



Via Hand Delivery

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March 1, 2002

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

RECEIVED FPSC
02 MAR - 1 PM 4:43
COMMISSION
CLERK

Re: Docket No. 000075-TP: Additional Direct Testimony, Re-Filed Direct Testimony and Re-Filed Rebuttal Testimony of Michael R. Hunsucker, and Additional Direct Testimony of Julie L. Ward

Dear Ms. Bayó:

Enclosed for filing on behalf of Sprint-Florida, Incorporated and Sprint Communications Company Limited Partnership (collectively, "Sprint") is the original and 15 copies of the following:

1. Additional Direct Testimony of Michael R. Hunsucker, w/Exhibits 02432-02
2. Re-Filed Direct Testimony of Michael R. Hunsucker 02433-02
3. Re-Filed Rebuttal Testimony of Michael R. Hunsucker 02434-02
4. Additional Direct Testimony of Julie L. Ward 02435-02

Service has been made this same day via hand delivery and U.S. Mail to the parties listed on the attached service list.

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

Sincerely,

AUS _____
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 SEC _____
 OTH _____

Susan S. Masterton
 Susan S. Masterton

SSM/tk
 Enclosures

[Signature]
 FPSC-BUREAU OF RECORDS

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **ADDITIONAL DIRECT TESTIMONY**

3 **OF**

4 **MICHAEL R. HUNSUCKER**

5
6
7 **Q. Please state your name and business address.**

8
9 A. My name is Michael R. Hunsucker. I am Director-
10 Regulatory Policy, for Sprint Corporation. My
11 business address is 6360 Sprint Parkway, Overland
12 Park, Kansas 66251.

13
14 **Q. Please describe your educational background and work**
15 **experience.**

16
17 A. I received a Bachelor of Arts degree in Economics and
18 Business Administration from King College in 1979.

19
20 I began my career with Sprint in 1979 as a Staff
21 Forecaster for Sprint/United Telephone - Southeast
22 Group in Bristol, Tennessee, and was responsible for
23 the preparation and analysis of access line and minute
24 of use forecasts. While at Southeast Group, I held
25 various positions through 1985 primarily responsible

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1 for the preparation and analysis of financial
2 operations budgets, capital budgets and Part 69 cost
3 allocation studies. In 1985, I assumed the position
4 of Manager - Cost Allocation Procedures for Sprint
5 United Management Company and was responsible for the
6 preparation and analysis of Part 69 allocations
7 including systems support to the 17 states in which
8 Sprint/United operated. In 1987, I transferred back
9 to Sprint/United Telephone - Southeast Group and
10 assumed the position of Separations Supervisor with
11 responsibilities to direct all activities associated
12 with the jurisdictional allocations of costs as
13 prescribed by the FCC under Parts 36 and 69. In 1988
14 and 1991, respectively, I assumed the positions of
15 Manager - Access and Toll Services and General Manager
16 - Access Services and Jurisdictional Costs responsible
17 for directing all regulatory activities associated
18 with interstate and intrastate access and toll
19 services and the development of Part 36/69 cost
20 studies including the provision of expert testimony as
21 required.

22
23 In my current position as Director - Regulatory Policy
24 for Sprint/United Management Company, I am responsible
25 for developing state and federal regulatory policy and

1 legislative policy for Sprint's Local
2 Telecommunications Division. Additionally, I am
3 responsible for the coordination of regulatory/
4 legislative policies with other Sprint business units.

5
6 **Q. Have you previously testified before state Public**
7 **Service Commissions?**

8
9 A. Yes. I have previously testified before state
10 regulatory commissions in South Carolina, Florida,
11 Illinois, Pennsylvania, Nebraska, Maryland, Georgia,
12 Texas, Ohio, and North Carolina. Also, I previously
13 submitted prefiled direct and rebuttal testimony in
14 Phase I and Phase II of this proceeding.

15
16 **Q. What is the purpose of your testimony?**

17
18 A. The purpose of my testimony is to address, on behalf
19 of Sprint, Issue 17 of the Phase II Supplemental
20 Issues List in Docket NO. 000075-TP.

