

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

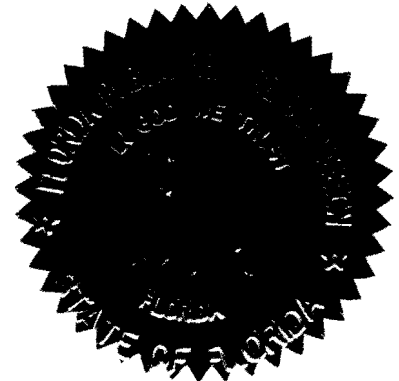
In the Matter of

PETITION OF COMPETITIVE CARRIERS
FOR COMMISSION ACTION TO SUPPORT
LOCAL COMPETITION IN BELLSOUTH
TELECOMMUNICATIONS, INC.'S
SERVICE TERRITORY.

DOCKET NO. 981834-TP

PETITION OF ACI CORP. d/b/a
ACCELERATED CONNECTIONS, INC. FOR
GENERIC INVESTIGATION TO ENSURE
THAT BELLSOUTH TELECOMMUNICATIONS,
INC., SPRINT-FLORIDA, INCORPORATED,
AND GTE FLORIDA INCORPORATED COMPLY
WITH OBLIGATION TO PROVIDE
ALTERNATIVE LOCAL EXCHANGE CARRIERS
WITH FLEXIBLE, TIMELY, AND COST-
EFFICIENT PHYSICAL COLLOCATION.

DOCKET NO. 990321-TP



ELECTRONIC VERSIONS OF THIS TRANSCRIPT ARE
A CONVENIENCE COPY ONLY AND ARE NOT
THE OFFICIAL TRANSCRIPT OF THE HEARING,
THE .PDF VERSION INCLUDES PREFILED TESTIMONY.

VOLUME 3

Pages 395 through 519

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN BRAULIO L. BAEZ
COMMISSIONER J. TERRY DEASON
COMMISSIONER LILA A. JABER
COMMISSIONER RUDOLPH "RUDY" BRADLEY
COMMISSIONER CHARLES M. DAVIDSON

DATE: Wednesday, January 28, 2004

DOCUMENT NUMBER-DAT

01866 FEB-98

FPSC-COMMISSION CLERK

1 TIME: Commenced at 9:30 a.m.
2 Concluded at 5:10 p.m.

3 PLACE: Betty Easley Conference Center
4 Room 148
5 4075 Esplanade Way
Tallahassee, Florida

6 REPORTED BY: LINDA BOLES, RPR
7 Official FPSC Reporter
(850) 413-6734

8 APPEARANCES: (As heretofore noted.)
9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

WITNESSES

NAME:	PAGE NO.
BERNARD SHELL	
Cross Examination by Mr. Teitzman	399
Redirect Examination by Ms. White	402
JIMMY R. DAVIS	
Direct Examination by Ms. Masterton	405
Prefiled Direct Testimony Inserted	409
Prefiled Surrebuttal Testimony Inserted	422
Cross Examination by Mr. Hatch	465
Cross Examination by Mr. Watkins	469
Cross Examination by Mr. Rojas	470
RANDY G. FARRAR	
Direct Examination by Ms. Masterton	481
Prefiled Surrebuttal Testimony Inserted	485
Cross Examination by Mr. Hatch	509
Cross Examination by Mr. Watkins	516
CERTIFICATE OF REPORTER	519

EXHIBITS

	NUMBER:	ID.	ADMTD.
1			
2			
3	34		403
4	35		403
5	36		403
6	37		403
7	39	(Confidential) JRD-2 and JRD-6	408 481
8	40	(JRD-3, JRD-4, JRD-5, JRD-7, JRD-8	408 481
9		JRD-9 and JRD-10)	
10	41	(Confidential) RGF-1	484 518
11	42	RGF-2	484 518
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

P R O C E E D I N G S

(Transcript follows in sequence from Volume 2.)

CHAIRMAN BAEZ: Go back on the record.

I believe at this point we were at staff's questions.

MR. TEITZMAN: Yes, Chairman.

CROSS EXAMINATION

BY MR. TEITZMAN:

Q Good afternoon, Mr. Shell. I just have a few questions for you.

In your direct testimony you discuss assembly point collocation; is that correct?

A That's correct.

Q To your knowledge has BellSouth provided assembly point collocation to any CLECs in the state of Florida?

A No. BellSouth has not provided assembly point to anyone in any state.

Q Does BellSouth's nonrecurring charges for cross-connects include any costs for the installation of the cross-connect?

A Yes, to the extent that you would, you would assume that when I say yes, I'm referring to the cross-connect jumper wire. In other words, you have the connection at the frame on both ends, and the, the nonrecurring cost recovers the cost to jumper, put the jumper wire between those and make the connection.

1 Q Does that cover the cost of placing the wire?

2 A I'm trying to make sure I understand your question.
3 It, it does not recover the costs. In other words, let me lay
4 out the scenario would be you have a collocation space in the
5 frame. That cable is run by the CLEC vendor for BellSouth and
6 terminated on the frame. The loop, for example, would be
7 terminated on the frame, and all BellSouth would do would run a
8 connecting wire, but not the cable that goes from the frame,
9 from the collocation space to the frame, that would not be done
10 by BellSouth.

11 Q When a CLEC installs a cross-connect to a BellSouth
12 central office as you were just describing, what function does
13 BellSouth have in testing of the cross-connect?

14 A Could you please repeat the first part of that? I
15 wasn't sure I could follow it.

16 Q When a CLEC installs a cross-connect in a BellSouth
17 central office, what function does BellSouth have in the
18 testing of the cross-connect, if any?

19 A Okay. And if I may clarify, I think when you say
20 cross-connect, you mean when the CLEC installs the tie cable,
21 they run from this space to the frame? I want to verify.

22 Q Yes.

23 A Okay. Okay. Yeah. I would not have called that
24 cross-connect. That's why I was confused. The cross-connect
25 is actually putting the two cables together. But BellSouth has

1 no part or -- in actually testing the facility that's
2 terminated on the frame. What BellSouth does is just document
3 and work with, work with the provider to ensure that both
4 parties know exactly where they're terminated, but we do not
5 test for them.

6 Q Real quickly, I'd like to just ask a few questions
7 regarding the work times used in developing BellSouth's
8 collocation cost studies.

9 Now correct me if I'm wrong, the work times used in
10 the studies were developed by subject matter experts and their
11 conversations with personnel in the fields who perform the
12 activities; is that correct?

13 A That's correct.

14 Q Was there any objective test used or study used by
15 BellSouth to check on the accuracy of these times?

16 A No. BellSouth basically used the judgment of those
17 that were involved with doing the function, and the
18 headquarters SMEs worked with the field SMEs to get input and
19 verify it. There was no further testing done.

20 Q Is there any method by which this Commission could
21 validate the work times used in the BellSouth collocation cost
22 studies?

23 A I assume the only way to do something like that, to
24 do something that I guess is called like a time in motion study
25 looking over a certain period of time of activities to do

1 various functions. But, of course, that would all depend upon
2 the quantity of activity during the time period for the study,
3 if it's sufficient to give you a good, good idea of what's a
4 reasonable approximation. That would be the only way, I think,
5 to do that.

6 Q And BellSouth did not conduct any time motion
7 studies; correct?

8 A No. BellSouth did not do time motion studies.

9 MR. TEITZMAN: No further questions.

10 CHAIRMAN BAEZ: Commissioners? Redirect?

11 MS. WHITE: Yes. Just a couple of questions.

12 REDIRECT EXAMINATION

13 BY MS. WHITE:

14 Q Mr. Shell, do you still have the document that
15 Mr. Early handed you about the Tyco and RELTEC rectifiers
16 specifications?

17 A Yes, I do.

18 Q Let me ask you a question on that. If you assume
19 that one rectifier has 85 percent efficiency and another
20 rectifier has 90 percent efficiency, but the 90 percent
21 efficiency rectifier costs three times as much as the other
22 one, which one would BellSouth use?

23 A I would guess that BellSouth would take the, the one
24 that does not cost as much. You know, obviously you have to
25 look at the, the benefits of both ones. But I would think

1 BellSouth would go for the least cost one for their purposes.

2 Q With that same hypothetical in mind, which rectifier
3 would be more consistent with TELRIC?

4 A Well, TELRIC says it's the least cost, most
5 efficient, so you have to look at both of those scenarios. And
6 given that you're just talking from 85 to 92 percent, that
7 really wouldn't be a significant impact in this study. But the
8 overall costs would be an impact in the study. I would assume
9 we would go with the least cost one.

10 Q Do you know how much the Tyco rectifier or the RELTEC
11 rectifier, how much those rectifiers are that are included in
12 these specifications that were handed out by AT&T? Do you know
13 how much they cost?

14 A No, not unless it's on this document, I don't know.

15 MS. WHITE: Thank you. I have nothing further.

16 CHAIRMAN BAEZ: Thank you, Mr. Shell. You're
17 excused.

18 (Witness excused.)

19 CHAIRMAN BAEZ: Next we have --

20 MS. WHITE: BellSouth would move Exhibits 34 through
21 37.

22 CHAIRMAN BAEZ: Exhibits 34 through 37 are moved into
23 the record without objection.

24 (Exhibits 34, 35, 36 and 37 admitted into the
25 record.)

1

2 CHAIRMAN BAEZ: And, Mr. Watkins, we've got to hold
3 off on yours; is that right?

4 MR. WATKINS: I'm happy to move it into evidence. We
5 may have some objections from parties absent the foundation
6 being laid with their witnesses.

7 MR. McCUAIG: Absolutely. Verizon would object to
8 its numbers being introduced at this time.

9 CHAIRMAN BAEZ: So what we're going to do is we're
10 going to hold off on confidential Exhibit 38. And that's the
11 balance of the exhibits; correct?

12 MS. WHITE: Yes.

13 MR. TEITZMAN: That is correct.

14 CHAIRMAN BAEZ: All right.

15 MS. WHITE: And I'm sorry, Chairman Baez, you
16 probably already did this, but is Mr. shell excused?

17 CHAIRMAN BAEZ: Yes. I think I, I think I said that.

18 MS. WHITE: Okay. Thank you.

19 MR. CARVER: Mr. Chairman --

20 CHAIRMAN BAEZ: Okay. Next we have -- yes,
21 Mr. Carver.

22 MR. CARVER: I'm sorry. Could I ask a question? I
23 have a basis for objection to introducing BellSouth's portion
24 of this. So is the entire document -- should I save that until
25 the entire docket is moved in later?

1 CHAIRMAN BAEZ: I think it would probably be better
2 just to hear from all of you at the same time, whenever that
3 is. I'm assuming it'll be sometime this afternoon. But we're
4 going to hold off on discussion on the exhibit --

5 MR. CARVER: Okay.

6 CHAIRMAN BAEZ: -- until then. Thank you,
7 Mr. Carver.

8 We have Witness Davis. Ms. Masterton.

9 MS. MASTERTON: Yes.

10 JIMMY R. DAVIS

11 was called as a witness on behalf of Sprint-Florida,
12 Incorporated, and Sprint Communications Company Limited
13 Partnership and, having been duly sworn, testified as follows:

14 DIRECT EXAMINATION

15 BY MS. MASTERTON:

16 Q Could you please state your name and address for the
17 record, Mr. Davis?

18 A My name and address?

19 Q Yeah. I wonder if you could move, I wonder if you
20 could move to that chair right next to you. I'm sorry. I
21 can't really see you.

22 A Jimmy Davis, 6450 Sprint Parkway, Overland Park,
23 Kansas.

24 Q Okay. And by whom are you employed and in what
25 capacity?

1 A Sprint, as the senior manager of network costing.

2 Q Are you the same Jimmy Davis who previously caused to
3 be filed direct testimony consisting of 13 pages and
4 surrebuttal testimony consisting of 42 pages in this docket?

5 A Yes, I am.

6 Q Do you have any changes to that testimony?

7 A For the surrebuttal I have two.

8 CHAIRMAN BAEZ: Ms. Masterton, are we on direct or
9 surrebuttal at this point?

10 MS. MASTERTON: Well, I was doing them both together,
11 but --

12 CHAIRMAN BAEZ: Oh, you're taking up both? Okay. I
13 didn't hear you. I apologize.

14 MS. MASTERTON: I'm sorry. Yeah.

15 CHAIRMAN BAEZ: Go ahead, Mr. Davis.

16 THE WITNESS: I'm trying to find my notes, Chairman.
17 Oh, here they are.

18 The first correction is under surrebuttal on Page 17,
19 Line 2. The POD number reference should read "POD Number 17"
20 as opposed to 19.

21 And then my second correction is on Page 21, Line 21,
22 the words "and cable rack extensions" should be stricken,
23 removed.

24 BY MS. MASTERTON:

25 Q Is that all your changes?

1 A Yes.

2 Q Okay. So with those changes, if I were to ask you
3 those same questions today, would your answers be the same?

4 A Yes.

5 MS. MASTERTON: Mr. Chairman, I ask that Mr. Davis's
6 prefiled direct and surrebuttal testimony be inserted into the
7 record as though read.

8 CHAIRMAN BAEZ: Show the direct and surrebuttal
9 testimony of Jimmy R. Davis inserted into the record as though
10 read.

11 BY MS. MASTERTON:

12 Q And, Mr. Davis, have you also attached -- do you also
13 have nine exhibits attached to your surrebuttal testimony
14 consisting of revised confidential Exhibit JRD-2, JRD-3, 4, 5,
15 confidential JRD-6 and then 7 through 10?

16 A Yes.

17 MS. MASTERTON: And, Mr. Chairman, given that some of
18 these exhibits are confidential, I thought we could identify
19 them as two separate composite exhibits.

20 CHAIRMAN BAEZ: Let me make sure that I have it
21 straight. You have revised JRD-2 and JRD-6, which are the
22 confidentials; correct?

23 MS. MASTERTON: Yes.

24 CHAIRMAN BAEZ: Okay. Show those marked as composite
25 confidential Exhibit 39.

1 And can you restate the non-confidential for me?

2 MS. MASTERTON: Okay. JRD-3, JRD-4, JRD-5, JRD-7,
3 JRD-8, JRD-9 and JRD-10.

4 CHAIRMAN BAEZ: Okay. And we have Exhibits
5 JRD-3 through 5 and 7 through 10 marked as composite Exhibit
6 40.

7 (Exhibits 39 and 40 marked for identification.)

8 MS. MASTERTON: Okay. And, Commissioners, at this
9 point I just wanted to alert you that Mr. Davis is going to
10 include in his, in his summary a discussion of the impact on
11 rates of a change in Sprint's policy as a result of the
12 Commission's decision in the earlier phase of this proceeding,
13 and I wanted to let you know ahead of time because it's
14 somewhat outside the scope of his prefiled testimony. I had
15 informed the other parties and staff of this and no one had
16 voiced any objections.

17 CHAIRMAN BAEZ: Let me just confirm with the parties
18 that there are no objections to that deviation from the, from
19 the scope on opening statements.

20 MR. HATCH: That's fine with us, subject to what it
21 is. It may be something completely odd that we'd have to
22 object to, but no objection at this point.

23 CHAIRMAN BAEZ: All right. We'll deal with those as
24 they come up. Thank you, Ms. Masterton.

25

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **DIRECT TESTIMONY OF**

3 **JIMMY R. DAVIS**

4
5 **Q. Please state your name, place of employment, and business address.**

6
7 A. My name is Jimmy R. Davis. I am employed by Sprint/United Management
8 Company as a Senior Manager – Network Costing at 6450 Sprint Parkway,
9 Overland Park, Kansas 66251. I am testifying on behalf of Sprint-Florida,
10 Incorporated and Sprint Communications Company Limited Partnership
11 (hereafter collectively referred to as “Sprint” or the “Company”).

12
13 **Q. Are you the same Jimmy Davis who previously filed direct testimony and**
14 **rebuttal testimony in this case?**

15
16 A. Yes.

17
18 **Q. What is the purpose of this direct testimony?**

19
20 A. I will address Issues 9A and 9B as identified on Attachment A of this
21 Commission’s Procedural Order dated November 4, 2002.

22
23 **ISSUE 9A. FOR WHICH COLLOCATION ELEMENTS SHOULD RATES BE**
24 **SET FOR EACH ILEC?**

1 **Q. For which collocation elements has Sprint filed rates in this proceeding?**

2

3 **A.** Sprint's list of elements and their proposed rates appear on page 5 of Exhibit
4 JRD-2 filed with this testimony. This list of rate elements is based on
5 examinations of actual collocation arrangements in Sprint central office buildings
6 coupled with FCC and Florida PSC requirements.

7

8 **Q. Did Sprint make any revisions to its list of collocation elements since the**
9 **previous list that was published as page 33 of the November 4, 2002**
10 **Procedural Order?**

11

12 **A.** Yes. Sprint has made five changes to the November 4, 2002 element list.

13

14 First, the title of the Application Fee (line 1, page 33 of Procedural Order) has
15 been changed to "New Collocation – Application Fee". This was done to clarify
16 that this fee only applies to new collocations.

17

18 Second, engineering & project management fees for new collocation as well as
19 minor and major augments (lines 2, 5 & 6, page 33 of Procedural Order) have
20 been reworked. Originally, these fees were to include engineering time for all
21 collocation elements (power, transmission, land and building, and outside plant)
22 on a weighted basis. Sprint decided to move engineering time to each specific
23 collocation element it is associated with to provide a better matching of costs
24 incurred to costs recovered. Power engineering is now included in "Power Costs

1 – Connection to Power Plant 100 Amps” and “Power Costs – Connection to
2 Power Plant 200 Amps” (lines 17 & 18, page 5, Exhibit JRD-2 attached). Land &
3 buildings engineering is now included in a new element, “Security Cage
4 Construction – Engineering” (line 11, page 5, Exhibit JRD-2 attached). Outside
5 plant engineering is now included in “Internal Cable – 48 Fiber” and “Internal
6 Cable – 100-Pr Copper Stub Cable” (lines 31 & 32, page 5, Exhibit JRD-2
7 attached). Transmission engineering remains as part of the more clearly defined
8 “New Collocation – Administrative, Project Management, and Transmission
9 Engineering Fee” because a transmission engineer is always involved in a new
10 collocation. Transmission engineers are needed for cross-connect cabling and DC
11 power cable feeds (60 amps or less). Augmentations to existing collocations do
12 not always involve adding these elements; therefore, Sprint is proposing separate
13 rate elements for transmission engineering for both minor and major augments.
14 These two rate elements, “Minor Augment – Transmission Engineering Fee” and
15 “Major Augment – Transmission Engineering Fee” (lines 6 & 9, page 5, Exhibit
16 JRD-2 attached), are only applied when cross connects and/or DC power cables
17 (60 amps or less) are added to existing collocations.

18
19 The third change in Sprint’s November 4, 2002 element list is that pricing for
20 “Power Costs – Connection to Power Plant 100 Amps” and “Power Costs –
21 Connection to Power Plant 200 Amps” now include incremental charges for linear
22 footage in excess of 110 feet. While DC power cable feeds of 60 amps or less are
23 terminated onto a battery distribution fuse bay (BDFB), DC power cabling feeds
24 larger than 60 amps are terminated directly onto the main power board located

1 with or in very close proximity to the remaining DC power plant equipment. Due
2 to distances between DC power equipment and collocation space, DC power feeds
3 greater than 60 amps can be quite lengthy. The longer the feed, the larger (in
4 diameter) the cable has to be to carry the load. In addition, extra installation
5 crewmembers are needed as cables get larger and longer. This approach of
6 costing longer DC power feeds on a per foot basis most fairly charges ALECs and
7 compensates ILECs for those instances where additional DC power cable costs
8 are incurred to satisfy the ALEC order.

9

10 The fourth change in Sprint's November 4, 2002 element list is that "Dedicated
11 AC Circuit Connection" and "Dedicated AC Circuit Consumption" (lines 17 &
12 18, page 33 of Procedural Order), have been deleted from the element list. These
13 elements are unnecessary for the reasons discussed in Sprint Witness Mr. Ed
14 Fox's Direct Testimony under Issue 7, telephone equipment used in collocation
15 "requires DC power" (Fox Direct, page 18, line 4); therefore, major sources of
16 AC power are unnecessary.

17

18 Finally, Internal Cable – 24 Fiber (line 29, page 33 of Procedural Order) has been
19 changed to Internal Cable – 48 Fiber (line 31, page 5, Exhibit JRD-2 attached).

