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April 12, 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:

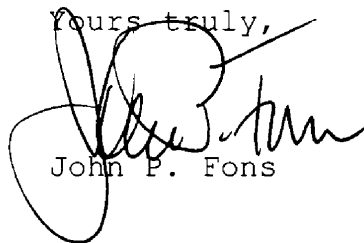
Enclosed for filing in the above docket are the original and fifteen (15) copies Sprint-Florida's Prehearing Statement.

Also enclosed is a diskette containing the above Prehearing Statement originally typed in Microsoft Word 97 format, which has been saved in Rich Text format for use with Word Perfect.

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

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DOCUMENT NUMBER DATE

04113 APR 12 2002

FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into
Pricing of Unbundled Network
Elements

DOCKET NO. 990649B-TP
FILED: April 12, 2002

SPRINT-FLORIDA'S PREHEARING STATEMENT

Sprint-Florida, Incorporated ("Sprint" or "Sprint-Florida"), pursuant to Order No. PSC-01-1592-PCO-TP¹, issued August 2, 2001, submits the following Prehearing Statement.

A. WITNESSES: Sprint-Florida will present the direct, supplemental direct and surrebuttal testimony of Michael R. Hunsucker (Issues 1, 2, 4, 5, 6, 9, 12 and 13); the direct and surrebuttal testimony of Kent W. Dickerson (Issues 3, 7, 9 and 12); the direct and rebuttal testimony of Brian K. Staihr (Issue 7(e)); and the direct testimony of Talmage O. Cox, III (Issues 7 and 9), Jimmy R. Davis (Issues 8, 9, 10, 11 and 12) and Michael Fuller - adopting the direct testimony of Terry D. Talken (Issues 5, 6 and 9(a)).

B. EXHIBITS: Sprint-Florida will present the following prefiled exhibits:

Michael R. Hunsucker: Revised MRH-1 Network Element Price
List Sprint-Florida

¹ This Order has been amended by Orders Nos. PSC-01-1676-PCO-TP and PSC-02-0090-PCO-TP.

Revised MRH-2 Sprint-Florida Loop
Banding Module Proposed
Deaveraged Loop Rates

MRH-3 Sprint-Florida Loop Banding
Module - Deaveraged Loop
Rates - Non-Collapsed

MRH-4 Interoffice Transport

Kent W. Dickerson:

KWD-1 Qualifications

KWD-2 Cost Study Binders Vols. I,
II and III (Revised Vol. II,
Tab II Loops and Tab X Cost
Summary)

KWD-3 Sprint-Florida, Inc.
Issues/Witness List

KWD-4 Florida Density Comparison

Brian K. Staihr:

BKS-1 Sprint-Florida, Incorporated
- Book Value Capital
Structure as of June 30,
2001

BKS-2 Sprint-Florida, Incorporated
- Cost of Debt as of June 25
through July 9, 2001

BKS-3 Sprint-Florida, Incorporated
- Market Value Capital
Structure as of June 25
through July 9, 2001

BKS-4 Comparable Group Market-to-
Book Ratios as of June 25
through July 9, 2001

BKS-5 Comparable Group Risk
Measures

BKS-6 Comparable Group Discounted
Cash Flow Analysis as of
June 25 through July 7, 2001

- BKS-7 The Discounted Cash Flow Model - General Form and Quarterly Model
- BKS-8 Risk Premium Analysis as of June 25 through July 9, 2001/Interest Rates Implied by Prices of U.S. Treasury Bond Futures Contracts as of June 25 through July 9, 2001
- BKS-9 Value Line Betas
- BKS-10 Sprint Corporation - Common Stock Issuance Costs January 1967 through February 2001
- BKS-11 Sprint-Florida, Incorporated Weighted Market Value Cost of Capital - Market Value Capital Structure and Cost Rates as of June 25 through July 9, 2001
- BKS-1 (Rebuttal)
Comparable-Risk Firms
- Comparisons
- BKS-2 (Rebuttal)
Reproduction of Mr. Draper's
DCF Results

Sprint-Florida reserves the right to introduce exhibits for cross-examination, impeachment, or for any other purpose authorized by the applicable Florida Rules of Evidence, Florida Administrative Code and Florida Public Service Commission Rules.