21
22 **ISSUE 17 - SHOULD THE COMMISSION ESTABLISH COMPENSATION**
23 **MECHANISMS GOVERNING THE TRANSPORT AND DELIVERY OR**
24 **TERMINATION OF TRAFFIC SUBJECT TO SECTION 251 OF THE ACT TO**
25 **BE USED IN THE ABSENCE OF PARTIES REACHING AGREEMENT OR**

1 **NEGOTIATING A COMPENSATION MECHANISM? IF SO, WHAT SHOULD**
2 **THE MECHANISM BE?**

3

4 **Q. Does the Commission have jurisdiction to establish bill**
5 **and keep?**

6

7 A. Yes, the Commission has jurisdiction in limited
8 situations to establish bill and keep in the state of
9 Florida for local traffic, but not for access charges
10 applicable to intraLATA toll .

11

12 **Q. What guidance does the Telecommunications Act of 1996**
13 **("Act") provide relative to the recovery of costs**
14 **associated with transport and termination of traffic?**

15

16 A. Section 252(c)(2) of the Telecom Act provides the
17 legislative foundation for the recovery of costs
18 associated with transport and termination of traffic.
19 In general, ILECs and ALECs are allowed to recover "a
20 reasonable approximation of the additional costs" of
21 terminating traffic that was originated by the other
22 carrier. In addition, 252(c)(2)(B) provides that there
23 is nothing in the rules that "precludes arrangements
24 that afford the mutual recovery of costs through
25 offsetting of reciprocal compensation obligations,

1 including arrangements that waive mutual recovery (such
2 as bill and keep)..." This language clearly provides that
3 bill and keep is an acceptable alternative for the
4 recovery of the costs associated with transport and
5 termination of traffic.

6
7 It should be noted that while this language provides the
8 legislative foundation on this issue, the Commission
9 must also look to any FCC rules and regulations that
10 provide additional guidance on this issue.

11

12 **Q. Why is the Florida Commission also bound to any FCC**
13 **rules and regulations regarding reciprocal compensation?**

14

15 A. Section 251(d) of the Act provides the FCC with the
16 authority to establish regulations necessary to
17 implement the requirements of Sections 251. Section
18 251(b)(5) is a requirement placed on all local exchange
19 carriers to "establish reciprocal compensation
20 arrangements for the transport and termination of
21 telecommunications." Thus, the FCC has overriding
22 jurisdiction to establish the necessary rules and
23 regulations required to implement the arrangements for
24 reciprocal compensation.

25

1 **Q. Has the FCC established rules and regulations relative**
2 **to this issue and if so, what do those rules require?**

3
4 A. Yes, the FCC established rules and regulations related
5 to reciprocal compensation in the First Report and Order
6 in Docket No. 96-98 that provide the foundation for
7 state commission action on this issue. Specifically,
8 the FCC rules in Part 51.713 state:

9
10 **51.713 - Bill-and-Keep arrangements for reciprocal**
11 **compensation**

12 a) For purposes of this subpart, bill-and-keep
13 arrangements are those in which neither of the two
14 interconnecting carriers charges the other for the
15 termination of local telecommunications traffic that
16 originates on the other carrier's network.

17 b) A state commission may impose bill-and-keep
18 arrangements if the state commission determines that
19 the amount of local telecommunications traffic from
20 one network to the other is roughly balanced with
21 the amount of local telecommunications traffic
22 flowing in the opposite direction, and is expected
23 to remain so, and no showing has been made pursuant
24 to 51.711(b) of this part.

25

1 c) Nothing in these sections precludes a state
2 commission from presuming that the amount of local
3 telecommunications traffic from one network to the
4 other is roughly balanced with the amount of local
5 telecommunications traffic flowing in the opposite
6 direction and is expected to remain so, unless a
7 party rebuts such a presumption.

8

9 **Q. In your opinion, what authority does the Commission have**
10 **to establish a bill-and-keep compensation mechanism?**

11

12 A. The Commission has the authority to establish bill and
13 keep for local traffic consistent with FCC rule 51.713.
14 This provides that the Commission must affirmatively
15 make the following findings :

16 1) A determination is made by the Commission that the
17 traffic is roughly balanced in both directions and is
18 expected to remain so, or

19 2) A presumption is made by the Commission that the
20 traffic is roughly balanced in both directions,
21 unless a party rebuts such a presumption.

