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November 19, 1999

ORIGINAL

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

Re: Docket Nos. 981834-TP, 990321-TP Rebuttal Testimony of Michael R. Hunsucker on behalf of Sprint Communications Company Limited Partnership, & Sprint-Florida Incorporated

Dear Ms. Bayo:

Enclosed for filing is the original and fifteen (15) copies of Sprint Communications Company Limited Partnership & Sprint-Florida Incorporated Rebuttal Testimony of Michael R. Hunsucker in Docket Nos. 981834-TP, 990321-TP.

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

Sincerely,

Susan S. Masterton

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Sprint
Docket Nos. 981834-TP & 990321-TP
Filed: November 19, 1999

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

REBUTTAL TESTIMONY

OF

MICHAEL R. HUNSUCKER

Q. Please state your name and business address.

A. My name is Michael R. Hunsucker. I am employed by Sprint/United Management Company as Director-Regulatory Policy. My business address is 4220 Shawnee Mission Parkway, Fairway, Kansas, 66205.

Q. Are you the same Michael R. Hunsucker that presented direct testimony in this case?

A. Yes, I am.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present rebuttal testimony on four key issues : 1) Issue 3 - definition of "premises", 2) Issue 10 - space reservation, 3) Issue 11 - relocation of administrative office personnel, and 4) Issue 17 - cost recovery methodology.

Issue 3 - Definition of Premises

Q. Does the FCC provide any insight into the term "premises"?

A. Yes. The FCC Rules and Regulations, in 47 CFR 51.5, define "premises" as "an incumbent LEC's central offices and serving wire centers, as well as buildings or similar structures owned or leased by an incumbent LEC that house its network facilities, and all structures that house incumbent LEC facilities on public rights-of-way, including but not limited to vaults containing loop concentrators or similar structures." It should be noted that the FCC chose a very broad definition of "premises". In fact, the FCC stated in the First Report and Order in Docket 96-98, "In light of the 1996 Act's procompetitive purposes, we find that a broad definition of the term "premises" is appropriate in order to permit new entrants to collocate at a broad range of points under the incumbent LEC's control. Thus, ALECs should be afforded an opportunity to collocate at all such points.

In the most recent Third Report and Order in Docket 96-98 (adopted September 15, 1999 and released November 5, 1999), the FCC provides additional direction on the breadth of their definition of "premises" in their discussion of subloop unbundling. Specifically, in paragraph 221 the FCC states; "… we agree, that our collocation rules, which we recently clarified in the *Advanced Services First Report and Order,* apply to collocation at any technically feasible point, from the largest central office to the most compact FDI." Clearly, the FCC intended for a very broad definition of premises to be used in the determination of collocation points or "premises".

Q. What does GTE propose in regards to the definition of premises?

Q. GTE's witness Ries states, on page 4, line 12, that "GTE interprets it to mean that any location identified in NECA #4 tariff is available for collocation…" Clearly, this is a more limited definition of "premises" than that envisioned by the FCC and should be dismissed. The FCC definition requires ILECs to allow ALECs to collocate in "vaults containing loop concentrators or similar structures." Again, as discussed above, the FCC provided direction

in the Third Report and Order in Docket 96-98 by affirming a broad definition of collocation "premises". Typically, ILECs do not load these locations in NECA #4. Thus, applying GTE's definition would preclude collocation at these points in the ILEC network which is inconsistent with the FCC's definition. The FPSC needs to set a clear policy direction on adoption of a broad definition of premises consistent with the FCC.

Q. BellSouth (Milner, page 20, line 8) proposes that ALECs should not be allowed to construct a controlled environmental vault (CEV) on an ILEC premises that does not house an ILEC's network facilities. Do you agree?

A. Yes, as a general rule ILECs should not be required to allow an ALEC to construct or otherwise procure a CEV on premises that do not house an ILEC's network facilities. However, an issue of proximity does surface when you get into the details of an adjacent property. For example, an ILEC could argue that it has one premises on one side of the street that houses its network facilities and one premises on the opposite side of the street that does not house any

network facilities. An ILEC should not be allowed to simply reject this request because the premises is separated by a road, a street, or an alley. There must be some reasonableness placed on the ALEC's request and the ILEC's response. Sprint would suggest that consideration must be given to contiguous property versus stand-alone property when making that decision.

In addition, FCC Rule 51.323(k)(3), requires ILECs to permit an ALEC to construct or otherwise procure an adjacent structure, subject only to reasonable safety and maintenance requirements. ILECs must permit this construction or procurement only when space is "legitimately exhausted" at a particular premises and construction is not contingent upon the housing of ILEC network facilities.

Q. BellSouth (Milner, page 10, line 14) believes that they should be allowed to protect their equipment by enclosing their equipment in a cage. Do you believe that this is appropriate?

A. There is nothing in the FCC's rules that prevents or prohibits an ILEC from protecting their own equipment through enclosure. However, there are three guiding

principles that should be adopted when allowing an ILEC to enclose their equipment; 1) the ILEC should be responsible for 100% of the cost of enclosure, just as the ALEC is responsible for cage construction costs to enclose their equipment, 2) the enclosure should be done in a manner that does not unnecessarily take up available space for collocation and 3) if space outside the ILEC enclosure becomes full, the ILEC should have a requirement to make any unused space inside the enclosure available for collocation.