C. BASIC POSITION: A fundamental objective of the Telecommunications Act of 1996 is to open all markets, including local exchange markets, to competition. Section 251 of the Act provides new entrants alternative avenues for entering the local

exchange market, including, by self-provisioning of facilities, by resale of the incumbent company's tariffed services and by obtaining unbundled network elements (UNEs) from the incumbent company. The focus of this proceeding is Sprint-Florida's costs and prices for UNEs, including geographically deaveraged costs and prices, where appropriate.

The forward-looking cost standard for UNEs provides a measure of the costs - both recurring and non-recurring costs - that would be incurred by Sprint-Florida to provide a particular network element. The 1996 Telecommunications Act requires that prices for UNEs be cost-based, and the FCC rules define cost-based to mean forward-looking economic costs (TELRIC plus a reasonable share of forward-looking common costs). It is also essential that UNE prices reflect forward-looking costs on a geographically deaveraged basis to the extent costs vary by geographic areas. Section 51.507(f) of the FCC Rules requires that UNEs be geographically deaveraged into at least three cost-related zones to the extent that a UNE's costs vary geographically.

The FCC rules further require that the rates for combinations of UNEs should be based on forward-looking economic costs. Although as a general principal, the rate for a UNE combination should be the sum of the rates for those UNE

elements that comprise the combination, there are occasions where simply summing those individual UNEs is inappropriate.

The 1996 Act and the FCC's rules related to the pricing of UNEs do not require that Sprint-Florida's retail rate levels or rate structures be consistent with its UNE prices to the extent that such inconsistency exists. As stated earlier, the focus of this proceeding is to establish Sprint-Florida's UNE prices consistent only with the requirements of the 1996 Act and the FCC's rules. Any attempt to achieve consistency between Sprint-Florida's retail rates and its UNE prices is misplaced in this proceeding.

The UNE prices being proposed by Sprint-Florida in this proceeding - both recurring and non-recurring, and both deaveraged and non-deaveraged - have been developed in compliance with the cost requirements of the 1996 Act and the FCC's costing and pricing standards. These proposed prices also take into account and reflect this Commission's previous decisions - including the Commission's decision in the BellSouth proceeding - regarding cost development and pricing and price structure issues.

D-G. ISSUES AND POSITIONS:

Issue 1: **What factors should the Commission consider in establishing rates and charges for UNEs (including deaveraged UNEs and UNE combinations)?**

Position: UNE rates should be based on Sprint-Florida's forward-looking economic costs as required by Section 252(d)(1) of the Telecommunications Act of 1996 and the FCC rules implementing the Act. This requirement applies to deaveraging UNEs, as well as combinations of UNEs.

Issue 2: **(a) What is the appropriate methodology to deaverage UNEs and what is the appropriate rate structure for deaveraged UNEs?**

(b) For which of the following UNEs should the Commission set deaveraged rates?

- (1) loops (all);**
- (2) local switching;**
- (3) interoffice transport (dedicated and shared);**
- (4) other (including combinations).**

Position:

(a) UNE prices should be deaveraged to the extent necessary to avoid significant deviations between the rate that is charged and the actual forward-looking costs of providing that element in a specific geographic area. At a minimum, prices should be deaveraged into at least three zones.

(b) Sprint-Florida believes that the forward-looking economic costs of a number of UNEs vary by geographic area.

However, because the ALECs have expressed an interest in deaveraged rates for only loops and loop combinations, Sprint-Florida is proposing that only the recurring rates for loops and related combinations be deaveraged. This proposal is consistent with the Commission's order in the BellSouth UNE proceeding.

- Issue 3:**
- (a) **What are xDSL-capable loops?**
 - (b) **Should a cost study for xDSL-capable loops make distinctions based on loop length and/or the particular DSL technology to be deployed?**

Position:

- (a) As a general and practical matter, at this time xDSL-capable loops are copper loops that are generally 18,000 feet in length or shorter and do not contain any DSL inhibiting devices. As network technology evolves, this definition of an xDSL loop will also evolve to reflect these technology and provisioning changes.
- (b) No.

- Issue 4:**
- (a) **Which subloop elements, if any, should be unbundled in this proceeding, and how should prices be set?**
 - (b) **How should access to such subloop elements be provided, and how should prices be set?**

Position: .