22

23 I think that the rules provide discretion to a state
24 Commission to make a positive determination that the
25 traffic is roughly balanced or a state commission can

1 make a presumption that the traffic is roughly balanced
2 if neither party rebuts the presumption. In my opinion,
3 if a party chooses to rebut the presumption, that
4 rebuttal would be made to a state Commission who would
5 be required to then make a positive determination on the
6 basis of the information presented. Thus a state
7 commission could make a presumption without examining
8 traffic balance information but either party could
9 present information on the balance of traffic, which
10 would require the commission to review the information
11 and make a determination under section (b) of FCC Rule
12 51.713.

13

14 **Q. In your opinion, does the Commission have jurisdiction**
15 **over dial-IP traffic in regards to adopting bill-and-**
16 **keep for this traffic?**

17

18 A. No, they do not. In the FCC's ISP Remand Order (FCC
19 01-131), the FCC adopted an interim intercarrier
20 compensation regime and specifically preempted the
21 states authority in paragraph 82 where they stated,
22 "Because we now exercise our authority under section
23 201 to determine the appropriate intercarrier
24 compensation for ISP-bound traffic, however, state
25 commission will no longer have authority to address

1 this issue." Clearly, the Commission has no authority
2 over dial-IP traffic and as such, the adoption of a
3 default mechanism must exclude dial-IP traffic.

4

5 In addition, the Order provides ILECs with the ability
6 to opt-in to the interim compensation regime if they
7 agree to exchange all 251(b) traffic on the same basis.
8 In other words, if an ILEC chooses to opt-in, the ILEC
9 must agree to exchange all ISP-bound traffic and all
10 other 251(b) traffic, i.e., local traffic at the same
11 rates.

12

13 **Q. Has Sprint, as an ILEC in Florida, opted-in to the FCC's**
14 **interim regime?**

15

16 A. Yes, Sprint, as an ILEC in Florida opted-in to the
17 FCC's interim regime effective February 1, 2002. As
18 such, Sprint has agreed to exchange ISP-bound and
19 251(b) traffic at the FCC's proposed rates.

20

21 **Q. What is the appropriate level (i.e., carrier specific,**
22 **market specific, etc.) to make the determination of**
23 **"roughly balanced"?**

24

1 A. FCC rules 51.713(a) defines bill-and-keep
2 arrangements as those in which neither of the two
3 interconnection carriers charges the other for the
4 termination of local telecommunications traffic. In
5 addition rule 51.713(b) requires the state
6 commission to make a determination on the amount of
7 traffic "from one network to the other". Sprint
8 believes that this requires a state commission to
9 make a determination on the basis of traffic flows
10 between two specific carriers and that it is not
11 appropriate to make a determination on any
12 aggregated basis, e.g., total ILEC to ALEC traffic.
13 The language in the FCC rules is very specific and
14 there appears little room for interpretation.

15

16 **Q. Have you prepared any analysis that provides insight**
17 **into Sprint's balance of traffic in Florida?**

18

19 A. Yes, I have. Attached as Exhibit MRH-1 and MRH-2 is
20 an analysis of traffic flows between Sprint and ALECs
21 in Florida.

22

23 As shown in Exhibit MRH-1, Sprint exchanges
24 approximately 6.1 billions minutes of use (based on
25 first quarter 2001, annualized) with ALECs in Florida.

1 Of this amount, Sprint originates approximately 5.8
2 billion minutes to other carriers while terminating
3 approximately .3 billion from other carriers. This
4 equates to a traffic ratio of approximately 17 to 1.
5 In fact, the traffic ratios for individual carriers
6 are as high as 231 to 1 or stated another way; Sprint
7 is responsible for paying to terminate 231 minutes for
8 every 1-minute that it receives terminating
9 compensation. Further, for three carriers, Sprint
10 originated in excess of 1.5 billion minutes annually
11 while these carriers terminate zero minutes to Sprint
12 and a traffic ratio cannot be calculated on the basis
13 of zero in the denominator.

