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March 18, 2002

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. 990649B-TP

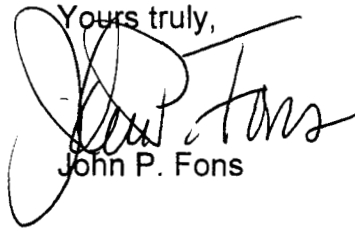
Dear Ms. Bayo:

Enclosed for filing on behalf of Sprint-Florida, Inc. are the original and fifteen (15) copies of the Surrebuttal Testimony of Kent W. Dickerson and Michael R. Hunsucker and the Rebuttal Testimony of Brian K. Stairh in the above matter.

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

Thank you for your assistance in this matter.

Yours truly,



John P. Fons

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Enclosures

cc: All parties of record

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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**
2 **SURREBUTTAL TESTIMONY**
3 **OF**
4 **MICHAEL R. HUNSUCKER**

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

7
8 A. My name is Michael R. Hunsucker. I am Director-Regulatory Policy, for
9 Sprint-United Management Company. My business address is 6450
10 Sprint Parkway, Overland Park, Kansas 66251.

11
12
13 **Q. Are you the same Michael R. Hunsucker that filed Direct Testimony**
14 **is this docket?**

15
16 A. Yes, I am.

17
18
19 **Q. What is the purpose of your testimony?**

20
21 A. The purpose of my testimony is to address on behalf of Sprint-Florida,
22 Inc. ("Sprint") several issues raised by KMC witness Frank W. Wood.

1 **Q. On page 17, Mr. Wood maintains that the Sprint and Verizon pricing**
2 **proposals do not help promote competitive entry or expansion of**
3 **competitive options. What is Sprint's reaction to this claim?**

4
5 A. As discussed in my Direct Testimony, filed November 7, 2001, Section
6 252(d)(1) of the Telecom Act of 1996 (Telecom Act) sets forth the pricing
7 standards for Interconnection and for unbundled network elements, and
8 specifically requires rates for these elements be based on forward-
9 looking costs. Sprint agrees that the goal of the Telecom Act of 1996
10 was indeed to promote competitive local entry. However, the assertion
11 that unbundled network element prices should be set at a level to ensure
12 local competition is simply incorrect. Arbitrarily reducing an ILEC's UNE
13 rates below cost, which reflect the actual cost of providing the UNE, for
14 the sake of promote competition has the effect of subsidizing a CLEC's
15 entry by forcing the ILEC to under-recover its actual costs of providing
16 the UNE. Nowhere in the Telecom Act is there a requirement that the
17 ILEC subsidize a CLEC's costs at the expense of under-recovering its
18 own costs.

19
20
21 **Q. On page 11, Mr. Wood states that KMC's investors deserve a return**
22 **on their investment. Do you agree?**

23
24 A. Sprint does not disagree. However, if Sprint were forced to subsidize the
25 UNEs rates paid by KMC or any CLEC by not fully recovering the costs

1 actually incurred to provide the UNE, Sprint's investors would not be
2 pleased either. Moreover, as I stated previously, the Telecom Act does
3 not require the ILEC to price its UNEs below-cost so that the CLEC and
4 its investors receive a return on their investment.

5

6

7 **Q. On page 21, KMC witness Wood expresses concern regarding the**
8 **differences between UNE rates and retail rates and makes the**
9 **argument that you cannot avoid retail rates when setting wholesale**
10 **rates. Do you agree with Mr. Wood?**

11

12 A. No. As mentioned in my Direct Testimony, although Sprint fully
13 appreciates the differences between existing retail rate structures and
14 levels and the rate levels and structures for unbundled network
15 elements, how these differences should be resolved is equally clear to
16 Sprint. Consistent with the mandate of the Telecom Act, Section
17 252(d)(1)(A), UNEs are to be priced "...based on cost (determined
18 without reference to a rate-or-return or other rate-based proceeding) of
19 providing the interconnection or unbundled network element (whichever
20 is applicable),...". There is simply no requirement in the Telecom Act or
21 the FCC rules that places any limitation on the price of UNEs relative to
22 retail rates.

23

24 Mr. Wood is obviously referring to the retail rates for basic residential
25 services relative to the underlying price of UNEs. To the extent that the

1 retail rate levels or rate structures are not supportive of the underlying
2 cost of the UNEs used in the provisioning of the service, Sprint believes
3 that the rates for these services should be restructured to recover such
4 costs. In the interim, however, any attempt to bring this into
5 conformance in this proceeding is misplaced. Such an effort is beyond
6 the focus of this proceeding.

7
8
9 **Q. On page 20, KMC witness Wood contends that Sprint, operating as**
10 **an ALEC in the BellSouth territory, is in a better position to compete**
11 **with BellSouth than KMC can compete with Sprint's ILEC**
12 **operations" since BellSouth's rates are lower in some areas. Do**
13 **you agree with Mr. Wood?**

14
15 **A.** No. In accordance with the Telecom Act and the FCC's rules, Sprint has
16 filed UNE rates that accurately portray Sprint's real cost of providing
17 unbundled network elements in Florida. Likewise, the rates approved for
18 BellSouth must reflect BellSouth's actual costs of providing UNEs in
19 Florida. There is simply no basis for making a claim that BellSouth's
20 costs should be reflective of Sprint's costs. As mentioned by witness
21 Dickerson, there are valid operating differences between BellSouth and
22 Sprint that logically results in differences in the forward-looking UNE
23 rates. In addition, KMC has the ability to purchase UNEs at the same
24 rate as Sprint in BellSouth territories. Therefore, KMC's competitive
25 disadvantage argument is without merit.

1 **Q. On page 23, KMC witness Wood asks the Commission to consider**
2 **“adopting more rather than fewer bands”. Do you agree with this**
3 **suggestion?**

4
5 A. No. Sprint should not have to deaverage into more bands than any other
6 ILEC in the state of Florida. However, Sprint would not be against
7 further deaveraging assuming the methodology adopted by the
8 Commission would put them on a level playing field with all ILECs in the
9 state. As mentioned in my Direct Testimony, Sprint proposed a 20%
10 deavearging proposal that produced more than 3 bands. However, this
11 proposal was not fully adopted by this Commission in the BellSouth
12 docket. Therefore, Sprint would most definitely be at competitive
13 disadvantage if forced to deaverage into more bands than was deemed
14 acceptable in the BellSouth docket.

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17 **Q. Does that conclude your testimony?**

18
19 A. Yes.

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