- (a) Sprint-Florida has developed costs and is proposing rates for feeder and distribution subloop elements because, if there is any demand, it will be for these elements. These rates do not include the costs of interconnecting these subelements to the ALEC's network.
- (b) It is not feasible at this time for Sprint-Florida to develop a generic forward-looking cost for subloop interconnection. Until such time as there is meaningful demand for subloop interconnection, Sprint-Florida proposes to price this interconnection on an individual case basis.

Issue 5: For which signaling networks and call-related databases should rates be set?

Position: Sprint-Florida proposes UNE rates for the following call-related database items:

- 911/E911
- STP Ports and STP Switching (SS7 Interconnection)
- Database Query Services

Issue 6: Under what circumstances, if any, is it appropriate to recover non-recurring costs through recurring rates?

Position: To the extent that high, non-recurring charges are a significant barrier to competitive entry, it may be appropriate

to require some portion of non-recurring charges be recovered through recurring rates. However, absent such circumstances, non-recurring costs should be recovered through non-recurring rates.

Issue 7: What are the appropriate assumptions and inputs for the following items to be used in the forward-looking recurring UNE cost studies?

- (a) network design (including customer location assumptions);
- (b) depreciation;
- (c) cost of capital;
- (d) tax rates;
- (e) structure sharing;
- (f) structure costs;
- (g) fill factors;
- (h) manholes;
- (i) fiber cable (material and placement costs);
- (j) copper cable (material and placement costs);
- (k) drops;
- (l) network interface devices;
- (m) digital loop carrier costs;
- (n) terminal costs;
- (o) switching costs and associated variables;
- (p) traffic data;
- (q) signaling system costs;
- (r) transport system costs and associated variables;
- (s) loadings;
- (t) expenses;
- (u) common costs;
- (v) other.

Position: The appropriate assumptions and inputs that should be used in the development of forward-looking economic recurring costs are those set forth in the cost studies filed by Sprint-Florida on November 7, 2001, and as explained in the prefiled

testimony of Sprint-Florida witnesses Michael Hunsucker, Kent Dickerson, Brian Staihr, Talmage Cox, Jimmy Davis and Terry Talken (Mr. Talken's testimony to be adopted by Michael Fuller).

Issue 8: **What are the appropriate assumptions and inputs for the following items to be used in the forward-looking non-recurring UNE cost studies?**

- (a) network design;
- (b) OSS design;
- (c) labor rates;
- (d) required activities;
- (e) mix if manual versus electronic activities;
- (f) other.

Position: The appropriate assumptions and inputs that should be used in the development of forward-looking, non-recurring costs are those set forth in the cost studies filed by Sprint-Florida on November 7, 2001, and as explained in the prefiled direct testimony of Sprint-Florida witnesses Kent Dickerson and Jimmy Davis.

Issue 9: (a) **What are the appropriate recurring rates (averaged or deaveraged as the case may be) and non-recurring charges for each of the following UNEs?**

- (1) 2-wire voice grade loop;
- (2) 4-wire analog loop;
- (3) 2-wire ISDN/IDSL loop;
- (4) 2-wire xDSL-capable loop;
- (5) 4-wire xDSL-capable loop;
- (6) 4-wire 56 kbps loop;
- (7) 4-wire 64 kbps loop;
- (8) DS-1 loop;
- (9) high capacity loops (DS3 and above);

- (10) dark fiber loop;
- (11) subloop elements (to the extent required by the Commission in Issue 4);
- (12) network interface devices;
- (13) circuit switching (where required);
- (14) packet switching (where required);
- (15) shared interoffice transmission;
- (16) dedicated interoffice transmission;
- (17) dark fiber interoffice facilities;
- (18) signaling networks and call-related databases;
- (19) OS/DA (where required).

- (b) Subject to the standards of the FCC's Third Report and Order, should the Commission require ILECs to unbundle any other elements or combinations of elements? If so, what are they and how should they be priced.