20 Further analysis after November 4, 2002 reveals that ALECs most often requested
21 48 fibers.

22

23 **Q. What are the major categories of collocation elements presented in Exhibit**
24 **JRD-2?**

1 A. The ten major categories presented in Exhibit JRD-2 are: Administrative,
2 Engineering and Project Administration Fees; Security Cage Construction; Floor
3 Space; DC Power; AC Power; Cross Connect Facilities; Security Card; additional
4 Labor Charges; Adjacent On-Site Collocation (shown as ICB); and Remote
5 Terminal Collocation (shown as ICB). Detailed narratives of individual elements
6 under these main categories are included in Exhibit JRD-2.

7

8 **Q. Do Sprint's rates apply to both physical and virtual collocation?**

9

10 A. Yes. Virtual and physical collocation are the same except that under virtual
11 collocation, the ILEC is involved with maintaining the ALEC's equipment. The
12 cost of maintaining the ALEC's equipment will be recovered through Sprint's
13 additional labor charges on a per occurrence basis.

14

15 **Q. Please briefly explain each major rate category.**

16

17 A. Administrative, Engineering and Project Management Fees include
18 administrative, project management and engineering evaluation charges for
19 processing applications for new collocation, augments, and space reports
20 (pursuant to 47CFR §51.321 (h)). These charges are assessed up front because
21 the associated costs are immediately incurred by the ILEC. This category also
22 includes administrative, engineering and project management NRC's for work
23 done after the ALEC makes a firm order commitment and during the build out
24 phase.

1 Security Cage Construction charges include land & buildings engineering charges
2 and per linear foot construction charges for installing an enclosure for use in
3 caged collocation.

4
5 Floor Space charges (per square foot) cover the ALEC's use of the equipment
6 area requested in its application for new collocation. Floor space charges apply to
7 caged, cageless and virtual collocation. Floor space investment includes the costs
8 of erecting a telephone central office building. Also included in floor space are
9 charges for supporting infrastructure such as HVAC plant, common areas in the
10 central office used by both Sprint and the ALEC, and extending a ground bar to
11 the ALEC area of the central office.

12
13 DC Power includes charges for use of the DC power plant along with the
14 commercial AC power that is converted to DC power. The DC power category
15 also includes separate charges for the ALEC's DC power cable connections from
16 the main power board or BDFB to its collocation space. The rate structure for DC
17 power cable connections of 100 and 200-amps includes a base charge for
18 connections up to a 110 linear feet and a per foot additive cable runs in excess of
19 110 feet.

20
21 AC Power charges include elements for installing electric outlets and overhead
22 lights at the request of the ALEC.

23
24

1 Cross-Connect Facilities include cross-connects between the ALEC's equipment
2 and Sprint's equipment for the ALEC's purposes of providing local telephone
3 services to end-users. An ALEC-ALEC cross-connect option is offered for each
4 type of electronic cross-connect and optical cross-connect. Cross-connect options
5 are provided for 100-pair DS0, 1 DS1, 1 DS3 and 4-fiber optical connections.
6 Also included in this category are internal cable space elements for both fiber and
7 copper entrance cables. Internal cable space includes a portion of manhole,
8 conduit, vault and riser infrastructure. Entrance cable collocation elements are
9 also offered for both 48-fiber and 100-pair copper. These elements are offered to
10 collocators who desire to lease a cable from Sprint.

11

12 The Security Card element covers the cost of providing an ID card / access key to
13 ALEC technicians for purposes of entering Sprint central offices.

14

15 Additional Labor charges provide for situations in which stand-alone labor
16 charges apply. As previously mentioned, one such situation is maintenance on an
17 ALEC's equipment under a virtual collocation arrangement. Labor charges are
18 provided in ¼ hour increments for regular, overtime and premium rates. Labor
19 charges are provided for central office technicians, central office engineers,
20 outside plant technicians and outside plant engineers.

21

22 Sprint's rate list also has categories for Adjacent On-Site Collocation and Remote
23 Terminal Collocation. To date, Sprint has not had any orders for either adjacent
24 collocation or for collocation at a remote terminal housed in a weatherproof

1 cabinet. These collocation arrangements are not common nor are they standard
2 and therefore do not lend themselves to developing accurate generic rates. To that
3 end, Sprint will provide rates for adjacent and remote terminal collocation on an
4 individual case basis.

5
6 **ISSUE 9B. FOR THOSE COLLOCATION ELEMENTS FOR WHICH RATES**
7 **SHOULD BE SET, WHAT ARE THE PROPER RATES AND THE**
8 **APPROPRIATE APPLICATION OF THOSE RATES?**

9
10 **Q. What rates is Sprint submitting for the collocation elements covered under**
11 **Issue 9A?**

12
13 A. Page 5 of Exhibit JRD-2, filed with this testimony, contains a list of collocation
14 elements and associated recurring and nonrecurring charges.

15
16 **Q. Please provide a brief overview of the rest of Exhibit JRD-2.**

17
18 A. Exhibit JRD-2 is Sprint's collocation cost study. Beginning on page 6 is a
19 detailed narrative for each of the ten collocation cost categories (described
20 earlier). Each collocation cost category narrative contains a detail description of
21 each collocation element using headings like "Purpose", "Introduction", (costing)
22 "Assumptions", and (costing) "Methodology". Following each collocation
23 category narrative is an exhibit showing the core NRC and MRC cost calculations
24 behind each element appearing on the "Rate List" (page 5). Detailed "Work

1 Papers” and “Input Sheets” support the various cost calculation exhibits. All
2 costing exhibits, work papers, inputs and the element list are cross-referenced to
3 facilitate review of the study. The narratives and exhibits reveal the supporting
4 documentation (i.e. work order analysis, vendor quotes, actual material cost, etc.)
5 for each collocation element.

6

7 **Q. What guiding principles does Sprint employ in its cost studies?**

8

9 A. Sprint’s cost studies comply with TELRIC principles in that they are forward
10 looking with no inclusion of embedded costs. For example, current material costs
11 are combined with work times supported by recent collocation installations of
12 cross connects and smaller DC power feeds (60 amps or less). Other costs are
13 supported by up-to-date building construction costs (floor space element) or very
14 recent vendor quotes (for DC power plants and large power cables).

15

16 **Q. What underlying supporting documentation was used in the cost studies**
17 **which determined the collocation rates presented in Exhibit JRD-2?**

18

19 A. Where possible, study costs were determined based on analysis of recent
20 collocation work activities performed in Sprint-Florida central office buildings.
21 The following costs are either partially or totally supported by work activities:
22 transmission engineering fees, cage engineering and construction cost,
23 connections to power plant of 30, 60, and 100-amps, AC outlet, overhead lighting,
24 cross-connects of all band widths, and internal cable. In all, our costing team

1 examined over 190 work activities with more than 95% of those involving
2 collocations in the state of Florida.

3
4 Other costs are supported by current vendor quotes. Vendor quotes either
5 partially or totally support the DC power consumption element and “Connections
6 to Power Plant 100 and 200-Amps”.

7
8 This use of very recent and current Florida specific cost data is the best verifiable
9 data for predicting forward looking collocation costs in Sprint-Florida central
10 offices.

11
12 Sprint's floor space MRC is based on forward-looking central office building
13 investment costs. Building investment (including architectural, engineering, and
14 construction project management fees) is based on data from the 2003 version of
15 RS Means Costworks software. Using RS Means, Sprint's forward looking
16 building investments are determined as though its central office buildings, which
17 house conditioned transmission space, are newly constructed all at one time.

18
19 Manhole and conduit costs included in the internal cable space element were
20 taken from structure studies in Sprint's UNE cost study in Docket No. 990649B-
21 TP.

22

23

24

1 Work times developed by subject matter experts were used to develop
2 nonrecurring costs for application fees, augment fees and project management
3 fees.

4
5 Annual charge factors (ACF) were determined based on the capital structure, debt
6 and equity costs and tax rates ordered for Sprint by the Florida Public Service
7 Commission on January 8, 2003 in Docket No. 990649B-TP. The common cost
8 factor applied to collocation rate elements is also consistent with the
9 Commission's order in Docket No. 990649B-TP.

10

11 **Q. How did Sprint determine its cost structure in terms of which elements**
12 **would be recovered with nonrecurring charges (NRC's) verses monthly**
13 **recurring charges (MRC's)?**

14

15 A. Sprint's cost structure (NRC's verses MRC's) was determined through meetings
16 with subject matter experts (SME's) in the areas of Costing, CLEC operations,
17 Network Operations, and Wholesale Markets. Collocation arrangements present
18 unique challenges to the ILEC in its efforts to recover its cost. Collocation
19 arrangements exist so multiple providers can compete to serve the same end
20 customer. Work to process an application for a new collocation or an existing
21 collocation (augment) only benefits the ALEC who has made the application at
22 the time the application is made. Space availability including assignments of
23 interfaces to Sprint's network changes continuously which means that work
24 performed on an application or a space availability report on behalf of one ALEC

1 will not benefit future applicants for collocation. Each collocation arrangement is
2 unique and is built based on specifics contained on the ALEC's application.

3 Power and cross connect cables are ran to a specific collocation arrangement
4 reserved by the ALEC. These elements are provisioned to the specific quantities
5 of power and cross-connects (for varying bandwidths of DS0, DS1, DS3, OCC)
6 ordered by that ALEC. It is highly unlikely that any other ALEC will need the
7 same quantities of power and cross-connect elements used by a previous ALEC.

8 Given these factors, Sprint predominately uses NRCs for collocation to match
9 cost recovery with the timing of when the costs are incurred. Due to Sprint's
10 experience with abandoned and unclaimed collocation arrangements coupled with
11 a sharp decline in collocation applications, the continuance of NRCs to recover
12 our costs as they are incurred is warranted.

13
14 **Q. How were rates determined in the study presented in Exhibit JRD-2?**

15
16 **A.** Non-recurring charges (NRCs) were determined by applying common cost to the
17 sum of labor, materials, sales tax and freight. Some collocation elements (e.g.,
18 power and internal cabling) charged as NRCs have an accompanying monthly
19 recurring charge (MRC) to cover the ongoing cost of maintenance and other
20 applicable carrying charges.

21
22 Rates for elements recovered strictly through MRCs were determined by applying
23 the appropriate annual charge factor (ACF) to the sum of labor, materials, sales

1 tax and freight to determine the annual cost for the investment. The common cost
2 factor was applied to the annual cost to determine the total MRC.

3

4 **Q. What is the proper application of these rates?**

5

6 A. As mentioned previously in this testimony and covered under Sprint Witness, Mr.
7 Ed Fox's Direct testimony and by my rebuttal testimony under issues 1A, "New
8 Collocation – Application", "Minor Augment", "Major Augment", and "Space
9 Report" fees are applied and collected at the time the ALEC submits an
10 application for collocation or requests a space report. Fifty percent of all
11 remaining NRC's are appropriately applied and collected after receiving a firm
12 order from the ALEC and prior to the beginning of construction of the requested
13 collocation elements. The remaining 50% of the NRCs are appropriately applied
14 and collected within 30 days (allowing for the billing cycle) of acceptance of the
15 collocation arrangement by the ALEC. Also as covered by Sprint Witness Fox in
16 his direct testimony and by myself in my rebuttal testimony under issue 1B, the
17 MRC's are properly applied following the acceptance of the collocation
18 arrangement with billing beginning within 30 days.

19

20 **Q. Does this conclude your direct testimony on issues 9A and 9B?**

21

22 A. Yes.

23

24

1 **INTRODUCTION**

2

3 **Q. Please state your name, place of employment, and business address.**

4 A. My name is Jimmy R. Davis. I am employed by Sprint/United Management
5 Company as a Senior Manager – Network Costing at 6450 Sprint Parkway,
6 Overland Park, Kansas 66251. I am testifying on behalf of Sprint-Florida,
7 Incorporated and Sprint Communications Company Limited Partnership
8 (hereafter collectively referred to as “Sprint” or the “Company”).

9 **Q. Are you the same Jimmy R. Davis who previously filed direct and rebuttal**
10 **testimonies in this case?**

11 A. Yes.

12 **Q. What is the purpose of your Surrebuttal Testimony?**

13 A. I am introducing a Revised Exhibit JRD-2 which is Sprint’s collocation cost study
14 and associated element rate list. Revised Exhibit JRD-2 replaces the original
15 Exhibit JRD-2, which was included with my direct testimony submitted on
16 February 4, 2003. This revised study incorporates changes in the COR percentage
17 for cross connect and power cable removal as explained in Sprint’s Response to
18 Staff’s Interrogatory Number 72 part b. The revised study also reflects a
19 recalculation of Sprint’s floor space rate which is explained in detail later in my
20 testimony. In addition, I will respond to the Rebuttal Testimony of AT&T
21 witness Mr. Steve Turner in a number of costs related areas. Specifically, my
22 testimony deals with Mr. Turner’s comments relating to the use of BellSouth’s
23 collocation cost model as a common model in the state of Florida and his
24 recommendation of using the same cost inputs for all three ILECs. Sprint’s
25 witness Randy Farrar also addresses issues relating to Mr. Turner’s proposal in

1 his Surrebuttal Testimony, also filed today. I will also respond to the rebuttal
2 testimonies of Staff witnesses Dr. David Gabel and Mr. Roland Curry regarding
3 their comments on Sprint's cost inputs and study methodologies for various
4 collocation rate elements.

5

6 **Net Present Value Analysis is a Simple Solution to Cost Comparisons**

7 **Among ILECs With Different Collocation Models**

8

9 **Q. On page 3 of his Rebuttal Testimony (lines 20 – 22), Mr. Turner claims that**
10 **the use of three different collocation cost models makes it “almost**
11 **impossible” to compare collocation costs. Do you agree with Mr. Turner’s**
12 **claim?**

13 **A.** No, not at all. As an operating ALEC, Sprint routinely analyzes collocation costs
14 of various ILECs in multiple states. In these analyses, Sprint deals with all types
15 of variations in collocation cost structures.

16 **Q. What types of variations in cost structures does Sprint encounter?**

17 **A.** As expected there is the mix of one time non-recurring charges (NRCs) and
18 monthly recurring charges (MRCs). Some ILECs recover certain costs up front
19 through NRCs while others shift those costs to MRCs and recover them over time.
20 In addition, some ILECs recover certain NRCs (e.g. project planning) on a per
21 square foot basis as opposed to on a per job basis. Yet another example is that
22 while some ILECs (like SBC and Verizon) recover cost for HVAC as a function
23 of DC amps ordered, others recover HVAC through their floor space rate.

24 **Q. On page 10 of his Rebuttal Testimony, Mr. Turner advocates the use of the**
25 **BellSouth Collocation Model as the standard model for collocation pricing in**

1 **Florida. Should the Florida Commission order the use of the BellSouth**
2 **Collocation Costs model in Florida, won't ALECs like Sprint who operate in**
3 **numerous states including Florida still have to contend with multiple**
4 **collocation cost models?**

5 A. Yes, certainly. BellSouth only operates in the southeastern United States, so even
6 if their model were the standard model in all of their states that would not address
7 the fact that ALECs who operate both within and beyond the southeast would still
8 contend with multiple models. In addition to BellSouth, Sprint's ALEC operation
9 purchases collocation from Qwest, SWBT, Verizon-Bell Atlantic, Verizon-GTE,
10 PacBell, and Ameritech all of which have differing collocation rate structures.

11 **Q. So how does Sprint manage the variations of collocation cost structures**
12 **among ILECs in various states?**

13 A. It's quite simple really. Net Present Value (NPV) comparisons are used by Sprint
14 to shift NRCs and MRCs into a common point in time. Sprint makes comparisons
15 on a year-by-year and an accumulative basis.

16 **Q. Has Sprint made NPV comparisons as part of this proceeding?**

17 A. Yes. Exhibit JRD-3 contains NPV comparisons between Sprint and Verizon for
18 two of the five physical collocations provided to Staff in Sprint's Response to
19 Staff's Interrogatory Number 1. Sprint used Verizon's Response to Staff's
20 interrogatories Numbers 224 and 225 to Verizon in which Staff asked Verizon to
21 select the collocation rate elements needed to provision the two Sprint physical
22 collocations. Sprint did have to make a few adjustments to what Verizon
23 identified as necessary elements for the Sprint collocations however to ensure that
24 all costs like cage ground bar (Verizon element 10) and DC power and cross
25 connect cable material (represented by Verizon elements 100 through 111) were

1 accounted for. Exhibit JRD – 3 also contains similar NPV comparisons between
2 Sprint and BellSouth, which involve key assumptions explained below.

3 **Q. Could the Florida Commission Staff use NPV analysis to compare collocation**
4 **costs among the three ILECs in this case?**

5 A. Yes. Through discovery, Staff asked all three companies for similar information
6 regarding their last five physical and virtual collocations. Furthermore, Staff
7 asked all three ILECs to select collocation elements from their own cost structures
8 necessary to provision selected collocations of the other two. Caution must be
9 exercised however when making comparisons with BellSouth because under the
10 BellSouth collocation cost structure, ALECs provision their own DC power and
11 cross connect cables using BellSouth approved vendors. It should be noted that
12 for collocations in BellSouth central offices, ALECs also provide all DC power
13 and cross connect cable materials and bear the cost of engineering and project
14 planning outside of BellSouth's cost structure. The comparisons between Sprint
15 and BellSouth on Exhibit JRD-3 incorporate Sprint's costs from its collocation
16 cost study for the cost components borne by the ALEC. The investment costs
17 included in Sprint's collocation cost study from cross connects (recovered as
18 MRCs by Sprint) are incorporated as NRCs for the purpose of comparison with
19 BellSouth.

20
21 **Sprint's Set of Collocation Elements is Comprehensive**

22
23 **Q. On page 10, line 25 of his Rebuttal Testimony, Mr. Turner asserts that**
24 **Sprint's collocation rate list is "extremely limited" and "does not begin to**

1 **address all the necessary rate elements for collocation”. Do you agree with**
2 **this assertion?**

3 A. Absolutely not! Sprint has provided more than 700 collocations system wide and
4 has fulfilled all ALEC requests for collocation rate elements. As can be seen in
5 Sprint’s Response to Staff’s Interrogatories Numbers 54 and 55, many of Sprint’s
6 elements encompass multiple elements of Verizon and Bell. For example,
7 Sprint’s single collocation element for floor space covers the cost of Verizon’s
8 elements of Floor Space (element 36 or 37), Space Modification (element 34),
9 Environmental Conditioning (element 35), and Cage Ground Bar (element 10), all
10 of which are necessary to provide collocation. In like manner, Sprint’s
11 collocation element for DS0 cross connects encompasses Verizon’s elements of
12 Overhead Superstructure (element 11), Facility Pull (element 13), DS0
13 Termination (element 15), Cable Rack Shared Space (element 44), Facility
14 Termination (element 47), and Facility Cable –DS0 Cable (element 100), all of
15 which are necessary to provide collocation. Sprint’s collocation rate element lists
16 are reviewed by both Sprint wholesale and Sprint ALEC operations for
17 completeness. Furthermore, our experience tells us that ALECs like a more
18 simple, straightforward rate structure. As an ALEC, Sprint advocates simplicity
19 because it facilitates invoice auditing. Even Mr. Turner calls collocation
20 “straightforward” (p 9, ln14), and Sprint sees no reason to complicate matters by
21 having an unnecessarily complex rate structure.

22 **Q. Has AT&T provided information on what specific collocation elements it**
23 **believes are missing from Sprint’s rate list?**

24

25

1 A. Yes. AT&T listed what they believe are missing collocation elements in its
2 Response to Staff's Interrogatory to AT&T Number 79.

3 Q. What comments does Sprint want to make concerning AT&T's list of
4 "missing" elements provided in their response to Staff's Interrogatory to
5 AT&T number 79 part a) dealing with physical collocation?

6 A. First, AT&T listed a series of 13 "disconnect only" rate elements. Sprint
7 considers mass service disconnection to be a part of the decommissioning process.
8 As described in under my direct testimony for issue 1C (pages 3 and 4), should an
9 ALEC request to decommission a collocation site, Sprint's major augmentation
10 fees would apply. If however, an ALEC loses a customer prior to
11 decommissioning, Sprint may apply its UNE loop disconnect rates approved
12 under Docket 990649-TP. Next, AT&T listed an element for a "2 fiber cross
13 connect" (BellSouth element number H.1.31) for which Sprint has never received
14 a request. Sprint's experience is that ALECs prefer to have redundancy with their
15 fiber services which require a 4 fiber cross connect. Furthermore, BellSouth's
16 rate elements for 2 and 4 fiber cross connects cover only jumper work since all
17 cross connect cabling in BellSouth's collocation arrangements is self-provisioned
18 by the ALEC. AT&T listed the BellSouth element called a "power reduction fee"
19 (BS Element H.1.60). Sprint covers this need as a minor augment if only fuses
20 need changing or as a major augment if DC power connections need altering.
21 Then, AT&T listed a series of 5 Copper Entrance Cable related elements which
22 are covered under Sprint's "Internal Cable Space" and "Internal Cable" elements.
23 Finally, AT&T listed a series of adjacent and remote collocation rate elements as
24 part of its Response to Staff's Interrogatory to AT&T Number 79 part a). To
25 date, Sprint has not provisioned adjacent or remote collocation in any of its

1 operating territories in any state and has no cost-based data upon which to base
2 standard rates. These collocation arrangements are not common, nor are they
3 standard and therefore do not lend themselves to developing accurate generic
4 rates. Due to the variability of configurations involved in adjacent and remote
5 terminal collocation, Sprint proposes to cost adjacent or remote collocation on an
6 individual case basis.

