact or law which was overlooked or which the Commission

failed to consider in rendering its decision. See Diamond Cab Co. v. King, 146 So.2d 889 (Fla. 1962); Pingree v. Quaintance, 394 So.2d 161 (Fla. 1st DCA 1981). In a motion for reconsideration, it is not appropriate to reargue matters which have already been considered. Sherwood v. State, 111 So.2d 96 (Fla. 3rd DCA 1959), citing State ex. rel. Jaytex Realty Co. v. Green, 105 So.2d 817 (Fla. 1st DCA 1958).

2. As to the "Inflation Factors" issue, BellSouth not only reargues its position once again, it attempts to bring up "new" arguments on the pretext of responding to the Commission's offer that "to the extent BellSouth can come forward with information in its refiling indicating an appropriate inflation adjustment that eliminates the growth mismatch, we will consider that information at that time." Order, at 263 (Emphasis added). BellSouth is clearly not entitled to reconsideration on the basis of this repackaging of its already failed arguments to justify the use of an inflation adjustment that results in a growth mismatch.

3. Sprint does not intend to engage in a full-scale refutation of BellSouth's repackaged argument; first, because Sprint does not believe that BellSouth has met any of the requirements for the Commission to reconsider the issue and, second, because Sprint's refutation would be substantially the same as the criticisms provided in the record testimony and

Sprint's Post-Hearing Brief, at pages 20 to 22. Sprint will, instead, focus its Response on those areas which BellSouth claims that Sprint's witness Mr. Dickerson "totally misunderstands and misrepresents BellSouth's use of inflation factors," and that Commissioner Deason incorrectly described BellSouth's methodology. Motion, at 3-8.

4. As stated in Sprint's Post-Hearing Brief, "BellSouth's methodology inappropriately applies growth in access lines to its inflation calculation. The application of access line growth to an inflation factor is inappropriate and illogical." Sprint Post-hearing Brief, at 20. Stated another way: "[I]t's an obvious mismatch to suggest the growth in access lines would inflate unit costs in a unit cost calculation when those growth units have not been included in the cost calculation." Id. at 21. This is what Mr. Dickerson stated in his testimony; this is what Commissioner Deason observed at the Agenda Session; and this is what Staff concurred in. Agenda Transcript, at 117.

5. In its Motion, BellSouth contends that: "In BellSouth's methodology, projected expenses are not **divided** by 'current demand levels,' as stated by Commissioner Deason." Motion at 7 (Emphasis in the original). BellSouth then attempts to explain what it does, but, in so doing, fails to show that there is no "mismatch." In fact, despite its protestations that

there is no "mismatch," BellSouth's explanation suggests otherwise.

6. Despite BellSouth's repeated failure to grasp the testimony of Sprint witness Mr. Dickerson, the Order indicates the Commission clearly understood and correctly considered Mr. Dickerson's testimony. The Order summarizes Mr. Dickerson's concerns with BellSouth's application of TPI factors to material prices in the following manner:

Witness Dickerson argues that increases in future equipment costs very well may be accompanied by equipment capacity changes and enhanced capabilities including the ability to self-provision or self-diagnose problems that would be reduce labor costs.

Order, at 301. Continuing on, the Order observes:

Witness Dickerson disagrees with the presumption that vendor costs will increase. He asserts that no one knows whether that is correct, and even if prices do increase, those increases are often accompanied by greater equipment functionality or greater capacity, availability, or capability. This often enables labor cost savings, according to the witness. He asserts to speculate an increase in equipment costs without recognizing the potential interactive impacts of those costs increases can distort the unit costs.

Order, at 302.

7. As to BellSouth's inflation adjustments for expenses, the Order also evidences clear understanding of Mr. Dickerson concerns.

According to BellSouth's cost study methodology, inflation accounts for percentage changes in Union Wages between 1999 and 2002, load factors account for forecasted increases in access lines in service

between 1999 and 2002, and Operating Productivity accounts for the increases in process improvements between 1999 and 2002. To determine the Inflation Adjustment Factor, witness Dickerson explains that BellSouth adds the loading factor to inflation and then subtracts productivity. Sprint asserts that BellSouth's methodology inappropriately applies growth in access lines to its inflation calculation.

Order, at 300. It is obvious from the foregoing that the Commission also understood Sprint Witness Dickerson's criticism of BellSouth's erroneous inflation adjustments. What BellSouth continues to characterize as confusion on the part of Sprint Witness Dickerson and Commissioner Deason is in reality a well-founded refutation of this portion of BellSouth's cost study methodology.

8. BellSouth's Motion continues the same unsuccessful theme presented in the rebuttal testimony of BellSouth Witness Caldwell. BellSouth attempts to foster this result by including a lengthy discussion of customer locations and "1999" customer data vs. "1999" customer demand (a distinction without a difference), which has absolutely nothing to do with the issue of the erroneous inflationary adjustments in BellSouth's cost studies.

9. Ironically, BellSouth's Motion contains the strongest evidence supporting the Commission's correct decision in this area. Starting at the bottom of page 6 BellSouth's Motion states:

What is most important to recognize is that the BSTLM sizes, builds and costs a network to serve a given demand (in this case 1999 demand) and then divides that total network cost by the same demand used to size the network in order to develop the per unit cost.

Motion, at 6-7. This single statement clearly concedes the reality that the network investment calculated in BellSouth's model is based on 1999 customer location demand with no adjustment for access line growth for the years 2000-2002.

10. Again, everyone but BellSouth has correctly grasped the concept that the expenses used in the numerator of BellSouth's unit cost calculation include a gross-up component for projected access line growth for the years 2000-2002. What BellSouth's argument attempts to portray is that increasing the investment costs modeled on 1999 demand levels by applying TPI factors to reflect material price increases, could conceivably equate to modeling the investments necessary to serve the access line growth for years 2000-2002 (as included in the expense numerator of its unit cost calculation). Clearly, however, there is a difference between a potential material price increase and an increase in investments due to increased levels of demand.

11. A simple example illustrates the point. Assume a 600 pair cable is used to serve 500 customers in 1999. Further assume, as BellSouth's cost study has done, that the cost of the


600 pair cable will increase in the future (Sprint's concerns with this TPI approach aside for the illustration). Finally, assume that the access line growth for the years 2000-2002 will require a larger cable to meet demand. An adjustment for a possible price increase in the cost of a 600 pair cable in the future is not an acceptable substitute for the cost of a larger 800 pair cable necessary to meet future access line growth for the years 2000-2002. What BellSouth continues to confuse is that its TPI equipment material price increases could somehow account for the increased access line growth reflected in the expense numerator of its unit cost calculation. The Commission has correctly seen through this confusion and reached the correct conclusion.

12. The Commission's Order, directing that BellSouth remove the erroneous material and expense adjustments for inflation, does not warrant reconsideration.

RESPECTFULLY SUBMITTED this 25th day of June, 2001.

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I HEREBY CERTIFY that a true copy of the foregoing has been furnished by e-mail transmission, U. S. Mail, or hand delivery (*) this 25th day of June, 2001, to the following:

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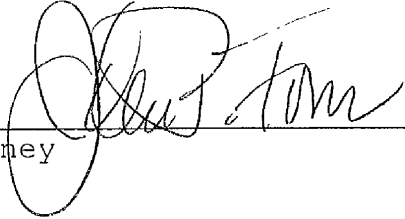
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