14
15 At the aggregate level, this results in a net minute
16 of use flow from Sprint to CLECs of approximately 5.4
17 billion minutes annually. Given that Sprint opted
18 into the FCC's interim regime on January 1, 2002, this
19 results in a net expense to Sprint in Florida of
20 approximately \$5.4M annually at the \$0.001 reciprocal
21 compensation rate.

22

23 **Q. Have you performed an analysis to exclude dial-IP**
24 **traffic from the total minutes of use included in MRH-**
25 **1?**

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A. I have attempted to remove dial-IP minutes of use based upon the FCC's rebuttable presumption of a traffic ratio that exceeds 3:1. I set the ratio in the last column to 3:1 and then multiplied Sprint terminating minutes of use by the 3:1 ratio to derive the Sprint non dial-IP originating minutes of use. For those carriers who terminate minutes of use to Sprint and apparently are not billing Sprint for Sprint originating traffic, I made no adjustments to their minutes of use. In addition, for those carriers with a traffic ratio less than 3:1, I made no adjustments to their minutes of use. This results in a total market ratio of 1.94 to 1.

This results in a reduction in total minutes of use from 6.1 Billion total minutes to 1.1 Billion of non dial-IP minutes. In addition, at the FCC's opt-in rate of \$.001 per minute of use, this results in a net expense to Sprint of approximately \$325,000 annually. Thus, the movement to bill-and-keep, when adjusted for dial-IP traffic, presents a financial opportunity to Sprint of \$325,000 annually.

1 **Q. How should the Commission define "roughly balanced" in**
2 **this proceeding?**

3
4 A. Sprint is not proposing a definition of "roughly
5 balanced" at this time as Sprint believes that, given
6 the constraints of the Commission's ability to adopt
7 bill-and-keep, there is little benefit from adopting a
8 definition.

9
10 As I have shown in Exhibit MRH-1, there is little
11 evidence that the traffic flows between Sprint and ALECs
12 in Florida is "roughly balanced". For this reason, if
13 the Commission were to adopt a definition of "roughly
14 balanced", it would be Sprint's position that individual
15 carriers would file with the Commission to rebut the
16 presumption. Sprint would file when it is in its best
17 interests and connecting carriers would file when it is
18 in their best interests. For this reason, adoption of a
19 definition of "roughly balanced" would provide little,
20 if any, benefit to the industry and would potentially
21 place a greater workload on the Commission to review all
22 the rebuttal pleadings that would result. For this
23 reason, Sprint sees little benefit to the adoption of a
24 definition of "roughly balanced".

25

1 **Q. Are there any potential transaction cost (recording and**
2 **billing) savings associated with bill-and-keep that**
3 **could be avoided?**
4
5 A. Sprint has not developed a specific study related to any
6 potential cost savings. While it is possible that some
7 transaction costs associated with the billing and
8 collection of reciprocal compensation could be saved, a
9 portion of the costs associated with this function are
10 sunk, in that there were significant modification costs
11 incurred on the front end to implement billing for
12 reciprocal compensation. In addition, Sprint's billing
13 system for reciprocal compensation was developed to
14 include demand for all of the 18 states in which Sprint
15 operates as an ILEC. To remove one state from the mix
16 does nothing to eliminate costs, e.g., system
17 maintenance, that are incurred on a system basis versus
18 a minute of use recorded and billed basis. Thus, there
19 is probably little to be saved from implementing bill-
20 and-keep in Florida only. These costs would just be
21 spread over less units, thereby increasing the per-unit
22 costs in other states. This is not to say that Sprint
23 desires to continue to incur these costs, just that the
24 costs do not represent a significant savings opportunity

1 to Sprint, given the rebuttal authority of carriers
2 contained in the FCC's rules.