7 **Q. Is Sprint's rate element for internal cable – per 100 pair copper stub cable**
8 **intended for virtual collocation only?**

9 A. Yes, and for good reason. Sprint's policy is for all copper entrance facilities to
10 terminate on Sprint's mainframe to ensure the proper protection from the
11 remainder of the office from lightning surges and electromagnetic interference.
12 Since the copper cable is terminated on Sprint's mainframe, Sprint's policy is to
13 perform all associated maintenance. If copper entrance facilities were categorized
14 as physical collocation, the implication would be that the ALEC would perform
15 the maintenance.

16 **Q. What comments does Sprint want to make concerning AT&T's list of**
17 **"missing" elements provided in its Response to Staff's Interrogatory to**
18 **AT&T Number 79 part b) dealing with virtual collocation?**

19 A. AT&T listed a series of (eight) "disconnect only" rate elements. Again, Sprint
20 considers mass service disconnection to be a part of the decommissioning process.
21 The only other element listed by AT&T under its Response to Staff's
22 Interrogatory 79 part b) was 2-wire cross connects for virtual collocation.
23 BellSouth's cross connect related elements (H.1.9 through H.1.12) only cover the
24 actual "jumper" which connects the ILEC owned UNE loop with the ALEC
25 owned interoffice cross connect cabling. Under BellSouth's model, the ALEC

1 self provisions all cross connect and power cabling. Sprint achieves cost recovery
2 for 2 wire cross connects using UNE loop NRC's approved under Docket 990649-
3 TP.

4

5 **Collocation is Significantly More Risky Than Other UNEs**

6

7 **Q. On page 11 of his Rebuttal Testimony, Mr. Turner states that since**
8 **collocation is the vehicle used for ALECs to obtain access to UNE loops, "it is**
9 **only reasonable that the same cost factors that are used to establish the cost**
10 **for unbundled elements should be used to establish the costs for**
11 **collocation...". Do you agree?**

12 **A. No. There are significant differences between collocation as a UNE and the UNE**
13 **loops ALECs gain access to through collocation. First of all, as explained in**
14 **Sprint's Response to Staff's Interrogatory Number 74 and in my Rebuttal**
15 **Testimony (Davis Rebuttal page 7, line 13 through page 8, line 7), collocation**
16 **arrangements are uniquely designed and built to meet a particular ALEC's**
17 **specific needs. Conversely, UNE loops are not built for the ALEC at all; rather,**
18 **they are built by the ILEC in the normal course of business for the purpose of**
19 **servicing an end user. Should an ALEC discontinue service, the ILEC can use the**
20 **same loop to serve the end customer. Collocation arrangements, on the other**
21 **hand, are of no use to Sprint in servicing the end customer. Once an ALEC has**
22 **discontinued use of its collocation arrangement, if not sold to another ALEC, it**
23 **will likely have to be decommissioned or redesigned and re-built. In any**
24 **scenario, collocation arrangements are of no use to the ILEC.**

25

1 **Q. What collocation cost inputs did Sprint modify as a result of the unique**
2 **nature of collocation arrangements as opposed to the UNEs associated with**
3 **Docket Number 990649 – TP?**

4 A. As explained in Sprint's Response to Staff's Interrogatory Number 11, the
5 depreciation lives were reduced to reflect the most current lives supported by
6 Sprint. Sprint considers this to be a very conservative adjustment given that over
7 half of the collocations built by Sprint since 1996 have already been abandoned as
8 reported in Sprint's Response to Staff's Interrogatory Number 69. In addition,
9 Sprint used actual decommissioning work order cost to arrive at an appropriate
10 cost of removal for collocation cable elements (power and cross connect). These
11 elements in particular are costly to remove as compared to their investment value;
12 therefore, a higher cost of removal percentage is appropriate to match cost
13 recovery with cost causation. This added cost of removal is discounted, however
14 to reflect that removal costs are incurred in a future period.

15

16 **The BellSouth Model Will Not Meet Sprint's Needs for Costing Collocation**

17

18 **Q. As stated earlier, Mr. Turner advocates the use of the BellSouth Collocation**
19 **Model as the standard model for collocation pricing in Florida. Does the**
20 **BellSouth Company Specific Collocation Model meet Sprint's needs for cost**
21 **recovery?**

22 A. No. Several types of costs incurred by Sprint in the course of ALEC collocation
23 are missing from BellSouth's Collocation Model. This is of a particular concern
24 given BellSouth's Response to Staff's Interrogatory to BellSouth Number 112
25 which asked about adding collocation elements to BellSouth's cost model.

1 BellSouth's reply was that "the user is not able to modify the structure of
2 the study by adding or deleting elements".

3 **Q. Please provide examples of collocation costs incurred by Sprint, that are**
4 **absent in BellSouth's company specific model.**

5 A. As mentioned above, the BellSouth model assumes the ALEC self provisions its
6 DC power cable connections (Sprint elements 13 – 19 on page 5 of 107 in Exhibit
7 JRD-2) using BellSouth's approved vendors. Furthermore, BellSouth's model
8 assumes the ALEC provides their own cross connect cable material (for DS0,
9 DS1, and DS3) and installation labor for cross connects. Other cost elements
10 excluded from BellSouth's model are: Project Management Fees for collocation
11 build outs (either direct billed from the approved vendor to the ALEC or absorbed
12 by the ALEC), shared and common space in its floor space rate element and
13 manhole, conduit and cable vault space for its cable entrance facilities.

14 **Q. On page 7, lines 6-8 of his Rebuttal Testimony, Mr. Turner makes a**
15 **statement that all cost models "develop the investment for the particular**
16 **component including any installation cost and related support investments".**
17 **Does BellSouth's model build investments for BellSouth's collocation rate**
18 **elements?**

19 A. No. The BellSouth model does not build investments. As an example, the DC
20 power plant investment per amp is developed as a separate study and is
21 incorporated as an input into the BellSouth model as opposed to being developed
22 within the BellSouth model.

23 **Q. In contrast to the BellSouth model, how does Sprint's collocation cost model**
24 **develop the DC power investment per amp?**

1 A. Sprint's model starts with equipment costs for the individual components of a DC
2 power plant and builds the cost of each size of plant based on design criteria
3 provided by a Sprint DC power engineer. Engineering and installation labor is
4 added to provide a complete investment cost per amp for various sizes of the DC
5 power plants used in Sprint's ILEC territory (see Workpaper 5.0 of Revised
6 Exhibit JRD-2). Finally, a weighted average investment per amp is developed
7 using actual DC power plant sizes for each central office in Sprint's Florida
8 operation. Thus, Sprint's collocation cost model does "develop the investment for
9 the particular component including any installation cost and related support
10 investments" which is the structure Mr. Turner says all cost models have (Turner
11 Rebuttal page 7, lines 6-7). If Sprint were to use the BellSouth model, Sprint
12 would have to separately develop an investment cost per DC amp as does
13 BellSouth.

14

15 **Using the Same Inputs for All Three ILECs is Not Appropriate**

16

17 **Q. On page 15, lines 4 - 11 of his Rebuttal Testimony, Mr. Turner recommends**
18 **that all three ILECs in this case use the same cost inputs that he recommends**
19 **for BellSouth. Is this appropriate?**

20 A. No. The three ILECs in this case are vastly different in their size on a system
21 wide basis and have different economies of scale for their central office switching
22 centers within the state of Florida.

23 **Q. How does the size of an ILEC on a system level influence its cost inputs?**

24 A. Larger corporations have greater purchasing power than smaller ones due to the
25 volume of their purchases.

1 **Q. What impact do differing economies of scale in central office switching**
2 **centers have on costs?**

3 A. Larger switching centers lead to larger DC power plants which can be constructed
4 at a much lower cost per amp than smaller DC power plants. This is evidenced by
5 the relative comparison of DC power plant investment per amp on work paper 5.0
6 of Revised Exhibit JRD-2. Even though many of the components (rectifiers,
7 batteries, etc) used to build the various sizes of DC power plants cost the same,
8 combining these components into larger DC power plants lowers the cost per
9 amp. In addition, larger central office switching centers require larger central
10 office buildings which can also be built at a lower cost per square foot than
11 smaller central office buildings. Mr. Turner alludes to his understanding of these
12 principles on page 22, lines 23-26 of this Rebuttal Testimony as he compares the
13 relative sizes of BellSouth and ALECs by mentioning the "economies which
14 BellSouth enjoys".

15 **Q. What evidence can you present to demonstrate size and economies of scale**
16 **differences among the three ILECs?**

17 A. The top portion of Exhibit JRD-4 is a comparison of the number of access lines
18 each of three ILECs have in the state of Florida as well as throughout their multi-
19 state operations. This exhibit clearly shows that although Verizon and Sprint's
20 Florida operations are of a similar size, Verizon is more than 7 times the size of
21 Sprint on a system wide level. Furthermore, BellSouth is roughly 3 times the size
22 of Sprint, both within the state of Florida and on a system wide basis. Size at the
23 system level is what determines purchasing power when it comes to buying the
24 necessary goods and services to provide service. A company which is 3 to 7
25 times larger than another will certainly have more purchasing power. Exhibit

1 JRD - 4 also provides a comparison showing the number of central office
2 switching centers by size for the three ILECs. This portion of the exhibit clearly
3 shows that BellSouth has at least 26 central office switching centers that are larger
4 than Sprint's largest central office switch. Furthermore, BellSouth has nearly 4
5 times as many central office switching centers in the range of 4,000 to 8,000
6 access lines which is representative of Sprint's largest central office switching
7 centers. ILECs with larger central office switching centers are able to place larger
8 quantities of DC power plant components at each location (batteries, rectifiers,
9 etc.) to achieve greater economies of scale.

10 **Q. Given the size differences in switching centers in Florida and overall lines**
11 **served on a system-wide basis, does Sprint enjoy the same economies of scale**
12 **as the other LECs in this case?**

13 **A** No. Sprint does not enjoy the economies of scale of either BellSouth or Verizon.
14 Because of less purchasing power, Sprint is not able to obtain equipment like DC
15 power plant (batteries, rectifiers, power boards, generators, etc), DC power cable,
16 and cross connect cable materials as cheaply as these larger ILECs. Furthermore,
17 Sprint's central office switching centers are not as large as BellSouth (or Verizon)
18 in the state of Florida and therefore cannot achieve the same efficiencies in DC
19 power plant and central office building construction.

20

21 **Mr. Turner's Recommended Cost Input for the AC Power Component of the DC**
22 **Power Rate per Amp is Incorrect.**

23

24 **Q. What is the AC power component of the DC power rate?**

1 A. As explained in my direct testimony for issue 6 (B), AC power is purchased from
2 an electric utility then converted to DC power (by rectifiers) within the DC power
3 plant. This issue was discussed extensively during the hearing on issues 1
4 through 8 for this case on August 11 and 12, 2003.

5 **Q. What is Mr. Turner's recommendation concerning the cost of the AC**
6 **component and on what does he base his recommendation?**

7 A. On page 28 of his Rebuttal Testimony (beginning with line 19), Mr. Turner points
8 to a U. S. Department of Energy report on AC power costs (Exhibit SET-5) and
9 recommends \$.053 per KWH as a cost input for AC power based on the 2002
10 actual revenue to electric utilities from consumers in the "Industrial" category
11 for the state of Florida.

12 **Q. What justification does Mr. Turner provide for his recommendation?**

13 A. Mr. Turner relies on his own experience and states that he is "confident in this
14 section" (page 29, line 1). He adds: "from experience I know that the incumbent
15 LECs tend to have AC power rates that are most closely approximated by the
16 rates in this column" (page 29, line 1). Later in the same paragraph he states that
17 "The bottom line, however, is that I have used the industrial category for 2002 in
18 identifying the appropriate AC kilowatt hour rate for BellSouth and the other
19 incumbents" (page 20, lines 6-8).

20 **Q. Is Mr. Turner's recommendation appropriate for Sprint?**

21 A. No. This recommendation is inappropriate for some very compelling reasons.
22 First, I consulted Ms. Charlene Harris-Russell with the US Department of Energy
23 who was listed as a contact on the web site associated with the report represented
24 by Exhibit SET-5 attached to Mr. Turner's testimony. According to Ms. Harris-
25 Russell, a telephone company's switching center would typically come under the

1 commercial use category. This fact was confirmed by interview with Sprint's
2 Energy Manager.

3 **Q. What rate per amp corresponds to the commercial category according to the**
4 **US Department of Energy?**

5 A. As can be seen on Mr. Turner's Exhibit SET-5 attached to his Rebuttal
6 Testimony, the actual revenue to electric utilities from users in the "Commercial"
7 category for 2002 in the state of Florida is \$.067 per KWH.

8 **Q. Has Sprint provided proof of its AC power costs?**

9 A. Yes. As a matter of fact, it was AT&T who requested cost support for Sprint's
10 AC cost input of \$ 0.0671 per KWH. In response to AT&T's Request for
11 Production of Documents Number 17 (provided March 14, 2003 more than a
12 month before Mr. Turner's testimony was filed), Sprint provided AT&T with an
13 analysis of actual electric bills (usage and cost) for the 12 month period from
14 October, 2001 through September, 2002 for 445 meter locations throughout
15 Sprint's territory in Florida amounting to more than 10,000 data points
16 (445*2*12). It is obvious that Mr. Turner completely ignored the extensive
17 factual data supplied by Sprint in response to AT&T's request. This cost analysis
18 strongly supports Sprint's cost of \$ 0.0671 per KWH which is identical to the
19 U.S. Department of Energy's reported revenue of \$ 0.067 per KWH for users
20 under the "Commercial" classification for 2002.

21 **Q. On page 29 of his Rebuttal Testimony, Mr. Turner makes mention of load**
22 **sharing arrangements with AC power providers where ILECs provide their**
23 **own AC power by running their generators periodically in exchange for a**
24 **lower rate. Does Sprint have any such arrangements?**

1 A. Yes. The savings resulting from these arrangements are reflected in Sprint's
2 actual cost analysis provided in our Response to AT&T POD Number ~~19~~¹⁷.

3

4 **Sprint's Collocation Cost Model Provides Cost Recovery only if ALECs pay for the**
5 **DC Power They Order**

6

7 **Q. On page 31 (lines 1-19) of his revised Rebuttal Testimony, Mr. Turner states**
8 **that "While List 1 Drain is the current that the equipment draws when it is**
9 **operating at normal voltages, the equipment will not always draw that**
10 **current." Is this statement germane to DC power rate development?**

11 A. No. Sprint's DC power rate is developed with the intention of having the ALEC
12 pay for a share of the DC power plant base on the amount of DC power they
13 order. The ALEC can base their DC power needs on any criteria they wish;
14 however, the ALEC must pay for the DC power they order for Sprint to recover
15 its cost.

16 **Q. What are some of the key assumptions made by Sprint in its collocation cost**
17 **model for the development of a DC power rate per amp?**

18 A. Sprint's collocation cost model develops an investment cost per amp using the DC
19 power plant's capacity to supply power. A DC power plant's capacity is defined
20 by the number and size of rectifiers, batteries, power boards, generators, etc.
21 which make up the DC power plant's infrastructure. By ordering DC power, the
22 ALEC is telling Sprint how much of the DC power plant's capacity it wants to
23 serve its collocated equipment. Although the Sprint incurs the cost of building the
24 DC power plant up front, the investment cost per amp determined by Sprint's
25 collocation cost model is used to develop a **monthly** recurring charge rather than

1 a non-recurring charge per amp of DC power ordered by the ALEC. This gives
2 the ALEC the advantage of having no up front cost when placing an order for DC
3 power amps.

4 Q. Also on page 31 (lines 23-24) of his revised Rebuttal Testimony, Mr. Turner
5 discusses metering of actual usage. Is metering of actual usage taken into
6 account in Sprint's collocation cost model?

7 A. No. As stated previously, the investment in the DC power plant and its capacity
8 to provide DC power are variables used to determine the DC power rate per amp.
9 If the Florida Commission were to order the metering of DC power, Sprint's DC
10 power rate per amp would have to be adjusted upward to account for the gap
11 between the DC power plant capacity ordered by the ALEC and the DC power
12 actually used by the ALEC's equipment. Exhibit JRD-5 is a reproduction of
13 attachment "Staff POD 62-C-3" which was included as part of Sprint's response
14 to Staff's request for the Production of Documents Number 62. As can be seen
15 from the exhibit, the ALECs represented are only using 13.7% of the DC power
16 plant they ordered. Without an adjustment in the DC power rate per amp to
17 account for the difference between what an ALEC orders verses what it uses, the
18 ALEC will have no incentive to limit the DC power plant capacity it orders and
19 Sprint would bear the cost of the DC power plant infrastructure ordered but
20 unused by the ALEC. The over-ordering of DC power plant capacity will, as it
21 has in the past, drive Sprint to overbuild DC power plant. It is important to both
22 Sprint and the ALEC for the ALEC to order DC power in smaller increments with
23 the intention of being proportionate with its collocated equipment's DC power
24 needs.

25

1 **Q. Why is it important to the ALEC to order an amount DC power which is**
2 **proportionate with its equipment needs?**

3 A. To save money. If they order less, they pay for less. This holds true for both the
4 AC power component of the DC power rate as well as the component which
5 recovers the DC power plant investment made by the ILEC. In addition, Sprint is
6 willing to work with the ALECs on upsizing their DC power cables (while right-
7 sizing their fuses) which feeds their collocated equipment offering even more
8 savings on the NRCs related to installing DC power cable feeds.

9 **Q. Why is it important to Sprint for the ALEC to order an amount DC power**
10 **which is proportionate with their equipment needs?**

11 A. DC power plant capacity of a particular Central Office should be planned from a
12 community point of view. This means recognizing that Sprint and all the ALECs
13 housed in a particular central office are competing for the same customers. If the
14 DC power plant of a particular central office is shared properly, additions to DC
15 power plants should be more limited to growth in services actually purchased by
16 consumers rather than being driven by the over-ordering of DC power plant
17 capacity by ALECs. To help ensure that DC power plants are shared between
18 Sprint and the ALECs, the ALECs need to be given the financial incentives to
19 order DC power in smaller increments. If ALECs order DC power in smaller
20 increments, Sprint is given the opportunity to shift DC power plant capacity it no
21 longer needs to the ALEC as the ALEC grows. Meanwhile if the ALEC decides
22 to discontinue offering service, Sprint would not have to absorb the carrying cost
23 associated with DC power plant additions, driven by ALECs' over-ordering of
24 DC power. An ability to shift DC power plant capacity to whoever needs it as
25 they need it would lessen the need to charge the ALEC with an expensive up front

1 investment per amp in the form of a non-recurring charge to enable Sprint to
2 achieve full cost recovery of its DC power plant investment.

3 **Q. Can Sprint present evidence that ALECs have discontinued their collocations**
4 **after it has added capacity to DC power plants?**

5 A. Yes. Exhibit JRD-6 is a list of ALECs that have discontinued service in 4 Sprint
6 central offices. Also shown is the cost of DC power capacity added to these
7 offices.

8 **Q. How can the Florida Commission help to provide ALECs with the financial**
9 **incentive to be more efficient by ordering an amount DC power which is**
10 **proportionate with their equipment needs?**

11 A. By reinforcing that an ALEC is to pay for all DC power amps ordered.

12

13 **The Costs Included in Sprint's Rate Elements for AC Outlets and Overhead Lights**
14 **Are Not Already Included in its Floor Space Rate Element**

15

16 **Q. On page 23 of his Rebuttal Testimony, Dr. Gabel states that "it appears that**
17 **Sprint's building investment calculations already include the cost of**
18 **permanent fixtures such as overhead lighting and AC receptacles." Is Dr.**
19 **Gabel's comment correct?**

20 A. No. Both the AC receptacles and overhead lighting collocation elements are only
21 charged when applicable. As explained in Sprint's Response to Staff
22 Interrogatory Number 30, R. S. Means does in fact account for the cost of AC
23 outlets along the perimeter of a finished space (like along the permanent walls)
24 but the R.S. Means construction cost estimator does not account for AC outlets
25 that ALECs often add to their equipment bays which are located out in the middle

1 of the floor. In like manner, although R.S. Means does cover overhead lights,
2 Sprint has found that ALECs sometimes want to add additional lighting. Sprint
3 only charges for AC outlets and additional overhead lighting when ALECs
4 request these elements and Sprint incurs the cost. As can be seen in Sprint's
5 Response to Staff Interrogatory Number 1, ALECs do not always order these
6 elements, in that only three of five collocators ordered an AC outlet(s) while none
7 of the five collocators ordered additional overhead lights.