Position:

- (a) The appropriate recurring and non-recurring rates for the listed UNEs (where required) and interconnection at issue in this proceeding are set forth in Exhibits MRH-1, MRH-2, MRH-3 and MRH-4 to the prefiled direct testimony of Michael R. Hunsucker, dated November 7, 2001, and in the revised Exhibits MRH-1 and MRH-2 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002. The appropriateness of these rates is discussed in Mr. Hunsucker's direct and supplemental direct testimony.
- (b) No.

Issue 10: . What is the appropriate rate, if any, for customized routing?

Position: Sprint-Florida proposes three non-recurring charges for customized routing, namely; switch analysis charge, host switch translations and remote switch translations. These charges are set forth in the Cost Study, Volume I, Tab VIII. NRC, pages 26 and 27.

- Issue 11:**
- (a) What is the appropriate rate, if any, for line conditioning, and in what situations should the rate apply?
 - (b) What is the appropriate rate, if any, for loop qualification information, and in what situations should the rate apply?

Position:

- (a) The appropriate non-recurring rates for line conditioning are set forth in Exhibit MRH-1 to the prefiled direct testimony of Michael R. Hunsucker, dated November 7, 2001, and in the revised Exhibit MRH-1 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002. The situations in which the rate should apply are described in the prefiled direct testimony of Jimmy R. Davis, dated November 7, 2001.
- (b) The appropriate non-recurring rate for loop qualification information is set forth in Exhibit MRH-1 to the prefiled direct testimony of Michael R. Hunsucker, dated November 7,

2001, and in the revised Exhibit MRH-1 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002. The rate should apply any time an ALEC requests loop qualification information.

Issue 12: Without deciding the situations in which such combinations are required, what are the appropriate recurring and non-recurring rates for the following UNE combinations:

- (a) "UNE platform" consisting of: loop (all), local (including packet, where required) switching (with signaling), and dedicated and shared transport (through and including local termination);
- (b) "extended links," consisting of:
 - (1) loop, DSO/1 multiplexing, DS1 interoffice transport;
 - (2) DS1 loop, DS1 interoffice transport;
 - (3) DS1 loop, DS1/3 multiplexing, DS3 interoffice transport.

Position:

(a) The appropriate recurring and non-recurring rates for "UNE platform" are set forth in Exhibit MRH-1 to the prefiled direct testimony of Michael R. Hunsucker, dated November 7, 2001, and in Revised Exhibit MRH-1 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002.

(b) The appropriate recurring and non-recurring rates for "extended links" are set forth in Exhibit MRH-1 to the

prefiled direct testimony of Michael R. Hunsucker, dated November 7, 2001, and in the revised Exhibit MRH-1 to the supplemental direct testimony of Michael R. Hunsucker, dated April 10, 2002. The appropriateness of these rates is discussed in Mr. Hunsucker's direct and supplemental direct testimony.

Issue 13: **When should the recurring and non-recurring rates and charges take effect?**

Position: Sprint-Florida recommends that it be required to file UNE rates that conform to any Commission order 60 days after release of that order. The rates would become effective on the date they are filed.

H. STIPULATIONS: Sprint-Florida is not aware of any pending stipulations at this time.

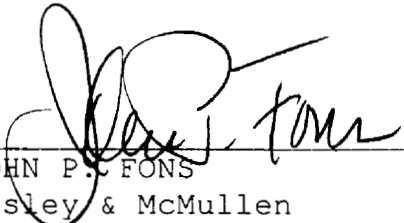
I. PENDING MOTIONS: Sprint-Florida's Motion for Leave to File Supplemental Direct Testimony and Revised Exhibits of Michael R. Hunsucker.

J. COMPLIANCE WITH ORDER ON PREHEARING PROCEDURE: Sprint-Florida does not know of any requirement of the Order on Prehearing Procedure with which it cannot comply.

Respectfully submitted this 12th day of April, 2002.

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and



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing has been furnished by e-mail transmission, U. S. Mail, or hand delivery(*) this 12th day of April, 2002, to the following:

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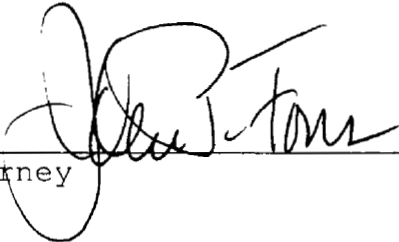
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