3

4 **Q. Does this conclude your direct testimony?**

5

6 A. Yes, it does.

7

8

SPRINT ILEC TO CLEC TRAFFIC ANALYSIS

CARRIER	SPRINT ORIGINATING	SPRINT TERMINATING	SPRINT TOTAL	RATIO
CLEC 1	1,677,960,240	7,260,000	1,685,220,240	231.12
CLEC 2	1,084,135,800	-	1,084,135,800	N/A
CLEC 3	985,762,800	6,998,640	992,761,440	140.85
CLEC 4	526,277,400	105,168,360	631,445,760	5.00
CLEC 5	525,624,000	20,328,000	545,952,000	25.86
CLEC 6	421,080,000	-	421,080,000	N/A
CLEC 7	148,394,400	19,965,000	168,359,400	7.43
CLEC 8	144,619,200	12,167,760	156,786,960	11.89
CLEC 9	130,767,120	21,126,600	151,893,720	6.19
CLEC 10	58,080,000	-	58,080,000	N/A
CLEC 11	-	56,628,000	56,628,000	-
CLEC 12	25,410,000	18,048,360	43,458,360	1.41
CLEC 13	31,363,200	10,062,360	41,425,560	3.12
CLEC 14	12,487,200	8,232,840	20,720,040	1.52
CLEC 15	-	15,638,040	15,638,040	-
CLEC 16	2,105,400	12,487,200	14,592,600	0.17
CLEC 17	5,299,800	551,760	5,851,560	9.61
CLEC 18	-	4,951,320	4,951,320	-
CLEC 19	-	4,486,680	4,486,680	-
CLEC 20	-	4,022,040	4,022,040	-
CLEC 21	-	3,179,880	3,179,880	-
CLEC 22	-	2,904,000	2,904,000	-
CLEC 23	-	1,364,880	1,364,880	-
CLEC 24	-	406,560	406,560	-
CLEC 25	-	87	87	-
CLEC 26	-	-	-	N/A
TOTAL	5,779,366,560	335,978,367	6,115,344,927	17.20

SOURCE : 1ST QTR 2001 MINUTES ANNUALIZED

**SPRINT ILEC TO CLEC TRAFFIC ANALYSIS
 ADJUSTED FOR FCC PROPOSED 3 TO 1 RATIO**

CARRIER	SPRINT ORIGINATING	SPRINT TERMINATING	SPRINT TOTAL	RATIO
CLEC 1	21,780,000	7,260,000	29,040,000	3.00
CLEC 2	-	-	-	3.00
CLEC 3	20,995,920	6,998,640	27,994,560	3.00
CLEC 4	315,505,080	105,168,360	420,673,440	3.00
CLEC 5	60,984,000	20,328,000	81,312,000	3.00
CLEC 6	-	-	-	3.00
CLEC 7	59,895,000	19,965,000	79,860,000	3.00
CLEC 8	36,503,280	12,167,760	48,671,040	3.00
CLEC 9	63,379,800	21,126,600	84,506,400	3.00
CLEC 10	-	-	-	3.00
CLEC 11	-	56,628,000	56,628,000	3.00
CLEC 12	25,410,000	18,048,360	43,458,360	1.41
CLEC 13	30,187,080	10,062,360	40,249,440	3.00
CLEC 14	12,487,200	8,232,840	20,720,040	1.52
CLEC 15	-	15,638,040	15,638,040	3.00
CLEC 16	2,105,400	12,487,200	14,592,600	0.17
CLEC 17	1,655,280	551,760	2,207,040	3.00
CLEC 18	-	4,951,320	4,951,320	3.00
CLEC 19	-	4,486,680	4,486,680	3.00
CLEC 20	-	4,022,040	4,022,040	3.00
CLEC 21	-	3,179,880	3,179,880	3.00
CLEC 22	-	2,904,000	2,904,000	3.00
CLEC 23	-	1,364,880	1,364,880	3.00
CLEC 24	-	406,560	406,560	3.00
CLEC 25	-	87	87	3.00
CLEC 26	-	-	-	3.00
TOTAL	650,888,040	335,978,367	986,866,407	1.94

SOURCE : 1ST QTR 2001 MINUTES ANNUALIZED WITH ADJUSTMENTS AS DISCUSSED IN TESTIMONY