8

9 **Sprint's Floor Space Rate Development is TELRIC compliant**

10

11 **Q. What key characteristics of Sprint's floor space rate development cause it to**
12 **be TELRIC compliant?**

13 A. Sprint's floor space rate development using R.S. Means is based on the forward
14 looking cost (as opposed to embedded cost) of building a central office building
15 on a scale which fits the total demand for space by both the ILEC and the ALECs
16 sharing the space.

17 **Q. How does the use of forward looking cost and the scale of total demand affect**
18 **cost recovery?**

19 A. By using forward looking cost on a scale of total demand, Sprint's floor space rate
20 assumes that finished transmission space is available meaning that the cost for
21 routine site preparations for items like ductwork ~~and cable rack extensions~~ for
22 transmission space is accounted for. Therefore, unlike the other two ILECs in this
23 proceeding, Sprint does not have a separate rate element for "space preparation"
24 (e.g. BellSouth H1.41-H1.45) or "building modification" (e.g. Verizon element
25 No. 34).

1 **Q. What methodology for building floor space cost development does Staff**
2 **witness Dr. Gabel advocate?**

3 A. Staff witness Gabel endorses Verizon's indexing of embedded cost methodology.

4 **Q. Do you consider Verizon's methodology to be TELRIC compliant?**

5 A. No. Since embedded costs are being used, it is obviously not forward looking.
6 Even Dr. Gabel himself states that "this approach is somewhat inconsistent with
7 the FCC's pricing rules that require the use of forward -looking efficient
8 technology" (Gabel Rebuttal, page 8, lines 7-9).

9 **Q. Do you agree with Dr. Gabel's assertions that if embedded cost indexing is**
10 **used, the inclusion of space preparation cost for ALECs in the building**
11 **investment account negates the need for separate a rate element like**
12 **BellSouth's "space preparation" MRCs or Verizon's "building modification"**
13 **MRC?**

14 A. No. Using embedded cost while assuming all collocation related modification
15 costs are already accounted for would not fairly attribute the cost of preparing
16 collocation space to the ALECs. The investment associated with space
17 preparation for ALECs is very small compared to the investment cost of the entire
18 building and would therefore not have a material affect on the overall investment
19 cost per square foot. Under the Verizon methodology, ALECs should bear the
20 full cost of space preparation since they are the cost causers. Otherwise, ALEC
21 operations would be subsidized by the ILEC.

22

23

24 **Q. On pages 28 of his Rebuttal Testimony, Dr. Gabel recommends that Sprint**
25 **convert embedded building cost to current cost to duplicate the Verizon**

1 **methodology and to do so in central offices where collocation exists. Has**
2 **Sprint performed such an analysis?**

3 A. Yes, we have. Indexing the vintage data of the sample of offices shown on
4 Exhibit JRD-7 yielded a cost of \$227 which is higher than the cost derived from
5 R.S. Means (\$146 from lines 1 and 2 of Workpaper 4.0 of Revised Exhibit JRD-
6 2). This sample of central offices is from the same random sample used to
7 perform additional analysis on Sprint's floor space rate gross up factor discussed
8 later in my Surrebuttal Testimony.

9 **Q. What opinions are offered by ALEC and Staff witnesses concerning Sprint's**
10 **use of R. S. Means?**

11 A. AT&T witness Turner is a strong proponent of R.S. Means (Turner Rebuttal, page
12 45) while Staff witness Gabel is not. Mr. Turner speaks of R.S. Means as being
13 an independent verifiable source (page 46, line 6) that "has been used by state
14 Commissions and incumbents in developing investments for collocation". One
15 such Commission, as Mr. Turner reports (page 46), is the Texas Public Utilities
16 Commission. Dr. Gabel, on the other hand, criticizes R. S. Means while using a
17 disclaimer statement from a product other than R. S. Means (page 28, lines 10-
18 13)!! Witness Gabel's footnote number 28 on page 28 of his Rebuttal Testimony
19 reveals that his quoted disclaimer statement actually comes from the "2000
20 National Construction Cost Estimator" not R.S. Means. The act of criticizing one
21 product while using disclaimers from another constitutes an inappropriate use of
22 unrelated facts. This is similar to attempting to discredit the reliability of a
23 Toyota by quoting the repair occurrences of a Buick.

1 **Q. If the Florida Commission were to adopt Verizon's methodology for floor**
2 **space rate structure, what additional collocation elements would Sprint need**
3 **to employ?**

4 A. As can be seen from Sprint's Response to Staff's Interrogatory Number 54 and on
5 the attached Exhibit JRD-3, Sprint's floor space rate element encompasses
6 Verizon's elements of: floor space, building modification, environmental
7 conditioning, and cage ground bar. These last 3 elements would need to be added
8 to Sprint's collocation rate list.

9 **Q. If the Florida Commission were to adopt Verizon's floor space rate, would**
10 **Sprint double recover for security systems as Dr. Gabel asserts on page 44,**
11 **lines 21-25?**

12 A. No. Sprint charges security systems to the Furniture and Office Equipment
13 Investment Account as opposed to the Building Investment Account; therefore,
14 Sprint's security system investments added as a result of collocation are not
15 contained in the vintage data for the Building Investment Account.

16
17 **Gabel's Criticisms of Sprint's Floor Space Rate Development Contains Numerous**
18 **Inaccuracies**

19
20 **Q. On page 9 of his Rebuttal Testimony, Dr. Gabel states that "if a new *central***
21 ***office* building were to be constructed, it might be smaller than today's**
22 **central offices" (clarification added). What are reasons this would not be**
23 **the case?**

24

1 A. Dr. Gabel was making reference to the trend towards smaller switching
2 equipment; however, that does not take into account the fact that additional space
3 is needed to house the ever growing number of systems necessary to provide
4 modern telecommunications including fiber systems, SS7 networks, digital cross
5 connects, and ATM networks. Furthermore, collocation itself adds to the general
6 requirements for space. However, even if newer central offices were smaller,
7 their cost per square foot would be higher which would offset the effects of
8 shorter cable runs.

9 **Q. Should Sprint's actual measurements for DC power and cross connect cables**
10 **be adjusted to reflect the assumption of a new building under R.S. Means as**
11 **Dr. Gabel suggests (Gabel Rebuttal, page 10, lines 4-6)?**

12 A. No. As just explained, Sprint does not see any valid reasons for why a new
13 central office building housing telecommunications network equipment would be
14 materially different in size as compared to an existing one. Furthermore, even if a
15 new building would actually be built, collocation would fairly be spread
16 throughout the central office as it is today. Sprint's Response to Staff Request for
17 the Production of Documents Number 20 shows a wide range of cable lengths for
18 both DC power feeds and cross connects clearly indicating that collocations are
19 indeed spread throughout Sprint's central offices.

20 **Q. On page 43, line 26 of his Rebuttal Testimony, Dr. Gabel comments that of**
21 **the 48 observations Sprint used for its security additive, only 2 were in the**
22 **state of Florida. Has Sprint since examined other security system costs in the**
23 **state of Florida?**

24

1 A. Yes we have. Exhibit JRD-8 provides a list of price quotes for security systems in
2 central office buildings in the state of Florida. As can be seen the overall average
3 investment per square foot for the Florida systems is \$ 2.63 while the overall
4 average investment per square for security systems used in Sprint's study is \$2.92.

5 **Q. Does this difference in cost have a material affect on Sprint's rate for floor**
6 **space?**

7 A. No. Since Sprint spreads the cost of the security system enhancement based on
8 the total usable square footage in the central office, as advocated by Dr. Gabel on
9 page 43 of his Rebuttal Testimony, the security additive accounts for less than 2
10 percent of Sprint's floor space rate. The difference of \$.29 per square foot
11 between the Florida specific security systems versus the security systems used in
12 the study accounts for a difference of less than 2 tenths of one percent (0.2%) in
13 Sprint's floor space rate.

14 **Q. On page 44, line 15, Dr. Gabel reported that Sprint's cost per square foot for**
15 **the security additive is \$.70 compared to \$ 0.0125 for BellSouth. In his**
16 **footnote 49 at the bottom of the page, he says that he arrived at his figure by**
17 **taking Sprint's additive for security and applying Sprint's annual charge**
18 **factor. Are Dr. Gabel's calculations correct?**

19 A. No. As their name implies, annual charge factors are used to calculate annual
20 charges. To arrive at a monthly recurring charge, the analyst must divide the
21 annual charge by twelve, which Dr. Gabel did not do. Dr. Gabel should have
22 reported \$0.70 divided by 12 or \$ 0.058 per square foot compared to Bell's
23 \$0.0125 per square foot.

24

1 **Q. Can the difference between Sprint's and BellSouth's cost per square foot for**
2 **security systems be explained?**

3 A. Certainly. If you take BellSouth's MRC cost and back into an investment per
4 square foot using BellSouth's ACF for buildings, you arrive at \$.77 per square
5 foot (.0125 / .1936 * 12 months per year). The average security investment per
6 square foot in Sprint's larger buildings is comparable to BellSouth's cost. As
7 shown on Exhibit JRD-4, BellSouth has much larger central office switching
8 centers/buildings than Sprint. Sprint simply does not have the same economies of
9 scale as does BellSouth.

10 **Q. What questionable comments does Dr. Gabel make concerning floor space**
11 **lease costs?**

12 A. Dr. Gabel cites comments from a North Carolina proceeding making reference to
13 an anomalously low historic floor space lease costs. What Dr. Gabel does not
14 mention however, is that three of the five leases cited are from extremely small
15 towns (two of which have populations of less than 300 people) and involve 30
16 year old leases with little to no provisions for inflationary increases. One other
17 lease was for a small remote switch at a strip shopping center. None of these four
18 locations had any collocation in them nor likely ever will. These buildings and
19 leases are hardly comparable with the larger towns and the value of property in
20 Florida. It should be noted that Sprint does not lease space in Florida for central
21 office equipment buildings (see Sprint's Response to Staff's Interrogatory
22 Number 25).

23 **Q. On page 24 of his Rebuttal Testimony, Dr. Gabel expresses concern over the**
24 **statistical validity of Sprint's sample of five sets of floor plans for its central**

1 **office buildings in evaluating its floor space gross up factor. Why did Sprint**
2 **use five?**

3 A. As covered in our Response to Staff's POD Number 13, Sprint's selection of five
4 central offices was based on the need to work with a manageable number of
5 offices to analyze given the labor intensive nature of this study.

6 **Q. Has Sprint examined additional floor space plans since the filing of its study**
7 **in February?**

8 A. Yes. Sprint has added a random selection of 14 additional central office buildings
9 containing collocation for a total of 19. As shown on Exhibit JRD-7, this is now
10 a statistically valid sample of Sprint's central offices.

11 **Q. On page 27 of his Rebuttal Testimony, Dr. Gabel's footnote number 27**
12 **asserts that "49 of Sprint's 134 COs (roughly 37%) are at or near capacity".**

13 **Is this assertion true?**

14 A. No. Dr. Gabel referenced Sprint's web site containing information on full site
15 locations. Dr. Gabel assumed that all 49 sites listed are central offices, while at
16 the time of the study only one of these sites was a central office with the
17 remaining 48 closed sites were digital line carrier systems.

18 **Q. Is this one closed office included in your random sample of central office**
19 **buildings?**

20 A. Yes.

21 **Q. What incorrect assumptions has Dr. Gabel made about Sprint allocation of**
22 **egress space its floor space factor?**

23 A. Dr. Gabel failed to recognize that Sprint's inclusion of egress (labeled "E" as
24 shown in column "h" of Exhibit JRD-7) only includes the egress contained within
25 the equipment transmission room. The egress used by Sprint in its calculation of

1 the floor space rate consists of the aisles on either end of the rows of equipment
2 bays along with space which allows access to caged collocation. Without this
3 aisle space, the collocation is unusable because a technician would not place or
4 access equipment. It would therefore be inappropriate to spread Sprint's egress
5 space to any other elements.

6 **Q. How did Sprint determine shared and growth space for its floor space rate**
7 **calculation?**

8 A. For shared space (labeled "S" in column "f" of Exhibit JRD-7), Sprint excluded
9 space (stairways, halls, equipment staging areas, bathrooms, and break rooms)
10 that would not be used by the ALEC. For growth space (labeled "G" in column
11 "g" of Exhibit JRD-7), Sprint only counted space that is available for both Sprint
12 and the ALECs to occupy as equipment space. Sprint bears the full cost of all this
13 space; therefore, ALECs should bear a fair share of this cost. This can only be
14 accomplished by allocating shared, growth and egress space to only transmission
15 space.

16 **Q. In footnote number 26 on page 27 of his Rebuttal Testimony, witness Gabel**
17 **claims that Sprint included "office space" as shared space in it's Winter Park**
18 **Central Office Building. Is this true?**

19 A. No. The space Dr. Gabel is referring to is obviously a hallway which leads to a
20 transmission space shared by Sprint and the ALECs. After consulting with
21 building engineering, this space was appropriately and clearly relabeled "HALL"
22 on the drawing and used as shared space in our analysis.

23 **Q. What is Sprint's space allocation for Air Conditioning?**

24

25

1 A. The space identified for Air Conditioning Equipment (column "k" of Exhibit
2 JRD-7), is for space containing the central office's heating and cooling system
3 (HVAC).

4 **Q. In its original study, why did Sprint allocate all of its AC equipment space to**
5 **transmission space?**

6 A. According to Sprint's facility engineers, more than half of the cooling capacity of
7 a central office building is needed to cool the equipment in the building as
8 opposed to the building itself if it were empty. Nonetheless in retrospect, some of
9 the AC equipment space allocated by Sprint to the transmission space could have
10 been allocated to office and power space (vaults are generally not cooled).
11 Sprint's desire is to recover only its cost; therefore, Sprint has made adjustments
12 to reflect the sharing of AC space (labeled "A" in column "I" of Exhibit JRD-7),
13 to more than just transmission space in its recalculation of its floor space gross up
14 factor which is covered below.

15 **Q. How did Sprint allocate AC equipment space in its recalculation of the gross**
16 **up factor?**

17 A. As can be seen in columns "d", "j", and "I" of Exhibit JRD-9, Sprint allocated the
18 AC equipment space based on the square footage of all identified space in the
19 building excluding unconditioned spaced (e.g. cable vaults).

20 **Q. What floor space gross up factor is supported by Sprint's additional data**
21 **coupled with the adjustment in how AC space is allocated?**

22 A. As can be seen from the results of Exhibit JRD-7, Sprint's revised gross up factor
23 is 49.2 %. This higher factor, when combined with the small reduction in Sprint's
24 security additive discussed previously, results in a revised floor space rate of

1 \$7.87 per square foot per month (see Revised Exhibit JRD-2). Sprint's floor
2 space rate in its original filing on February 4th, 2003 was \$9.65.

3

4 **Gabel Mischaracterizes Sprint's Presentation of its Forward Looking Costs**

5

6 **Q. On page 32 of his Rebuttal Testimony, as part of his comments on the**
7 **reliance of SME inputs, Dr. Gabel comments that the "incumbent LECs have**
8 **greater access to the cost information necessary to calculate the incremental**
9 **cost of unbundled elements in the network" and "incumbent LECs must**
10 **prove to the state commission the nature and magnitude of any forward-**
11 **looking cost that it seeks to recover in the prices of interconnection and**
12 **unbundled network elements". Has Sprint presented its forward looking**
13 **cost in this proceeding?**

14 **A. Yes. As covered in Sprint's Response to Staff's Interrogatory Number 15, 90%**
15 **of the first year collocation costs are supported by either actual cost analysis or**
16 **forward looking vendor quotes while 99% of the ongoing monthly recurring**
17 **charges are supported by actual cost analysis or forward looking vendor quotes.**

18 **Q. What comments has Dr. Gabel made concerning Sprint's actual cost**
19 **derivations through work order analysis and vendor quotes?**

20 **A. On page 37, Dr. Gabel acknowledges that Sprint has substantially supported its**
21 **rates through actual cost (through work order analysis) or vendor quotes;**
22 **however, he still expresses a preference towards Verizon's lower work times. In**
23 **fact, throughout his "analysis" Dr. Gabel simply picks the lowest number without**
24 **regard as to whether or not the low number is accurate. This is the case for DSO**
25 **cross connect cable pulls (page 50 of Gabel's Rebuttal). Dr. Gabel prefers**

1 Verizon's lower work time for cable pulls and terminations which are supported
2 by SME inputs to Sprint's work time for cable installations which are based on
3 work order analysis. Even though he otherwise is critical of SME inputs, he does
4 not introduce the possibility that Verizon's SME based work times are
5 understated. Another possibility is that Verizon's SME based work times
6 represent a best case scenario involving comparatively easy installations of a
7 relatively large number of DSOs installed per job. Of the 75 work orders
8 examined by Sprint in determining the actual work times for cross connects, only
9 6 involved installations of more than 2,000 DSOs while 4 of 5 collocations
10 included by Verizon in its Response to Staff's Interrogatory to Verizon No. 1,
11 involved installations of more than 2,000 DSOs. Sprint's work times for cross
12 connect cable installations reflect the quantities typically installed by Sprint as
13 well as the realities of the difficulties of doing this type of work.

14 **Q. Where else did Dr. Gabel simply pick the lowest work time input without**
15 **regard to its accuracy?**

16 **A.** Although Sprint and BellSouth's collocation application fees are similar (\$2,758
17 and \$2,785 respectively), on page 39 of his Rebuttal Testimony, Dr. Gabel
18 recommends that both Sprint and BellSouth use Verizon's work times for its
19 Application Fee. In this situation, Verizon is clearly the outlier, but Dr. Gabel
20 disregards the possibility that Verizon has omitted some costs they are entitled to
21 or is recovering some of their application related costs in some other way. He
22 simply picks the Verizon rate because it is the lowest number.

23
24

1 **Q. Given that ILECs appear to recover certain costs under different rate**
2 **elements, how can comparisons of collocation cost structures be made in a**
3 **fair and equitable manner?**

4 A. Through a NPV analysis of a typical collocation (see Exhibit JRD-3). Staff has
5 facilitated this type of comparison by asking each ILEC to select applicable
6 collocation elements for specific examples of collocations provided by each ILEC
7 under Staff's first set of interrogatories. Such an NPV analysis enables an overall
8 comparison of costs regardless of what elements ILECs choose to incorporate
9 specific costs.

10 **Q. Is Dr. Gabel consistent in his treatment of outliers?**

11 A. No. Dr. Gabel later criticizes Verizon's much higher work time for their Space
12 Availability Report (page 48 of Gabel's Rebuttal) seemingly treating Verizon as
13 the outlier as compared to Sprint and BellSouth who again have similar but much
14 lower costs based on 14 hours and 10 hours respectively. However, as can be
15 seen from the previous discussion on collocation application fees, the lowest
16 number always gets picked.

17 **Q. What recommendation does Dr. Gabel give regarding Sprint's Space**
18 **Availability Report?**

19 A. Dr. Gabel recommends that Sprint reduce the work time for its Space Availability
20 Report from 14 hours to 10 (to match BellSouth) simply because BellSouth has
21 the lowest number. Dr. Gabel does not appear to take into account that Sprint has
22 no experience providing space reports in Florida (see Sprint's Response to Staff's
23 POD Number 16) nor does he acknowledge that services so rarely provided take
24 extra time due to a lack of familiarity by the individuals performing the work.

25

1 **Dr. Gabel Has Mischaracterized Sprint's SME Inputs**

2

3 **Q. On page 31, line 8 of his Rebuttal Testimony, Dr. Gabel states that "loaded**
4 **labor rates are often calculated using time estimates provided by SMEs". Is**
5 **this a true characterization?**

6 A. No. Loaded labor rates are derived using actual expense dollars and actual time
7 reported as opposed to SME estimates of work times.

8 **Q. On page 36 of his Rebuttal Testimony, Dr. Gabel states that he believes that a**
9 **form provided to Sprint's SMEs was pre-populated with time estimates and**
10 **probabilities. What form is Dr. Gabel referring to?**

11 A. The form Dr. Gabel is referring to is a work paper Sprint provided in Response to
12 Staff's POD Number 12. This responsive document provided instructions to
13 SMEs providing input for Sprint's collocation cost study for application and
14 project management fees (one of the few areas of cost where Sprint relied on
15 SME inputs). According to Dr. Gabel, Sprint was the only ILEC who provided
16 such workpapers.

17 **Q. Was the work paper pre-populated with recommendations from Sprint Cost**
18 **Analysts as Dr. Gabel believes it was?**

19 A. No, of course not. The responses shown were provided by the SMEs.

20 **Q. On pages 39 and 40 of his Rebuttal Testimony, Dr. Gabel discusses the need**
21 **to separate pre-acceptance (application) fees from post acceptance (FOC)**
22 **fees because such a separation best matches the timing of when costs occur.**
23 **Do Sprint's Application, Engineering, and Project Management Fees**
24 **properly reflect pre and post acceptance cost?**

25

1 A. Yes. Sprint's "New Collocation - Application Fee" (see line 1 on page 5 of Davis
2 Revised Exhibit JRD-2), "Minor Augment Fee", and "Major Augment Fee" are
3 for tasks which must be accomplished as part of assessing an ALEC's request for
4 collocation and providing a quote. Once a firm order commitment is made,
5 Sprint's fees for Transmission Engineering and Project Management apply as they
6 are associated with the design and build out of the collocation.

7

8 **Sprint's Cage Construction Cost Analysis**

9

10 **Q. On page 45 of his Rebuttal Testimony, Dr. Gabel makes a comment that**
11 **Sprint studied nine work activities to estimate the per linear foot cost of**
12 **collocation cages and their related engineering costs. Why did Sprint base its**
13 **study on nine?**

14 A. Nine is all Sprint's engineers could find where cage cost could be identified. It is
15 important to note that, according to Sprint's collocation project manager, Sprint
16 has only built 29 collocation cages in Florida. Fourteen of those were built under
17 the nine work activities used in Sprint's study; therefore, the sample of nine work
18 activities represents about half of the population being studied. Given that, Sprint
19 believes its sample is representative of the cost of collocation cages.

20 **Q. On page 46 of his Rebuttal Testimony, Dr. Gabel comments on the variance**
21 **in engineering time reported for Sprint's work activities citing 34 hours for**
22 **one job and only 4 hours for another. What is causing this difference?**

23 A. Multiple field visits. The Sprint engineer reporting 34 hours was on a very tight
24 time frame and had to watch the construction of the cage/collo space very closely
25 to ensure the schedule was met and that the job was completed without mistakes.

1 This necessitated 3 trips to the field involving a city other than where the
2 engineer's office is located for pre-construction, mid-construction, and final
3 inspection.

4 **Q. How does Sprint break out the average of 11.375 hours of engineering time**
5 **per job into cage, AC outlets and overhead lights?**

6 A. The engineers did not report time for cages, AC outlets and overhead lights
7 separately; therefore, Sprint had to ask for their assistance in identifying time
8 spent for each of these activities. Based on their input, the 11 total hours were
9 separated into 8 hours for cage, 1.5 hours for AC outlets and 1.5 hours for
10 overhead lights. Since these are actual collocations, they are representative of
11 future requirements.

12 **Q. Do all collocation cages require grounding?**

13 A. Yes. All collocation cages are to be connected to the central office grounding
14 field. This is not the same activity as providing a ground bar for collocators to
15 connect their equipment to.

16

17 **Sprint's DC Power Engineers Design the DC Power Plant**

18

19 **Q. On page 24 of his Rebuttal Testimony, Staff witness Curry states that he**
20 **believes Sprint's work times for company engineering associated with new**
21 **DC power plant construction appears high "especially when the actual power**
22 **plant engineering has already been included as a contract expense". What**
23 **role does a Sprint Power Engineer play in DC Power Plant design?**

24 A. This was addressed in Sprint's Response to Staff's Interrogatory Number 40
25 where Sprint was asked about the activities of the Sprint Power Engineer with

1 respect to provisioning the EF&I of a power plant project. Listed among the
2 activities is “determine exact specifications for power plant components and write
3 request for proposal for submission to contractor”. The next item on the list is
4 “review contractor proposal, including communication with contractor about
5 questions or changes to proposal”. These work steps demonstrate that the Sprint
6 Power Engineer is integral in the process for DC power plant design.

7 **Q. Why is it important for a Sprint Power Engineer to be involved in DC power
8 plant design?**

9 **A.** A DC power plant is a major investment. It is in Sprint’s (and the ALEC’s) best
10 interest to ensure that a vendor does not oversize expensive components of a DC
11 power plant like rectifiers and battery strings. Furthermore, as can be seen from
12 the activity list included with Sprint’s Response to Staff’s Interrogatory Number
13 40, the Sprint DC Power Engineer is also responsible for creating a “power
14 demand forecast” and determining the “current and future capacity and space
15 requirements based on demand forecasts”. Time for site visits to check the
16 progress of the project is also included. As represented in the cost study, the cost
17 of the Sprint DC Power Engineer on average is only 1% of the overall cost of the
18 DC Power Plant Investment. Sprint believes this expenditure is well worth it.

19

20 **Sprint’s DC Power Cable Cost Comparison**

21

22 **Q.** On page 24 of his Rebuttal Testimony, Mr. Curry comments on Sprint’s DC
23 power cable cost and provides a comparison of material cost per foot on a
24 chart entitled “Comparison of Power Cable Material Cost, per foot” between

1 **Sprint, R.S. Means, Southwire (a supplier) and for Verizon (for 750 MCM).**

2 **Have you reviewed Mr. Curry's chart for accuracy?**

3 A. Yes. The costs Mr. Curry provides in his table from R. S. Means and from
4 "Southwire" are for cable types that are not appropriate for DC power
5 applications associated with telecommunications.

6 **Q. What type of cable has Mr. Curry identified?**

7 A. The cable costs included in the chart for R.S. Means are 600 volt, type THW
8 copper cable which is an industrial grade Class B building wire applicable for AC
9 power applications. The R.S. Means Engineering group confirmed that they do
10 not develop costs for telecommunications DC power cable. Likewise, Sprint's
11 material management group also spoke with Southwire Corporation and
12 confirmed that they do not provide a DC Power Cable which meets
13 telecommunications specifications. The cable prices shown in the chart for
14 Southwire are for a medium voltage, industrial grade Class B power cable termed
15 Thermoplastic insulation/Nylon Sheath (THHN) which includes up to 61
16 individual wires. This 600 Volt copper wire does not meet telecommunications
17 standards.

18 **Q. What is unique about telecommunications power cables?**

19 A. Telecommunications power cables must meet strict standards. The specifications
20 are outlined in Telcordia Technologies CR-347-CORE, Issue 2 dated June, 2002
21 titled "Generic Requirements for Telecommunications Power Cable". The
22 required cable is a "Class I" type product which includes up to 1221 individual
23 flexible wires. This large number of individual wires is essential for the required
24 flexibility involved in routing cable turns along the cable rack. Compared to the
25 AC cable referenced above, the Class I product would be much easier to

1 maneuver through the cable rack which often involves very tight turns.
2 Conversely, the extra stiffness associated with AC power cable would make it
3 more difficult to install, resulting in longer work times. Telecommunications
4 cable must also be insulated with low smoke, zero halogen (LSZH) very tough
5 polyolefin materials that are heat-resistant, moisture-resistant and flame-retardant.
6 Halogen is an element or compound which forms a salt by direct union with a
7 metal which leads to corrosion. Class I (DC) power cable for telecommunications
8 costs more to manufacture because of the additional strands, flexibility and
9 protection.

10 **Q. Does Sprint's pricing include overhead costs not taken into account by Mr.**
11 **Curry?**

12 **A.** Yes. Sprint's pricing for 250 MCM and 750 MCM cables includes all overheads
13 associated with material handling (cutting and preparing for shipment), sales
14 taxes, and shipping cost as well as all overhead loadings associated with work
15 order activities (around 30% all totaled). Sprint's pricing for 1/0 and 4/0 cables
16 includes material handling (cutting and preparing for shipment). The Southwire,
17 R.S. Means and Verizon prices in Mr. Curry's chart also do not include any of
18 these costs.

19 **Q. What comparisons should be made between Sprint's material cost for DC**
20 **power cable and Verizon's?**

21 **A.** Sprint's costs represent the purchasing power of 8 million access lines system-
22 wide as opposed to Verizon's 58 million (see Exhibit JRD-4). The costs borne by
23 ALECs in Sprint central offices are very small compared to the expense of
24 Sprint's operations; therefore, it is in Sprint's best interest to purchase goods and
25 services in a cost efficient manner.

1 **Clarifications on Sprint's Ground Bar Investment Cost**

2

3 **Q. On page 25 of his Rebuttal Testimony, Mr. Curry discusses Sprint's ground**
4 **bar cost which is included in its floor space rate calling it "excessive". What**
5 **clarifications are necessary concerning Sprint's ground bar cost?**

6 A. Mr. Curry apparently missed the footnote on Workpaper 4.4 of Exhibit JRD-2
7 showing that Sprint's ground bar investment cost is intended to serve 400 square
8 feet. Sprint's ground bar cost plus engineering divided by 400 square feet results
9 in an average investment of \$10 per square feet of floor space. The portion of
10 Sprint's proposed floor space MRC represented by the ground bar is \$.23 per
11 square foot per month ($\$10 * \text{building ACF of } 24.31\% \text{ divided by } 12 \text{ plus}$
12 $\text{common cost of } 13.68\%$). Given that the current average size of a collocation in
13 Sprint central offices is 58.9 square feet, ALECs on average would bear a \$589
14 investment for access to a ground bar through an incremental MRC of \$ 13.55 per
15 month. Sprint sees a strong trend towards cageless collocation. Since an
16 equipment bay takes up 10 square feet, ALECs bear only a \$100 investment for
17 access to a ground bar for each bay of equipment. Therefore for cageless
18 collocation, ALECs would be paying \$2.30 per month per equipment bay for
19 access to a ground bar.

20 **Q. Did Sprint obtain additional quotes on ground bar installations as suggested**
21 **by Mr. Curry?**

22 A. Yes. As can be seen by examining the cost quotes included as Exhibit JRD-10,
23 the costs are comparable to the costs included in Sprint's floor space rate
24 calculation.

25

1 **Conclusion**

2

3 **Q. What conclusions do you wish to make concerning your comments on Mr.**
4 **Turner's Rebuttal Testimony?**

5 **A.** The use of NPV comparisons is a simple way to compare costs between ILECs
6 using different cost structures. Furthermore, BellSouth's model will not meet
7 Sprint's needs for cost recovery. Sprint's collocation rate elements are complete
8 and are representative of the collocation elements ordered from Sprint.
9 Collocation is very risky compared to UNE loops and should have cost inputs
10 which differ from UNE loops. Sprint does not enjoy the same purchasing power
11 or economies of scale that either BellSouth or Verizon enjoys. As evidenced by
12 his recommendation for the cost of the AC component of the DC power, Mr.
13 Turner did not consider Sprint's actual cost analysis in his review. Sprint's
14 collocation cost model provides for cost recovery only if ALECs pay for the DC
15 Power they order. By ordering a quantity of power, the ALEC is telling the ILEC
16 how much power they want to be made available their equipment. An ALEC
17 ordering power is equivalent to an ILEC building a power plant. The ILEC bears
18 the cost of the DC power plant once it is constructed regardless of how much
19 power is actually used. In like manner the ALEC should bear the cost of the DC
20 power they order. Unlike the ILEC, the ALEC does have the advantage of paying
21 for their DC power through a monthly recurring charge. An ALEC will save
22 money if they order an amount of DC power which is proportionate with the
23 needs for their equipment. Furthermore, ALECs ordering DC power in smaller
24 quantities will lessen the need for DC power plant additions because DC power
25 can be shifted from the ILEC to the ALEC as their needs grow.

1 **Q. What conclusions do you wish to make concerning your comments on Dr.**
2 **Gabel's Rebuttal Testimony?**

3 A. Dr. Gabel makes a series of misrepresentations of Sprint's actual cost and cost
4 analysis while systematically simply zeroing in on the lowest cost of the three
5 ILECs. Like Mr. Turner, Dr. Gabel does not credit Sprint with supporting its cost
6 through actual cost analysis and does not acknowledge that Sprint does not have
7 the same purchasing power or economies of scale of either BellSouth or Verizon.

8 **Q. What conclusions do you wish to make concerning your comments on Mr.**
9 **Curry's Rebuttal Testimony?**

10 A. Sprint has the responsibility and the economic incentive to design its own DC
11 power plants and to purchase goods and services (e.g. DC power cable) as cost
12 efficiently as possible. The cost savings attributed to Sprint's own operations as a
13 result of its actions are far more significant than the cost Sprint incurs and
14 recovers from ALECs.

15 **Q. Does this conclude your Surrebuttal Testimony?**

16 A. Yes.

17

18

19

20

21

22

23

24

25

1 BY MS. MASTERTON:

2 Q Mr. Davis, would you please give your summary now.

3 A Okay. My direct and surrebuttal testimonies deal
4 with Issues 9A, 9B and 10. My testimony supports -- excuse me.
5 My testimony provides support for the cause Sprint proposes
6 that the Commission adopt for Sprint's collocation rates.
7 Contrary to FDN's allegations in its prehearing statement, the
8 cost structure and resulting rates proposed by Sprint in this
9 proceeding will result in lower overall cost compared to
10 Sprint's current rate structure.

11 For 9A, the list of rate elements proposed by Sprint
12 is based on examinations of actual collocation arrangements in
13 Sprint's central office buildings coupled with FCC and
14 Florida PSC requirements.

15 Contrary to Mr. Turner's claims, Sprint's collocation
16 element list is comprehensive. Sprint has provided more than
17 700 collocation systemwide and has fulfilled all ALEC requests
18 for collocation rate elements. Many of Sprint's elements
19 encompass multiple elements of Verizon and BellSouth.

20 As an operating ALEC in multiple states, Sprint
21 routinely relies on net present value analysis in assessing its
22 collocation cost. Sprint's collocation rates apply to both
23 physical and virtual collocation. As mentioned in its motion
24 for reconsideration and clarification, Sprint will adopt
25 BellSouth's practice of allowing CLECs to employ Sprint

1 certified contractors to perform collocation work in the
2 central office common areas instead of Sprint performing this
3 work. This affects Sprint's collocation rate elements of
4 security cages, DC power cables, AC power feeds, AC power
5 outlets, additional lighting, cross-connect facilities and
6 internal cables. Sprint's collocation rates will only retain
7 the cost for cable racking, engineering and removal where
8 applicable.

9 Under 9B, Sprint's cost studies comply with TELRIC
10 principles that they are forward-looking and are based on the
11 scale of total demand. Sprint has employed many aspects of
12 factual data to support its cost studies including work
13 activities and actual collocation builds, actual floor plans of
14 central office buildings, and the complete mix of Sprint
15 central offices in Florida to incorporate the effect of
16 Sprint's economy of scale.

17 Sprint contends that it is completely improper to use
18 the same collocation cost inputs for the three ILECs in this
19 case. Sprint does not enjoy either the purchasing power nor
20 the economy of scale of the other two ILECs.

21 I will address Sprint's labor, material and
22 depreciation inputs, along with Sprint's collocation study
23 methodologies for the various collocation rate elements.

24 Sprint Witness Randy Farrar will address expense
25 factors and the efficiency of using Sprint's collocation cost

1 model to establish Sprint's rates. And that concludes my
2 summary.

3 MS. MASTERTON: The witness is available for
4 cross-examination.

5 CHAIRMAN BAEZ: And I'm assuming no friendly cross.
6 Mr. Kassman, do you have questions?

7 MR. KASSMAN: We have no questions.

8 CHAIRMAN BAEZ: Mr. Hatch.

9 MR. HATCH: I have just a few brief questions.

10 CROSS EXAMINATION

11 BY MR. HATCH:

12 Q Good afternoon, Mr. Davis. I'm Tracy Hatch. I'll be
13 asking you a few questions on behalf of AT&T.

14 If you could turn in your testimony to Page 13.

15 A Surrebuttal or direct?

16 Q Surrebuttal. I'm sorry. It's your surrebuttal
17 testimony.

18 Down at the bottom there, Lines 22 through 24, you
19 make the statement that says what determines purchasing power
20 is essentially -- or purchasing power affects the ability to
21 buy goods and services at a particular price; is that right?

22 A Yes.

23 Q You touched on this a little bit in your summary, but
24 I want to explore that a little bit more.

25 What is the central point that you're trying to make

1 with purchasing power?

2 A Well, Mr. Turner advocates that all three ILECs
3 should have the same cost inputs. In some of AT&T's discovery
4 responses to staff, they've made comments that the companies
5 are of similar size. And my surrebuttal testimony, along with
6 Exhibit, let's see, JRD-4, illustrates that the three ILECs in
7 this case are of very different sizes.

8 Verizon has -- I could turn to this exhibit for a
9 moment. This is Exhibit JRD-4. On a systemwide basis, Sprint
10 has around 8 million access lines, and that's all of our
11 states -- BellSouth, 22 million access lines; Verizon,
12 58 million access lines. And to me that -- or to us that
13 illustrates that these companies have different amounts of
14 purchasing power. Verizon has more than BellSouth and
15 BellSouth has more than Sprint.

16 Then toward the bottom of JRD-4 there is an
17 illustration that talks about or shows a comparison between the
18 relative sizes of Sprint's central offices versus the sizes of
19 BellSouth, BellSouth's central offices. And in my testimony I
20 discuss and give a number of how many central offices BellSouth
21 has in Florida that are larger than Sprint's largest office in
22 Florida.

23 So there's two phases of this; there's two levels of
24 this. The first level is, again, purchasing power. The larger
25 the company, the more goods and services they buy, the cheaper

1 they can buy those goods and services.

2 The second phase of this is what I'm calling economy
3 of scale, meaning that when a company of the size of a
4 BellSouth builds a DC power plant, they're doing it for a
5 larger number of access lines in that office. And they can --
6 when they buy the rectifiers and the batteries and the power
7 boards and all, you know, all the components of a DC power
8 plant, they're able to build that power plant cheaper, a
9 cheaper cost per amp overall than Sprint can. So those are the
10 points of my surrebuttal testimony.

11 Q So based on that analysis, given the data that you've
12 got on JRD-4, at whatever given level of cost per amp that
13 Sprint experiences, then you would expect BellSouth to have a
14 cheaper cost per amp based on economies of scale and purchasing
15 power; would that be correct?

16 A That follows -- the logic follows. Yes, sir.

17 Q And then by virtue of Verizon's size compared to
18 BellSouth, you would expect Verizon's costs to be substantially
19 below BellSouth's costs?

20 A In terms of purchasing power of the company overall,
21 that follows. I did not do an analysis as such or a comparison
22 in terms of their central offices and our central offices in
23 terms of the second part of that argument, which is the economy
24 of scale and how big of a power plant can you build. But the
25 first part of that is true in the case of Verizon. They have a

1 lot more access lines than we do.

2 MR. HATCH: Thank you, Mr. Davis. I have no further
3 questions.

4 CHAIRMAN BAEZ: Mr. Watkins?

5 MR. WATKINS: Is, is Mr. Davis's counsel stipulating
6 to the accuracy of the Sprint-specific numbers in confidential
7 Exhibit 38?

8 MS. MASTERTON: Yeah. We had, we had previously
9 discussed that, and we will stipulate that they represent the
10 numbers that we provided in response to discovery from Covad.

11 MR. WATKINS: Then I have no questions.

12 CHAIRMAN BAEZ: Ms. Masterton, just to be clear,
13 you're reserving the same objection as Mr. Carver?

14 MS. MASTERTON: No. I guess we're stipulating to the
15 accuracy of the numbers.

16 CHAIRMAN BAEZ: You're stipulating to -- okay.

17 MS. MASTERTON: Of Sprint's numbers only.

18 CHAIRMAN BAEZ: Sprint's numbers only. Yes, I
19 understand.

20 MS. MASTERTON: Yes.

21 THE WITNESS: The first three columns, as I
22 understand it, were filled in only.

23 MR. WATKINS: Let me, let me just clarify with
24 Mr. Davis, if that's all right, and we'll just make sure we're
25 all clear about this.

1 CHAIRMAN BAEZ: Yes, please.

2 CROSS EXAMINATION

3 BY MR. WATKINS:

4 Q Mr. Davis, do you have a copy of this?

5 A I may have still if it's the same copy. I believe I
6 left it in my other bag, Mr. Watkins. If you could show it to
7 me.

8 Q Well, mine has a cross-examination written on it.

9 A That wouldn't be bad.

10 CHAIRMAN BAEZ: That might speed it up a little.

11 MR. WATKINS: Mr. Chairman, may I approach the
12 witness?

13 CHAIRMAN BAEZ: Sure.

14 BY MR. WATKINS:

15 Q Mr. Davis, I've handed you discovery responses
16 provided to Covad Communications on September 9 of last year
17 responding to two sets of questions from Covad Communications
18 regarding the current monthly recurring charge and the proposed
19 monthly recurring charge specific to Sprint.

20 A Yes.

21 Q Are the numbers contained in confidential Exhibit
22 Number 38 accurate?

23 A You mean compared to Interrogatory 2? Yes, they are.

24 Q To the exhibit -- to the discovery responses.

25 A Yes, they are.

1 Q Do those, do those discovery responses continue to be
2 accurate?

3 A Yes, in terms of how we understood the question, the
4 interrogatory question at the time, they are accurate, yes.

5 Q Are there any numbers on confidential Exhibit Number
6 38 that you would take issue with as being inaccurate?

7 A For Sprint, no.

8 MR. WATKINS: All right. Thank you. That's all I
9 have.

10 CHAIRMAN BAEZ: Thank you. Mr. Rojas.

11 CROSS EXAMINATION

12 BY MR. ROJAS:

13 Q Just a few questions, Mr. Davis.

14 In reference to Exhibit JRD-2, are Sprint's annual
15 charge factor inputs the same as those approved for Sprint in
16 its recent Florida UNE order?

17 A The annual charge factor inputs vary for the
18 depreciation life and the net salvage compared to the annual
19 charge factors used for the UNE docket. There's also some
20 adjustments made for things like the annual charge factor used
21 in the UNE docket had some, some other direct costs associated
22 with power that was adjusted out because we're charged with
23 power separately in this docket. So there were some
24 adjustments like that. But the rest of the factors that go
25 into that are the same.

1 Q Now in reference to Page 1 of 6 of the revised
2 Exhibit JRD-2, what is the difference between the digital
3 circuit requiring expense factor and the digital circuit annual
4 charge factor?

5 A Okay. I'm at the page number now. Are you referring
6 to Line 6 and then the Line Number 9; is that correct?

7 I'm sorry. Just repeat the question. Maybe I'll be
8 able to respond.

9 Q I believe it's Lines 5 and 33.

10 A 5 and 33. Okay. The digital circuit, excuse me, the
11 digital circuit annual charge factor in our revised
12 Exhibit JRD-2 is applied against the cross-connect facilities
13 that, under that, you know, cost study we would build for the,
14 on the CLEC's behalf between their collocation cage and the
15 mainframe.

16 The digital circuit reoccurring expense factor would
17 apply in the situation for co-carrier cross-connects where
18 we're saying that, you know, when we put in a cross-connect
19 cable facility between two CLECs, that cost recovery under this
20 rate structure is done through an NRC, a nonrecurring charge,
21 but there's still some ongoing maintenance associated with that
22 facility. And that would be the maintenance factor used to
23 develop the MRC that goes with the NRC for the co-carrier
24 cross-connect.

25 Q Mr. Davis, staff is going to hand you information

1 from Sprint's stipulated Exhibit 2, and it's going to contain
2 information from Pages 1, 15 and 19.

3 Mr. Davis, Sprint's response to staff's production of
4 document 4C shows a comparison of subject matter expert data to
5 actual work times. This POD shows that in some cases the
6 actual work times are less than those provided by the, the SME.
7 If that is the case, what would be more accurate -- would it be
8 more accurate for Sprint to utilize the actual work times?

9 A Well, what -- let me explain what staff POD 4C is
10 about, if I could please, before I answer the question, if I
11 may.

12 The purpose of staff Exhibit 4C, excuse me, staff POD
13 4C is to spread the actual labor cost that we gleaned from the
14 work order analysis for cross-connect facilities. That's the
15 purpose of it.

16 Now when we did the work order analysis, we pulled
17 out a glob of hours for the work, the collocation that was
18 built, but we needed to, to spread that and split that out to
19 the various piece parts of collocation. We had to split some
20 out to the cable, we had to split some out to the block on the
21 mainframe and so forth and so on. So the purpose of POD 4C was
22 to give us a tool for splitting those actual hours out into the
23 piece parts.

24 We're -- in our cost study that we have in our rates
25 today, we're saying that for cross-connect cables we used

1 actual work orders, actual work times from those work orders.
2 As I said in my summary, however, we're now saying that we will
3 adopt BellSouth's practices of having the CLEC build these
4 facilities. And so this analysis is no longer -- would no
5 longer apply once we make those adjustments in our rates and
6 pull out labor and our materials, you know, out of that rate.

7 CHAIRMAN BAEZ: Mr. Davis, was that a yes or a no at
8 the end of all that?

9 THE WITNESS: Well, I would say it's a yes because
10 we're using actual, we used actual labor costs or actual labor
11 hours in our rate development.

12 BY MR. ROJAS:

13 Q Okay. I'd like to shift gears a little bit.

14 Does the R.S. Means caution its users about the
15 forensic quality of the data?

16 A I'm sorry. Could you repeat that?

17 Q Does R.S. Means caution its users about the forensic
18 quality of the data?

19 A There may be some statements in there. I'm not
20 completely familiar with exactly what it says, but there may be
21 some statements in there. I'm not sure. It is a widely used
22 method of determining building costs. And Sprint uses it,
23 along with some other companies, and AT&T advocates it as well,
24 according to Mr. Turner.

25 Q Do you agree that R.S. Means cautions that while its

1 estimates are useful, when no details are available,
2 adjustments must be made based on the, on the estimator's
3 experience, local economic conditions and local building codes?

4 A I believe I remember seeing that language, yes.

5 Q Would you explain then why is R.S. Means a better
6 starting point for estimating your building costs than the
7 values that appear on the books for your company?

8 A We -- it goes back to TELRIC cost studies and what
9 TELRIC means to us. TELRIC element refers to developing a cost
10 based on a scale of total demand. Our building floor space
11 rate is, is, is based on the assumption that we go out and
12 build a new building from the ground up, from scratch, complete
13 building, large enough for everybody who needs space in it
14 right from the beginning. We prefer that forward-looking view
15 of building cost as opposed to using an embedded cost because
16 the forward-looking view on the basis of total demand is TELRIC
17 compliant as the way we interpret TELRIC, but using an embedded
18 cost on the books is not TELRIC compliant in terms of how we
19 understand the definition.

20 MR. ROJAS: Staff has no further questions.

21 CHAIRMAN BAEZ: Commissioners?

22 COMMISSIONER JABER: Chairman Baez, I just, I have a
23 question, please, maybe two.

24 CHAIRMAN BAEZ: I'm glad you spoke up. I was
25 starting to wonder whether you were still there. Go ahead.

1 COMMISSIONER JABER: We are behaving today.

2 Mr. Davis, these questions are really to help me fill
3 in some blanks. I'm keeping up a chart just so I can be clear
4 in my head which type of collocation services each company
5 provides, and I started it with the BellSouth witness. I've
6 got physical collocation, virtual collocation, adjacent
7 collocation, remote terminal and assembly point. And I just
8 want to compare what you provide versus the other companies.

9 THE WITNESS: Okay.

10 COMMISSIONER JABER: Obviously you have the physical
11 collocation; correct?

12 THE WITNESS: Yes, ma'am.

13 COMMISSIONER JABER: Where the ALEC collo or any
14 collo, I guess, for that matter owns the equipment and does the
15 maintenance and repair; correct?

16 THE WITNESS: Yes, ma'am.

17 COMMISSIONER JABER: I saw in your testimony you
18 proposed virtual collocation cost recovery.

19 THE WITNESS: Yes.

20 COMMISSIONER JABER: And that's where the ILEC, if
21 you're like BellSouth, you're going to lease the collo
22 equipment and you charge the collocator for maintenance and
23 repair.

24 THE WITNESS: Well, the ALEC would own their
25 equipment and they would farm out the maintenance to us.

1 COMMISSIONER JABER: Okay. Only to you, or do you
2 propose that they could use someone else for maintenance and
3 repair?

4 THE WITNESS: Well, the assumption is that they farm
5 it to us because in virtual collocation they're in line with
6 our equipment right in the same line. And, you know, we, we
7 just need to make sure that whoever goes in there to do that
8 maintenance is careful and understands the environment they're
9 in.

10 COMMISSIONER JABER: Okay. And I'm assuming your
11 maintenance and repair costs then are going to vary dependent
12 on what needs, what work needs to be done.

13 THE WITNESS: It will. We -- at the bottom of our
14 rate list we list labor rates for quarter-hour increments, and
15 those would apply.

16 COMMISSIONER JABER: Okay. And are you using your
17 own technicians or do you have to contract out?

18 THE WITNESS: Well, we have a -- we have technicians.
19 I'm sure on occasion we do have to fill in some gaps with some
20 contract technicians as well.

21 COMMISSIONER JABER: Okay. And to the degree you use
22 your own technicians, how might -- why might the labor rates
23 vary from those proposed by BellSouth?

24 THE WITNESS: Our labor rates, they certainly are
25 what they are. We operate in a union environment for the most

1 part, and the labor that, or the rates that they earn is a part
2 of their labor contracts and those kind of things. And then,
3 of course, our company -- they're loaded labor rates, so there
4 are some loadings on top of them. But, you know, the two
5 companies have different cost structures.

6 COMMISSIONER JABER: Okay. That's, that's a good
7 point then. Your technicians come under the union contract,
8 and I guess those contracts are negotiated company by company?

9 THE WITNESS: Yes.

10 COMMISSIONER JABER: I have no reason to believe that
11 BellSouth's technicians don't come under their own labor union.

12 THE WITNESS: They would. Yes, ma'am.

13 COMMISSIONER JABER: Okay. Adjacent collocation, I
14 couldn't glean from your testimony whether that's something you
15 offer, unless it's the same thing on your Page 7 of your
16 testimony. Is that what you mean by cross-connect facilities?

17 THE WITNESS: Well, no, ma'am. Adjacent collocation
18 is, would be the situation where we have a central office
19 that's full and, but a CLEC still wants to collocate on that
20 premise. So the concept is that we would put some sort of
21 little building right outside of our central office and set
22 them up in there.

23 COMMISSIONER JABER: Thank you.

24 THE WITNESS: I'm sorry?

25 COMMISSIONER JABER: Thank you for clarifying that.

1 Actually I got that confused with assembly point. I don't mean
2 adjacent collocation.

3 Assembly point is what I couldn't find referenced in
4 your testimony. Is that the same as cross-connect?

5 THE WITNESS: No, it is not.

6 COMMISSIONER JABER: Okay.

7 THE WITNESS: And it's BellSouth's element. I'm not
8 completely familiar with it.

9 COMMISSIONER JABER: Okay. So you don't offer the
10 equivalent of assembly point as BellSouth proposes?

11 THE WITNESS: No, ma'am.

12 COMMISSIONER JABER: Okay. Coming back to adjacent
13 collocation, and I apologize for that, that's where physical
14 collocation has been exhausted, but you'll allow a company to
15 use your property to construct a collo facility?

16 THE WITNESS: Outside of the central office building,
17 that is correct.

18 COMMISSIONER JABER: Okay. Now where might your
19 costs be different in that situation than another company?

20 THE WITNESS: Than another company?

21 COMMISSIONER JABER: From another company. In other
22 words, depending on the property, BellSouth's testimony
23 indicated that they would expect that the ALEC go through all
24 the proper permitting requirements and make sure that the
25 construction is consistent with BellSouth's specs. I'm

1 assuming you would have the same requirement.

2 THE WITNESS: We would. And companies have different
3 cost structures and that's certainly going to drive different
4 costs. And that would be a primary driver.

5 COMMISSIONER JABER: And you've had no requests for
6 adjacent collocation thus far?

7 THE WITNESS: No, ma'am. Nowhere.

8 COMMISSIONER JABER: How long have you been offering
9 it?

10 THE WITNESS: Well, we were mandated to offer it by
11 the FCC. I'm not sure what year that order came out. I
12 believe it was the Fourth Report and Order. And it's certainly
13 available, but it has not been requested of Sprint.

14 COMMISSIONER JABER: Okay. Remote terminal
15 collocation.

16 THE WITNESS: We have not had a request for that,
17 either.

18 COMMISSIONER JABER: And, again, where would your
19 costs vary from that of BellSouth?

20 THE WITNESS: The same answer; the cost structures of
21 the companies would differ.

22 COMMISSIONER JABER: Give me an example. In terms of
23 your -- I guess with remote terminal collocation they actually
24 use a cabinet that you have in your physical collocation space?

25 THE WITNESS: Remote terminal -- well, this is one of

1 the, the issues in terms of variance of costs. It could be --
2 it may be inside the remote terminal cabinet. But if the
3 remote terminal cabinet is itself full, then the CLEC would
4 need to erect a different cabinet. So there's a lot of
5 variations in cost of remote terminal and adjacent collocation.
6 So that's, that's why we have not developed standard rates at
7 this point. So, I mean, it -- the scenarios could vary widely
8 in remote terminal collocation.

9 COMMISSIONER JABER: Okay. So, again, it would be
10 the cost of your labor technician and then depending on whether
11 you need to pull the remote terminal cabinet out and, and
12 substitute it for something larger, is that it?

13 THE WITNESS: Well, we wouldn't replace our cabinet.
14 The CLEC could erect their own cabinet under that scenario, a
15 separate cabinet, and then have connections between the two.

16 COMMISSIONER JABER: So where is your cost then?

17 THE WITNESS: Whatever the CLEC wants, you know,
18 needs us to do in the situation would be our cost. I mean, it
19 would be a lot of joint discussion in terms of the design or
20 the layout, and then whatever parts we would play would be our
21 cost and whatever parts they do themselves would be their cost.
22 But it just -- it's going to be a case-by-case situation.

23 COMMISSIONER JABER: Okay. They have the option
24 though to, to erect the facility and do all of the
25 cross-connect work, it sounds like.

1 THE WITNESS: With supervision and a lot of close
2 work, yes, ma'am. But, again, we haven't had any requests for
3 it.

4 COMMISSIONER JABER: Okay. Thank you.

5 Thank you, Mr. Chairman.

6 CHAIRMAN BAEZ: Thank you, Commissioner.

7 Commissioners, any other questions? Ms. Masterton?

8 MS. MASTERTON: No redirect.

9 CHAIRMAN BAEZ: All right.

10 Thank you, Mr. Davis. And the witness is excused.

11 (Witness excused.)

12 CHAIRMAN BAEZ: Next we have Witness Farrar.

13 MS. MASTERTON: Oh, I do need to move exhibits.

14 CHAIRMAN BAEZ: You're going to have to move
15 exhibits, yes.

16 I'm showing 39 composite and 40 composite.

17 MS. MASTERTON: Yes. That's correct.

18 CHAIRMAN BAEZ: Okay. Show them entered into the
19 record without objection.

20 (Exhibits 39 and 40 admitted into the record.)

21 RANDY G. FARRAR

22 was called as a witness on behalf of Sprint-Florida,
23 Incorporated, and Sprint Communications Company Limited
24 Partnership and, having been duly sworn, testified as follows:

25 DIRECT EXAMINATION

1 BY MS. MASTERTON:

2 Q Are you ready?

3 A Yes.

4 Q Mr. Farrar, have you previously been sworn?

5 A Yes.

6 Q Please state your name and address.

7 A Is it on? All right. I'm sorry.

8 Q That's okay. Please, please state your name and
9 address for the record.

10 A My name is Randy G. Farrar. That's spelled
11 F-A-R-R-A-R.

12 Q And by whom are you employed and in what capacity?

13 A I'm employed by Sprint United Management Company as a
14 senior manager of network costing. My business address is 6450
15 Sprint Parkway, Overland Park, Kansas.

16 Q Are you the same Randy G. Farrar who previously
17 caused to be filed surrebuttal testimony consisting of 21 pages
18 in this docket?

19 A Yes.

20 MS. MASTERTON: And for the record, I wanted to note
21 that a certain portion, on Page 15, Lines 10 and 17 of that
22 testimony is confidential.

23 CHAIRMAN BAEZ: All right.

24 BY MS. MASTERTON:

25 Q Do you have any changes to your testimony?

1 A No.

2 Q So if I were to ask you those same questions today,
3 would your answers be the same?

4 A Yes.

5 MS. MASTERTON: Mr. Chairman, I ask that Mr. Farrar's
6 surrebuttal testimony be inserted into the record as though
7 read.

8 CHAIRMAN BAEZ: Show the surrebuttal testimony of
9 Randy Farrar inserted into the record as though read.

10 And I have a quick question if someone can help me.
11 Do we need to address the confidential portion separately or --
12 once we admit the testimony we're admitting?

13 MS. MASTERTON: I mean, we did file a public version
14 as well, but.

15 CHAIRMAN BAEZ: Did you? Okay.

16 MR. HATCH: It's typically the confidential version
17 that you insert.

18 CHAIRMAN BAEZ: That you insert. Okay. Thank you
19 for that, Mr. Hatch. I guess we don't need to do anything
20 then. All right.

21 MS. KEATING: Sorry I didn't jump fast enough.

22 MS. MASTERTON: I had just wanted to make sure.

23 CHAIRMAN BAEZ: My bad. All right. Go ahead.

24 MS. MASTERTON: I think we -- yeah. So we had moved
25 to insert it into the record?

1 CHAIRMAN BAEZ: We moved the confidential
2 information.

3 BY MS. MASTERTON:

4 Q And, Mr. Farrar, did you also cause to be filed two
5 exhibits, RGF-1 and RGF-2?

6 A Yes.

7 Q And RGF-2, I believe, is confidential, is that, is
8 that correct? Let me -- it's -- RGF-1 contains confidential
9 information. I'm sorry.

10 A 1 contains confidential information. I don't believe
11 2 is confidential.

12 MS. MASTERTON: That's right. I was confused. So I
13 would ask that those two exhibits be admitted separately.

14 CHAIRMAN BAEZ: Very well, Ms. Masterton. We're
15 going to show RGF-1 as confidential Exhibit 41. And RGF, I
16 have 02 here, I suppose it's the same thing, marked Exhibit 42.

17 (Exhibits 41 and 42 marked for identification.)

18

19

20

21

22

23

24

25

1 **INTRODUCTION**

2

3 **Q. Please state your name, occupation, and business address.**

4 A. My name is Randy G. Farrar. I am presently employed as Senior Manager -
5 Network Costs for Sprint/United Management Company. My business address is
6 6450 Sprint Parkway, Overland Park, Kansas, 66251.

7 **Q. What is your educational background?**

8 A. I received a Bachelor of Arts degree from The Ohio State University, Columbus,
9 Ohio, with a major in history. Simultaneously, I completed a major program in
10 economics. Subsequently, I received a Master of Business Administration degree,
11 with an emphasis on market research, also from The Ohio State University.

12 **Q. What is your work experience?**

13 A. From 1978 to 1983 I was employed by the Public Utilities Commission of Ohio.
14 My positions were Financial Analyst (1978 - 1980) and Senior Financial Analyst
15 (1980-1983). My duties included the preparation of Staff Reports of Investigation
16 concerning rate of return and cost of capital. I also designed rate structures,
17 evaluated construction works in progress, measured productivity, evaluated
18 treatment of canceled plant, and performed financial analyses, for electric, gas,
19 telephone, and water utilities. I presented written and oral testimony on behalf of
20 the Commission Staff in over twenty rate cases.

21

22 I have worked for Sprint Corporation or one of its predecessor companies since
23 1983. From 1983 to 1986 I was Manager - Rate of Return. I presented written
24 and/or oral testimony before state public utilities commissions in Iowa, Nebraska,
25 South Carolina, and Oregon.

1 From 1986 to 1987 I was Manager - Local Exchange Pricing. I investigated
2 alternate forms of pricing and rate design, including usage sensitive rates, extended
3 area service alternatives, intraLATA toll pricing, and lifeline rates.

4
5 Since 1987, I have held various positions dealing with telecommunications cost
6 issues. From 1987 to 1992 I was Manager - Local Exchange Costing. In 1992, I
7 was promoted to Manager - Network Costing and Pricing. I performed financial
8 analyses for various business cases, which analyze the profitability of entering new
9 markets and expanding existing markets, including Custom Calling, Centrex,
10 CLASS and Advanced Intelligent Network features, CPE products, Public
11 Telephone and COCOT, and intraLATA toll. I was a member of the United States
12 Telephone Association's New Services and Technologies Issues Subcommittee
13 from 1989 to 1992, and the Economic Analysis Training Work Group from 1994 to
14 1995.

15
16 In 1997 I was promoted to my present position. I am an instructor for numerous
17 training sessions designed to support corporate policy on pricing and costing theory,
18 and to educate and support the use of various costing models. I am responsible for
19 the development and support of cost models concerning unbundled network
20 elements and wholesale discounts. Since 1995, I have presented written and/or oral
21 testimony before the Illinois Commerce Commission, the Pennsylvania Public
22 Utility Commission, the New Jersey Board of Public Utilities, the Florida Public
23 Service Commission, the North Carolina Utilities Commission, the Public Utilities
24 Commission of Nevada, the Public Utility Commission of Texas, the Georgia
25 Public Service Commission, the Arizona Corporation Commission, the New York

1 Public Service Commission, the Corporation Commission of Oklahoma, the
2 Missouri Public Service Commission, and the Federal Communications
3 Commission on the avoided costs of resold services, the cost of unbundled network
4 elements, reciprocal compensation, access reform, and universal service issues.

5 **Q. What is the purpose of your Surrebuttal Testimony?**

6 A. I am testifying on behalf of Sprint-Florida, Incorporated, and Sprint
7 Communications Company Limited Partnership (collectively "Sprint"). My
8 testimony rebuts the April 18, 2003 Rebuttal Testimony of Steven E. Turner,
9 testifying on behalf of AT&T Communications of Southern States, LLC.
10 Specifically, I discuss two issues. First, I discuss the disadvantages of forcing
11 Sprint to use a collocation cost model other than its own. Second, I discuss Sprint's
12 use of Commission-approved cost factors from UNE Docket No. 990649B-TP in
13 this collocation cost study. The factors include all annual charge factors, other
14 direct expense factors, and the common cost factor.

15
16 The Surrebuttal Testimony of Sprint witness Mr. Jimmy R. Davis discusses all
17 other collocation cost issues, and contains a copy of the Sprint collocation cost
18 model as Revised Exhibit JRD-2.

19
20 **THE USE OF A SINGLE COLLOCATION COST MODEL**

21
22 **Efficiencies of Using a Sprint-Specific Cost Model**

23
24 **Q. Has Sprint developed an efficient process for developing collocation rates?**

1 A. Yes. Sprint has developed an efficient process, as illustrated by the following four
2 characteristics:

- 3 1. Sprint has limited resources dedicated to collocation issues,
- 4 2. Sprint has developed a single collocation cost model for use in eighteen states,
- 5 3. Sprint has developed standardized collocation price lists and price structures,
6 and
- 7 4. This standardization allows Sprint to respond to regulatory demands in a
8 timely manner.

9 **Q. Concerning the first characteristic, please describe the resources Sprint**
10 **dedicates to collocation cost studies.**

11 A. Sprint has limited resources. Sprint has a cost support staff of approximately
12 twenty-eight people, with the equivalent of only two and one-half people dealing
13 regularly with collocation issues in all eighteen states where Sprint operates as an
14 ILEC. Sprint simply must use its limited human resources in the most efficient
15 manner possible.

16

17 Sprint has also developed a standard methodology for collecting the hundreds of
18 inputs necessary to complete a collocation cost study.

19 **Q. Concerning the second characteristic, is the Sprint collocation cost model used**
20 **in other jurisdictions?**

21 A. Yes. The Sprint collocation cost model is the single collocation model used by
22 Sprint in all eighteen states where it operates as an ILEC. The Sprint-standard
23 collocation price list used by all ALECs in all eighteen states is derived from this
24 collocation cost model.

1 **Q. Has any state commission ordered Sprint to use another company's collocation**
2 **cost model?**

3 A. No. Sprint has provided ALECs with collocation rates in each of the eighteen states
4 where Sprint operates as an ILEC. Sprint provides collocation facilities in at least
5 fifteen of these eighteen states. No ALEC has requested arbitration concerning
6 Sprint's collocation rates in any of these states. Virtually all Sprint collocation rates
7 have been developed using the Sprint collocation cost model.

8 **Q. Concerning the third characteristic, does the use of a single model allow Sprint**
9 **to standardize its collocation procedures?**

10 A. Yes. The use of a single Sprint-standard collocation price list allows Sprint to
11 standardize its collocation rate structures and OSS / billing systems.

12 **Q. On page 9, line 11, Mr. Turner states, "... moving to a single rate structure for**
13 **collocation will simplify the interconnection process for ALECs within the**
14 **state of Florida." Please comment.**

15 A. This statement ignores the fact that many ALECs do not operate solely in the state
16 of Florida. Many ALECs, including Mr. Turner's client AT&T, operate in more
17 than one state. If the Commission adopts Mr. Turner's suggestion to use a single
18 collocation model in Florida, ALECs will still have to deal with multiple
19 collocation models and rate structures. For example, ALECs will still have to deal
20 with the Sprint collocation model in the other 17 states in which Sprint operates as
21 an ILEC, as well as collocation cost models used by Verizon, SBC, Qwest, and
22 other ILECs in all states other than Florida.

23

24 In fact, Mr. Turner's suggestion will cause more confusion for these ALECs. When
25 dealing with Sprint in more than one state, the ALECs would have to deal with

1 multiple cost models and multiple price structures.

2 **Q. Concerning the fourth characteristic, does the use of a single Sprint-standard**
3 **cost model allow Sprint to respond to regulatory demands in a more efficient**
4 **manner?**

5 A. Yes. For example, in the FCC's Fourth Report And Order in Docket No. 98-147,
6 dated August 8, 2001, the FCC required ILECs to provide cross-connects between
7 collocators. The use of a single Sprint-specific model allowed Sprint to complete
8 these cost studies in eighteen states in a timely manner.

9 **Q. On page 8, line 13, Mr. Turner states, "As such, no harm would come to any of**
10 **the three companies involved in using a single cost model" Is this correct?**

11 A. No. Forcing Sprint to arbitrarily utilize another company's cost model and rate
12 structure in Florida will create costly inefficiencies for both Sprint and ALECs
13 alike.

14
15 Sprint's entire costing process is designed to efficiently produce a wide array of
16 cost studies in eighteen states. It would be grossly inefficient, burdensome, and
17 costly to force Sprint to use a separate, Florida-only collocation cost model.

18
19 If Sprint was forced to adopt a Florida-only model, Sprint would incur Florida-
20 specific incremental expenses which could be reasonably recovered only from
21 higher collocation rates in Florida.

22

23 **Model Inputs vs. Model Methodology**

24 **Q. Are the validity of a cost model and the validity of inputs separate and**
25 **distinct?**

1 A. Yes. A perfectly good model will produce faulty results if the model inputs are not
2 valid. However, these faulty inputs and results should not be used to condemn the
3 model itself.

4
5 Also, two sets of different but valid inputs will produce different, but valid results.
6 The observation that different inputs produce different results also should not be
7 used to condemn the model.

8
9 It is therefore important to separate the two issues of model validity and input
10 validity.

11 **Q. In a discussion beginning on page 5, line 4 of his Rebuttal Testimony, Mr.**
12 **Turner cites two “significant problems” with using company-specific**
13 **collocation cost models. The first is the level of investment. Specifically, he**
14 **states:**

15 ***First, the focus needs to be placed on the efficient, forward-looking***
16 ***investment that should be used to develop the cost for DC power. In this***
17 ***regard, BellSouth and Sprint have largely similar investments with***
18 ***Verizon as the obvious outlier. (Page 5, line 10.)***

19 **Is this first concern valid?**

20 A. No. This is an example of confusing the two separate issues of model methodology
21 and model inputs. Placing two sets of different inputs into a single model will
22 obviously produce two different sets of results. This does not in any way invalidate
23 the model methodology. Mr. Turner’s observation that the investment inputs vary
24 between ILECs simply does not invalidate the model methodologies.

25

1 The Surrebuttal Testimony of Mr. Jimmy R. Davis addresses the level of Sprint
2 collocation investments.

3 **Q. Mr. Turner's second concern is cost factors. Specifically, he states:**

4 *Second, while BellSouth and Sprint have similar investments that differ*
5 *by only 7.9%, the use of the two different cost models has resulted in*
6 *rates for DC Power that differ by 48.5%. It is true that BellSouth and*
7 *Sprint have different Commission-approved common cost factors and*
8 *cost of capital inputs, but these differences simply do not account for the*
9 *wide disparity in results produced by the two cost models. (Page 5, line*
10 *20.)*

11 **Is this second concern valid?**

12 **A.** No. While he is correct that both BellSouth and Sprint have Commission-approved
13 common cost factors and cost of capital inputs, Mr. Turner ignores the fact that both
14 companies also have Commission-approved maintenance factors, and other direct
15 (shared) cost factors. The difference in rates observed by Mr. Turner is due much
16 more to differences in Commission-approved factor inputs than to model
17 methodologies.

18
19 To demonstrate, I have run the Sprint collocation cost model to determine the rate
20 per load amp using the BellSouth investment input, cost of capital inputs,
21 maintenance rate, economic depreciation life, salvage value, other direct (shared,
22 and land & building) expense factor, and common cost factor. The results are
23 illustrated in Exhibit RGF-1, which consists of four pages.

24 1. Page 1 is the Input worksheet to the Sprint collocation cost model, as
25 contained in the Surrebuttal Testimony of Mr. Jimmy R. Davis.

1 2. Page 2 is the Input worksheet containing BellSouth's:

- 2 • Common Cost and Gross Receipts Tax factors (Line 8), and
- 3 • DC Power Maintenance factor (Line 9) as calculated by the Sprint
- 4 Annual Charge Factor Model using BellSouth's cost of capital,
- 5 maintenance factor, economic depreciation lives, salvage values,
- 6 and shared expense factor.

7 3. Page 3 is the DC Power worksheet to the Sprint collocation cost model, as

8 contained in the Surrebuttal Testimony of Mr. Jimmy R. Davis.

9 4. Page 4 is the DC Power worksheet resulting from using the BellSouth

10 inputs.

11

12 The result is a rate of \$11.14, compared to the BellSouth rate of \$10.87. In other

13 words, the Sprint model, using BellSouth data, produces a rate which is only 2.5%

14 $[1 - (11.14 / 10.87)]$ different than the BellSouth rate for the same collocation rate

15 element. Thus the two models, with the same inputs and factors, produce rates that

16 differ by only 2.5%, not the 48.5% claimed by Mr. Turner.

17 **Q. Is it reasonable for Sprint and BellSouth to have different cost factors?**

18 A. Yes. BellSouth is a much larger company than Sprint, with greater economies of

19 scale. BellSouth serves significantly different and more urban markets than does

20 Sprint. There is no reason to expect these two companies to have the same cost

21 factors.

22 **Q. On page 3, line 20, Mr. Turner states, "Quite simply, the use of three different**

23 **collocation cost models makes it almost impossible for the Commission to**

24 **easily compare inputs" Further, on page 6, line 10, he states, "In short, the**

25 **use of a single model will allow the Commission and parties to focus on the**

1 **critical input issues” Please comment.**

2 A. This is not correct. While I agree that inputs are a critical issue, subject to review
3 by all parties, the use of separate ILEC models does not prevent anyone from
4 analyzing inputs.

5

6 For example, the existence of separate ILEC models did not prevent Mr. Turner
7 from analyzing inputs. In fact, 42 of the 57 pages of Mr. Turner’s rebuttal
8 testimony deal with the “Evaluation of Collocation Inputs.” Clearly, it is not
9 “almost impossible to easily compare inputs.”

10

11 **Sprint Cannot Efficiently Adopt the BellSouth Cost Calculator**

12

13 **Q. Can Sprint easily adopt the BellSouth Cost Calculator?**

14 A. No. There are at least five reasons Sprint cannot easily adopt the BellSouth Cost
15 Calculator. Specifically, the BellSouth Cost Calculator:

16 1. Is a proprietary model which is not readily available to use by Sprint or any

17 other party,

18 2. Cannot be easily modified to add new, Sprint-specific cost elements,

19 3. Cannot be easily modified to use Sprint’s Commission-approved common
20 cost factor,

21 4. Is not compatible with Sprint’s accounting systems, and

22 5. Produces results which cannot be easily audited or verified.

23 **Q. Concerning your first reason, can Sprint simply adopt the BellSouth Cost**
24 **Calculator for its own use?**

25 A. No. The BellSouth Cost Calculator is a proprietary model developed and owned by

1 BellSouth. Sprint cannot simply use their model. BellSouth would rightfully
2 expect compensation for both its time and use of its intellectual property.
3 Specifically, in response to Sprint's First Interrogatories, Item No. 1, August 19,
4 2003, BellSouth responded:

5 Even though reprogramming is not required, the model would need to be
6 placed in "administrative Mode", **which would give users access to**
7 **BellSouth's intellectual property, for which BellSouth should be**
8 **compensated.** Once users gain access to administrative mode, they would
9 need to be trained by BellSouth, for which a fee would be assessed. In
10 addition, there may be consulting fees that may apply after a training program
11 has been completed. Given that BellSouth does not offer this option today,
12 definitive fees cannot be provided. (Emphasis added.)

13 Also, in response to Sprint's First Interrogatories, Item No. 5, August 19, 2003,
14 BellSouth responded:

15 Because BellSouth has not made the BSCC available to any other party,
16 BellSouth cannot provide definitive terms, conditions, and fees at this time.
17 However, BellSouth would seek compensation on the use of its "Intellectual
18 Property" as well as the time required to train others on the use of the BSCC.
19 It would take significant training to bring other ILECs to an understanding of
20 how the applications (BSCC, Shared & Common, and Capital Cost) work.
21 Moreover, BellSouth would also seek compensation on subsequent consulting
22 services provided by it. (Emphasis in original.)

23 **Q. Concerning your second reason, can Sprint-specific cost elements be easily**
24 **added to the BellSouth Cost Calculator?**

25 A. No. On page 11 of his April 18, 2003 Rebuttal Testimony, Mr. Turner claims the

1 BellSouth Cost Calculator is flexible. Specifically, he states:

2 Finally, the BellSouth Cost Calculator is flexible allowing the user to easily
3 add new cost elements if necessary (Page 11, line 3)

4 This assessment is incorrect. To Sprint's knowledge, Sprint cannot "easily add new
5 cost elements," to the BellSouth Cost Calculator. In response to Staff's 6th
6 Interrogatories, Item No. 112, June 2, 2003, BellSouth states,

7 The BellSouth Cost Calculator that was supplied to the Florida Commission
8 was provided as a tool for modifying the parameters that produce the costs of
9 the elements provided in the study, thus allowing the user to produce "what
10 if" scenarios. **The user is not able to modify the structure of the study by**
11 **adding or deleting elements.** (Emphasis added.)

12 In addition, in response to Sprint's 1st Interrogatories, Item No. 1, August 19, 2003,
13 BellSouth stated,

14 The BellSouth Cost Calculator © (BSCC) provided in this docket was
15 intended to give the Commission and other interested parties the ability to
16 view and make modifications to the parameters that produce the costs of the
17 elements within BellSouth's filing structure. **It was not intended to provide**
18 **the ability to add or delete elements.** (Emphasis added.)

19 **Q. Concerning your third reason, can the BellSouth Cost Calculator be easily**
20 **adjusted to adopt Sprint's Commission-approved common cost factor?**

21 A. No. On page 14, line 23 of his Rebuttal Testimony, Mr. Turner states,

22 The BellSouth Cost Calculator provides an input that allows the user to
23 incorporate a company-specific common cost factor. BellSouth, Sprint, and
24 Verizon-specific common cost factors have been used in developing my
25 restated collocation rates for each company.

1 Further, in response to Sprint's 1st Request for Production of Documents, POD 1,
2 April 30, 2003, AT&T responded,

3 As stated in testimony, the cost of money and the common cost factor are
4 Sprint FL-specific.

5 For the requested electronic copy of the "Sprint Restatement" version of the
6 BellSouth Cost Calculator 2.6, please see the two attachments: BellSouth
7 Cost Calculator setup instructions and BSCC Investments Files.

8 However, when Sprint attempted to override the BellSouth Cost Calculator's
9 common cost factor with a Sprint-specific factor following the procedure outlined
10 in Steps 7 and 8 of Attachment A, Sprint was unable to replicate the results. As a
11 result, in Sprint's 1st Interrogatories, Item No. 4, Sprint asked BellSouth if the
12 common cost factor could be overridden using AT&T's proposed procedure.
13 BellSouth's response was:

14 The common cost factor cannot be overridden in the BSCC as provided using
15 the steps above. Also see BellSouth's response to Item No. 1b.

16 **Q. Concerning your fourth reason, is the BellSouth Cost Calculator compatible**
17 **with Sprint's accounting systems?**

18 A. No. Sprint's accounting systems are not compatible with BellSouth's accounting
19 systems. Although all ILECs are subject to the FCC's Part 32 USOA (Uniform
20 System of Accounts) which provides consistent reporting at a high level (four-digit
21 accounts), the detailed sub-accounts used by the various ILEC accounting systems
22 vary. The support systems which provide data to the Part 32 accounting systems
23 vary to an even greater extent. For example, these support systems provide labor
24 codes, job functions, and asset management data necessary to account for the ILECs
25 operations under USOA, but have little or no resemblance to other ILEC support

1 systems.

2

3 Although modifications could, in theory, be made to Sprint's accounting systems to
4 make them compatible with the BellSouth Cost Calculator, this would likely be an
5 expensive and impractical exercise.

6

7 In response to Sprint's 1st Interrogatories, Item No. 3, August 19, 2003, BellSouth
8 stated:

9 The BSCC is simply an application and was not designed to function solely on
10 BellSouth's specific accounting system. However, the factors, labor rates, Job
11 Function codes (JFC), and Field Reporting Codes (FRC) were developed
12 based on BellSouth's accounting system. The Shared & Common Application
13 and the Capital Cost Calculator © are applications that are integrated into the
14 BSCC process and were also designed using BellSouth specifications. These
15 inputs and applications could be modified to accommodate other ILEC's
16 systems but without a detailed knowledge of their systems, BellSouth is
17 unable to determine what modifications would be necessary.

18 **Q. Concerning your fifth reason, are the results of the BellSouth Cost Calculator**
19 **easily audited and verified?**

20 A. No. On page 11 of his Rebuttal Testimony, Mr. Turner claims the BellSouth Cost
21 Calculator is auditable. Specifically, he states:

22 Finally, the BellSouth Cost Calculator ... is auditable in that all of the
23 internal calculations within the model can be exported to EXCEL
24 spreadsheets to demonstrate how the calculations within the model are
25 conducted. (Page 11, line 3)

1 This is not correct. The vast majority of the calculations are simply not easily
2 auditable, nor can they be exported to Excel worksheets. Mr. Turner's statement is
3 valid only concerning the final steps of the BellSouth Cost Calculator, where
4 collocation investments are multiplied by the various charge factors. But the
5 calculations of the charge factors themselves cannot be audited nor can they be
6 exported to Excel worksheets.

7 **Q. Can you provide a simple example of the difficulty in analyzing the BellSouth**
8 **Cost Calculator?**

9 A. Yes. When analyzing the calculations for "H.1.71 – Physical Collocation – Power
10 per Used Amp," a common cost factor of [REDACTED] is used. The calculation of the
11 common cost factor is shown on a page titled "Common Cost Factor" within the
12 "Shared and Common Cost Application" module of the BellSouth Cost Calculator.
13 (Note that while various numbers and calculation results are shown on this page, the
14 actual calculations themselves are performed within Visual Basic code, not in an
15 Excel worksheet.)

16 The first step in the calculation of the common cost factor is "Costs Common To
17 Both Wholesale and Retail Operations" of [REDACTED]. This value simply
18 appears. It is not the result of any visible Excel calculations, but is the result of
19 hundreds, if not thousands, of Visual Basic calculations. None of these calculations
20 can be "exported to Excel Spreadsheets" as claimed by Mr. Turner. The Sprint
21 network costing work group has literally spent over a dozen man-hours and held
22 several hours of conference calls with BellSouth subject matter experts, and Sprint
23 still cannot independently replicate this single value.

24
25 While I have no reason to doubt the accuracy of the BellSouth calculations, the

1 point is that it is extremely difficult to verify internal calculations within the
2 BellSouth Cost Calculator.

3 **Q. How does the Sprint cost model differ from the BellSouth Cost Calculator?**

4 A. The most significant difference is that in the Sprint Cost model is completely
5 “open.” This means that **all** calculations are performed within the actual Excel
6 worksheets. No calculations are performed in Visual Basic macros or any other
7 programming language.

8
9 Sprint has deliberately created its cost model in this manner to avoid any “black
10 box” model criticism. Any cost analyst, with only the most basic Excel knowledge,
11 can use Excel’s auditing feature to trace every calculation – beginning with the final
12 result and tracing each and every calculation back to the initial inputs.

13
14 Another area where the Sprint collocation cost model is more open than the
15 BellSouth Cost Calculator is investment development. As discussed in the
16 Surrebuttal Testimony of Mr. Jimmy R. Davis, the Sprint collocation cost model
17 includes a detailed development of DC Power investment. In the BellSouth Cost
18 Calculator, the DC Power investment is an input, apparently developed outside the
19 actual model.

20 **Q. On page 10 of his Rebuttal Testimony, Mr. Turner claims that the BellSouth**
21 **Cost Calculator is the easiest model to use. Specifically, he states:**

22 **As noted earlier, the BellSouth Cost Calculator his significant advantages**
23 **over the Sprint and Verizon Cost models with regards to its**
24 **comprehensive ability to internally calculate and flexibly apply cost**
25 **factors. As I alluded to above and will discuss in more detail below, the**

1 **BellSouth Cost Calculator is the only model of the three that easily**
2 **permits the Commission to change the cost of capital inputs and have**
3 **these inputs flow through to resulting costs for the three companies.**

4 **Is this statement correct?**

5 A. No. The Sprint collocation cost model also allows the user to easily change cost of
6 capital inputs and produce new results. I personally input BellSouth's cost of
7 capital, cost of debt, debt percentage, income tax rate, ad valorem tax rate,
8 switching depreciation life, switching salvage rate, and switching maintenance rate
9 into the Sprint collocation cost model and produced new rates for all collocation
10 elements reflecting these new inputs. The entire process took less than five
11 minutes.

12
13 Most of this five minutes involved manually transferring the output of the factor
14 development modules (eight unique numbers) into the collocation cost model itself.
15 If desired, anyone with the most elementary knowledge of Excel can link the
16 modules, reducing the time required to change inputs and produce new rates from
17 about five minutes to about thirty seconds. (Note that because Sprint utilized the
18 Commission-approved cost factors from UNE Docket No. 990649B-TP, no effort
19 was made to link the various modules, since they were never intended to change.)

20

21 **THE USE OF COMMISSION-APPROVED UNE COST FACTORS**

22

23 **Q. In the Sprint collocation cost model, did Sprint utilize the same cost factors**
24 **approved by the Commission in UNE Docket No. 990649B-TP?**

25 A. Yes, with two exceptions, as discussed below.

1 **Q. On pages 11 – 13 of his Rebuttal Testimony, Mr. Turner questions whether**
 2 **Sprint actually used the same cost factors in its collocation cost study as those**
 3 **approved by the Commission in UNE Docket 990649B-TP. Specifically, Mr.**
 4 **Turner states:**

5 **In general, BellSouth has utilized the same cost factors for collocation that**
 6 **this Commission already approved for unbundled elements generally. ...**
 7 **Sprint claims to have taken a similar approach. (Page 11, line 23.)**

8
 9 **While BellSouth and Sprint both acknowledge that the use of existing**
 10 **approved factors are the appropriate route to take for collocation costs**
 11 **(even though I believe Sprint may not have implemented this approach), ...**
 12 **(Page 13, line 14.)**

13 **Is this criticism valid?**

14 **A. No. I have confirmed that with two exceptions, Sprint has used the same**
 15 **Commission-approved cost factors for both collocation and UNEs. The two**
 16 **exceptions are:**

- 17 • Different economic depreciation lives and salvage values, as discussed in the
- 18 Surrebuttal Testimony of Mr. Jimmy R. Davis.
- 19 • Lower Other Direct Expense factor, as discussed below.

20

21 Exhibit RGF-2 summarizes some of the actual Commission-approved cost factors
 22 used in the collocation cost studies and in the UNE cost studies in Docket No.
 23 990649B-TP.

24 **Q What is the Other Direct Expense factor?**

25 **A. This factor accounts for plant-specific expenses which cannot be directly attributed**

1 to specific network elements. They are roughly equivalent to what the FCC Local
2 Competition Order refers to as “shared expenses.” The expenses included in this
3 factor primarily include network support (Account 6110), provisioning (6512), and
4 network operations (6530) expenses.

5 **Q. Why does the Sprint collocation cost model use a lower Other Direct expense**
6 **factor than that used in UNE Docket No. 990649B-TP.**

7 A. The Other Direct Expense factor of 11.60% for UNE switching includes expenses
8 associated with power (Account 6531) and testing (6533). In the Sprint collocation
9 cost model, power expenses are directly attributed to the various rate elements.
10 Therefore, power expenses are removed from the Other Direct Expense factor to
11 avoid double recovery of these expenses. Testing expenses are not applicable to
12 collocation. Therefore, these expenses are explicitly excluded from the Other
13 Direct Expense factor used for collocation. These two changes reduce the Other
14 Direct Expense factor from 11.60% to 9.15%

15 **Q. Does the Sprint collocation cost model use the same Common Cost factor as**
16 **that reflected in the Commission-approved UNE rates resulting from Docket**
17 **No. 990649B-TP?**

18 A. Yes. The Final Order adopted the position taken by the October 2, 2002 Staff
19 Recommendation, including a reduction of Sprint’s cost of capital from 12.26% to
20 9.86%. To assure that Sprint’s final UNE rates would match the Staff’s
21 recommendations, Sprint requested that Staff provide a copy of the Sprint UNE
22 Cost Model reflecting those recommendations. This Staff-revised model was dated
23 October 29, 2002. The Staff-revised Sprint Model recognizes that changing the
24 cost of capital while holding all other inputs constant, mathematically increases the
25 Common Cost factor from 12.03% to 13.68%, while holding the actual common

1 expenses to be recovered unchanged. The mathematics of this change is discussed
2 in Sprint's Response to Staff Interrogatory Number 11 (revised July 13, 2003).

3
4 **V. CONCLUSION**

5
6 **Q. Please summarize your Surrebuttal Testimony.**

7 **A.** It would be extremely difficult, and counter-productive, for the Commission to
8 force Sprint to adopt the BellSouth Cost Calculator to determine Sprint collocation
9 rates in Florida. Sprint has spent several years developing a collocation cost model
10 which is accurate, easy to use, easy to analyze, and has been used to create
11 collocation rates in Sprint's eighteen ILEC states. Sprint has reached a level of
12 expertise which allows Sprint to create and maintain collocation price lists in each
13 of these eighteen states in the most efficient manner possible.

14
15 It would be extremely difficult for Sprint to adopt the BellSouth Cost Calculator. It
16 is a proprietary model which Sprint cannot use without compensation due to
17 BellSouth. It is not physically compatible with Sprint accounting systems. Sprint
18 would face unknown and extensive costs for right-to-use fees, training, and
19 modifications to the BellSouth model and/or Sprint accounting systems.

20
21 Forcing Sprint to use a new, unfamiliar model in one state only will create costly
22 inefficiencies. It will not create any efficiencies for the ALECs who must still deal
23 with multiple companies and multiple ILECs in states other than Florida.

24
25 Finally, a single model is simply not necessary. The Sprint model and the

1 BellSouth model produce similar results when using the same inputs. The use of
2 two models does not prevent a critical comparison of the ILECs' inputs.

3 **Q. Does this conclude your Surrebuttal Testimony?**

4 **A.** Yes, it does.

5

1 BY MS. MASTERTON:

2 Q Okay. And, Mr. Farrar, could you please give a
3 summary of your testimony now.

4 A Yes. My testimony covers four areas. The first area
5 is the idea that this Commission should adopt a single model
6 and that somehow that would be efficient for all parties
7 concerned.

8 Sprint's costing group consists of a total of about
9 28 people. We do cost studies and ILEC cost studies in 18
10 states. We do access studies, we do basic cost of service
11 studies, we do TELRIC studies, we're involved in TRO
12 proceedings across the country. We also do cost studies for
13 the wireless and long-distance divisions. We have a total of
14 two-and-a-half people approximately dedicated to collocation
15 cost studies.

16 The idea that we would have the time and resources to
17 dedicate a group of our staff to become familiar and to develop
18 an expertise in a new cost model just for collocation rates,
19 just in Florida, I'm sorry, to me that's just absurd. I mean,
20 even if that was a nice utopian idea, it's just not physically
21 possible for us to do it.

22 Again, we have developed one model that we've used in
23 all 18 of our ILEC states. We have standard collocation price
24 lists, we have standard collocation rate structures. We have
25 developed an efficient manner for developing the inputs and

1 doing the actual cost studies in these 18 states. And I can
2 tell you that no state, including Nevada, contrary to some DRs
3 I've seen, has ever forced us to use a single model for all UNE
4 rate elements. And I've certainly never seen any state force
5 us to adopt the inputs of another state, of another company
6 other than our own inputs.

7 And, again, I just don't see where the efficiencies
8 to the ALECs would come because even if the Commission were to
9 do that, a national ALEC such as AT&T would still have to deal
10 with Sprint's cost model in our other 17 ILEC states in
11 addition to dealing with the Verizon cost models and SBC cost
12 models and Qwest cost models. So I just don't see the point of
13 forcing us down that path in Florida.

14 The second major area I want to discuss is this idea
15 of somehow if two different cost models produce two different
16 results, one of the cost models must be wrong. And that simply
17 couldn't be further from the truth.

18 If you have one cost model and you put in two
19 different sets of inputs, you're going to have two different
20 results. That in no way condemns the model itself. So simply
21 because two different models produce two different results with
22 two different sets of inputs does not in any way condemn one of
23 the, one of the two models.

24 The third is physically Sprint cannot use the
25 BellSouth cost calculator. It's a proprietary model which we

1 do not have free access to. There is no simple way of adding
2 Sprint's unique rate elements. There's no way to easily
3 override with Sprint's own unique cost factors. It is
4 simply -- and perhaps most condemningly it is simply not
5 compatible with Sprint's accounting systems. The modifications
6 to the accounting systems for us to do to use their model, it's
7 almost -- I can't even imagine the amount of work that would
8 have to be done to do that.

9 Finally, just, and this is more of a personal matter,
10 I do find it something of a black box. Many of the
11 calculations are hidden. And, again, it just -- we literally
12 spent several person days just trying to verify one number, as
13 discussed in my testimony, and we still couldn't, couldn't
14 replicate that number outside the model. And, again, that
15 doesn't mean the model is wrong. It's just that it's a
16 complicated model and it would just take significant resources
17 for us to develop any expertise in this.

18 Finally, again, contrary to several -- to the
19 implication in several pieces of testimony Sprint has used the
20 same cost factors in this collocation docket as we did in our
21 UNE docket, with two exceptions, and somebody went through this
22 with Jimmy already, but I'll repeat it. We used different
23 depreciation rates and then we reduced our other direct or
24 shared common cost factor in two areas, one in power. And
25 that's because in our collocation studies, power is handled

1 separately. So we took it out of our other direct factor to
2 avoid double counting. And then second, we removed testing
3 expenses because they simply are not applicable to collocation.
4 So we reduced that factor by taking out the testing expenses.
5 And that, that, that completes my summary.

6 MS. MASTERTON: The witness is available for
7 cross-examination.

8 CHAIRMAN BAEZ: Thank you, Ms. Masterton.

9 Mr. Kassman?

10 MR. KASSMAN: We have no questions.

11 CHAIRMAN BAEZ: Mr. Hatch.

12 MR. HATCH: Just a few.

13 CROSS EXAMINATION

14 BY MR. HATCH:

15 Q Good afternoon, Mr. Farrar. I'm Tracy Hatch. I'll
16 be asking you a few questions on behalf of AT&T.

17 A Okay.

18 Q If you'll look at your surrebuttal testimony on
19 Pages 8 and 9, you describe there, I believe, how you took the
20 Sprint model and ran the BellSouth inputs just as a comparison
21 in your analysis of multiple models and different rates and so
22 forth; is that correct?

23 A Yes.

24 Q Now if you look at Page 9, Line 12, 13 and I guess
25 14, the results of your running the BellSouth model produces a

1 rate which is only 2.5 percent different; is that correct?

2 A That was running BellSouth's inputs through our
3 model.

4 Q And you got an answer that was 2 -- what does that
5 2.5 percent difference mean?

6 A It meant the -- running BellSouth's inputs through
7 our model versus our inputs through our model, the difference
8 between those two results was 2.5 percent.

9 Q Was BellSouth's rates 2.5 percent less than Sprint's?

10 A The BellSouth rate was less.

11 Q Now based on Mr. Davis's assertion that purchasing
12 power would drive better costs or cheaper costs, if you run the
13 BellSouth inputs with their purchasing power through the Sprint
14 model, wouldn't you expect you would get lower rates than what
15 you actually got normally?

16 A All else equal, yes.

17 Q Okay. Turn to your exhibit number, I believe it's
18 Number 1 where you ran the inputs, RGF-1.

19 CHAIRMAN BAEZ: Can you get a little closer to the
20 microphone, please?

21 MR. HATCH: Sorry.

22 BY MR. HATCH:

23 Q Now Page 1 of that exhibit is the Sprint Inputs
24 Worksheet; is that correct?

25 A Yes.

1 Q And if I look at Page 2, those are the BellSouth
2 inputs that you used; is that correct?

3 A Well, just on Lines -- just Lines 8 and Lines 9.

4 Q Okay. So Lines 8 and 9 are the only
5 BellSouth-specific input that you ran. All the rest are Sprint
6 inputs?

7 A Yes.

8 Q I have a question about that then because it sort of
9 follows along.

10 If you look at Line 6 on Page 1, that local switching
11 factor is 29.03 percent; is that correct?

12 A I'm sorry. Where are you at?

13 Q Page 1 of RGF-1, and look at Line 6.

14 A Yes.

15 Q The local switching factor that's 29.03 percent.

16 A Yeah.

17 Q If you look at the equivalent Line 6 on Page 2,
18 that's a different number.

19 A Yeah. What's, what's happening here is the model is
20 simply -- it is copying the confidential number that's in --
21 the model is copying the confidential number that's in Row 9
22 and it's putting it into Row 6.

23 Q I don't know if that's a glitch, but I was wondering
24 why or how it was doing that.

25 A Well, again, the way this model is working, the

1 factor in Row 6 is being used in a different collocation cost
2 element than the one I'm really discussing here.

3 Q I guess the bottom line is is that the only change
4 you made were the two -- on Page 2 the only two changes that
5 you made to account for Sprint inputs were just those two on
6 Line 8 and 9; is that correct?

7 A That's correct.

8 Q If you ran all of those factors through, all of those
9 inputs through the model but you only changed those two, you
10 would expect to get fairly similar results unless those two
11 values for BellSouth were really different; would that be
12 correct?

13 A Yeah.

14 Q And so your run doesn't necessarily -- if you took a
15 full array of BellSouth inputs and ran it through the Sprint
16 model, you would expect to get differing -- greater differences
17 in the rates based on greater differences in BellSouth's
18 inputs; is that correct?

19 A Well, yes. But, again, that was not the purpose of
20 running this exhibit. That was a simply different purpose than
21 this exhibit. But, yes, your statement is correct.

22 Q Now turn over to Page 12 of your surrebuttal
23 testimony for me, please.

24 On Line 10 and 11 there's some bold language that
25 says -- apparently some language that you received from

1 BellSouth in discovery or that was part of a response to staff
2 discovery. Do you see that bold language where it says, "The
3 user is not able to modify the structure of the study by adding
4 or deleting elements"? Do you see that?

5 A Yes.

6 Q In your conversations with Bell regarding the model,
7 did you discuss this?

8 A If you're asking me if I personally discussed it, I
9 know that I was personally involved in two conferences with
10 BellSouth. To be honest, I don't remember if this actually
11 came up in that conversation or not. I just don't remember, to
12 be honest.

13 Q Do you know if anybody on your team asked about this
14 and whether, whether the BellSouth model is capable in terms of
15 the user adding or deleting elements?

16 A Oh, I'm sure someone in the group did, and that's why
17 we specifically asked the DR (phonetic).

18 Q Do you recall any information you got from BellSouth
19 regarding whether you could add or delete elements from the
20 model?

21 A Just the DR response.

22 Q Okay. Now turning over to Page 13 of your
23 surrebuttal, Lines 14 and 15 where you recount BellSouth's
24 response to overriding the common cost factor. Do you see
25 that?

1 A Yes.

2 Q Now according to that statement, BellSouth informed
3 you that you couldn't override the BellSouth cost -- the common
4 cost factor couldn't be overridden in the cost calculators
5 provided using the steps above, and the above are set forth in
6 your testimony. Do you see that?

7 A That's correct.

8 Q Now in your discussions with BellSouth did you ask
9 BellSouth whether there was, other than the steps above, is
10 there any other way to alter the BellSouth common cost factor?

11 A I personally did not have that conversation. Someone
12 else may have, but I don't know.

13 Q Do you have any information -- do you know whether
14 that -- do you know what the answer from BellSouth was as to
15 whether that could be overridden?

16 A No, I don't know.

17 Q Now when you ran BellSouth's inputs through your
18 model, did you also at the same time run Verizon's inputs
19 through the Sprint model?

20 A No, I did not.

21 Q Did you think about doing that?

22 A No, I did not.

23 Q Is there a reason why you would not do that?

24 A Again, the purpose of what I was trying to
25 demonstrate -- I was able to demonstrate what I was trying to

1 demonstrate using BellSouth's numbers, and I didn't see the
2 point of going on. I demonstrated what I was attempting to
3 demonstrate.

4 Q Wouldn't it be a more complete comparison to run both
5 BellSouth's and Verizon's numbers in this proceeding to get
6 that comparison?

7 A To be honest, I'm not sure what it would add. I was
8 simply trying to, I was simply trying to demonstrate putting
9 BellSouth's cost factors through our model and end up with the
10 same results. So I'm just not sure what, what would be gained
11 by doing that.

12 Q Earlier you testified that you had, I guess, two or
13 two-and-a-half people to do collocation cost studies; is that
14 correct?

15 A That's correct.

16 Q And I think in your testimony you make reference to
17 28 people totally on your cost staff to do cost modeling type
18 of information; is that correct?

19 A Yes.

20 Q Would it be your expectation that the average CLEC
21 would have anywhere near the cost resources that you do?

22 A I have no idea.

23 Q Have you ever encountered a CLEC that has the
24 equivalent cost study resources that Sprint does?

25 A I've never asked the CLEC what their, what their

1 resources were, so I don't know.

2 Q Would you expect that a CLEC would have 28 people
3 devoted to cost study?

4 A No, I would not.

5 MR. HATCH: Okay. Thank you. That's all I've got.

6 CHAIRMAN BAEZ: Thank you, Mr. Hatch.

7 Mr. Watkins?

8 CROSS EXAMINATION

9 BY MR. WATKINS:

10 Q Mr. Farrar, I just wanted to address one thing you
11 said in your, your summary, which was that differing numbers
12 arising out of two different cost models do not necessarily
13 indict the models themselves. Do you remember that portion of
14 your summary?

15 A Yes.

16 Q How divergent do you believe two rates would have to
17 be for the same activity before one of the cost models should
18 be called into question?

19 A Well, again, if, if the results are diverged -- are
20 widely diverging more than, more than would be expected, well,
21 there's obviously two things can be wrong. One, either the
22 inputs can be wrong or the model can be wrong. So, again,
23 without thoroughly analyzing the model, you really can't answer
24 the question. It could be either, either one.

25 Q If Sprint is proposing a monthly recurring charge,

1 for instance, per amp for power that is double or more than
2 double what BellSouth is proposing in this docket, is a factor
3 of two for such a thing sufficient to call, call one of the two
4 models into question?

5 A No. No. I've seen, I've seen disparity between
6 similar things of a factor of two, and that can be easily
7 explained.

8 Q If the monthly recurring charge that one ILEC is
9 proposing in this docket will recover the infrastructure
10 portion of the power charge three times faster than a different
11 ILEC is proposing in this docket, would, would that call into
12 question some, either the model or the inputs themselves?

13 A Again, you're asking a hypothetical, and I don't
14 know. Three by itself, no, not necessarily. Again, if you're
15 asking me to give you a threshold of some number, you know,
16 100, yes, three, no. Where, where does it fall in between, I
17 have no idea.

18 MR. WATKINS: I don't have any other questions.

19 CHAIRMAN BAEZ: Thank you, Mr. Watkins.

20 Staff.

21 MR. ROJAS: Staff has no questions.

22 CHAIRMAN BAEZ: Commissioners?

23 MS. MASTERTON: No redirect.

24 CHAIRMAN BAEZ: All right. Thank you, Mr. Farrar.

25 You're excused.

1 (Witness excused.)

2 MS. MASTERTON: I do need to move Mr. Farrar's
3 exhibits into the --

4 CHAIRMAN BAEZ: I was hoping you'd say that.

5 MS. MASTERTON: I have to thank Mr. McCuaig for not
6 letting me forget.

7 CHAIRMAN BAEZ: Confidential -- and I thank
8 Mr. McCuaig as well.

9 Confidential 41 and Exhibit 42 are moved into the
10 record without objection.

11 (Exhibits 41 and 42 admitted into the record.)

12 (Transcript continues in sequence with Volume 4.)

13

14

15

16

17

18

19

20

21

22

23

24

25

1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I, LINDA BOLES, RPR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 9th DAY OF FEBRUARY, 2004.


LINDA BOLES, RPR
FPSC Official Commission Reporter
(850) 413-6734