BellSouth did not specifically address any of these issues in their testimony. Clearly they can enclose their equipment, however, enclosure of unused space must be limited as addressed above. Sprint believes that adoption of these guidelines ensures that maximum space is available for collocation.

Issue 10 - Space Reservation

Q. Is there an issue regarding the parity requirements of space reservation?

A. No, in fact, there appears to be general consensus among the parties that the ILEC must provide parity to the ALEC in regards to the length of time for space

reservation. This is required by FCC Rule 51.323(f)(4).

Q. What are the disputed issues in regard to space reservation?

A. From Sprint's perspective, there are three key disputed issues; 1) the length of time that ILECs and ALECs may reserve space, 2) whether ALECs can be charge for reserved space and 3) whether an ALEC should be required to construct a cage for reserved space.

Q. What do the other parties in this proceeding feel is an appropriate reservation time period?

A. Sprint has proposed a one year space reservation time period (Hunsucker Direct, page lines 5 and 23), BellSouth has proposed two years (Milner, page 26, line 1), MCI has proposed two years (Martinez, page 14, line 17), GTE proposes no time period - just an amount of space that can be justified based on a "documented, funded business plan" (Ries, page 13, line 18), Intermedia proposes a three year planning horizon, based on forecasted growth (Strow, page 10,

line 6), while other parties state that there should be no reservation time period or have remained silent.

Q. Why is one year versus two years an appropriate time period?

A. The objective of a reservation time period is to allow all LECs the ability to reserve space for forecasted growth. Given the nascency of local competition (especially for residential customers) and the deployment of advanced services, it is very difficult, if not impossible, to project growth/demand beyond a twelve month window. While LECs may employ a longer planning period, that is exactly what that period is - a planning period. Generally, true funding commitments are not made for two to three year time periods and, if they are, they are subject to change in the out-years as market plans change. Sprint believes that a one year window is a much more certain period of time than two or three years as proposed by other parties in this proceeding.

Regardless of the time period selected, any ILEC space reservation must be based on forecasted growth by type of equipment. This is the only way to ensure that

ILECs are not gaming the process by reserving more space than they can reasonably be expected to use. In addition, the longer the time period, the more uncertainty as to the forecast, and the more likely for a dispute to arise. A one year space reservation time period should be adopted.

Q. GTE (Ries, page 13, line 18) proposes that space should be reserved if it is supported by a "documented, funded business plan". Do you agree with this approach?

A. No. I'm not sure what GTE means by a "documented, funded business plan". Obviously, every LEC puts together business plans for planning purposes to anticipate the needs of the market in future periods. However, it is naïve to believe that every funded business plan is implemented and completed 100% of the time, especially, if the plan is a multi-year project. Any company consistently reviews their business plans and makes necessary adjustments to respond to market conditions. This can have a dramatic impact on the amount of space that may be available for future growth. Again, as discussed above, a one year space reservation time period provides for much more

certainty than a multi-year business plan. Sprint believes that adoption of a one year time period supported by a forecast provides much more certainty and checks and balances on ILEC behavior.

Q. GTE (Ries, page 13, line 20) also proposes that ALECs should be charged for space reserved. Do you agree with this proposal?

A. No. The FCC has codified in their rules a costing methodology that is based on incremental costs. The question that needs to be asked in regard to space reservation is whether the ILEC incurs any additional incremental costs for allowing an ALEC to reserve space. The answer is no. Whether the space is vacant or reserved by an ALEC, the ILEC's costs for floor space, heating and cooling, etc., do not change (absent perhaps some cost of administering a reservation system).

Q. What has Sprint proposed relative to charging an ALEC for reserved space?

A. Sprint has proposed that ALECs should not be charged simply for reserving space. However, Sprint proposed

that, in the event that requests for collocation space exceed available space, an ALEC shall be required to relinquish the reserved space or begin paying the appropriate collocation charges for the reserved space. This will help to ensure that the ALEC reserving space needs the reserved space. In addition, Sprint proposes that, if the ALEC chooses to begin paying the collocation charges, that they should have six months to occupy the space or the ILEC shall have the right to reclaim the space to satisfy outstanding requests for space. This also ensures that ALECs are not warehousing space unnecessarily, consistent with FCC Rule 51.323(f)(6).

Q. **GTE (Ries, page 13, line 23) proposes that an ALEC should be required to construct a cage as a condition of space reservation. Is this reasonable?**

A. Absolutely not, cage construction is an activity that should occur based on the ALEC's needs, not based on an ILEC requirement. Clearly GTE is aware of the FCC rules regarding alternative forms of collocation, including cageless collocation (FCC Rule 51.323(k)(2)). Simply put, ILECs are obligated to make cageless collocation available. A requirement to

always construct a cage as a condition of space reservation precludes ALECs from reserving space for cageless collocation and places them at a competitive disadvantage. This proposal should be dismissed as unnecessary, anti-competitive and inconsistent with FCC rules.

Issue 11 - Relocation of Administrative Office Space

Q. **What has Sprint proposed for relocation of administrative space?**

A. Sprint has proposed there should be a general requirement placed on ILECs to relocate administrative (non-essential) employees to make space available for physical collocation at an ILEC's premises. Sprint has also proposed that ILECs should only be able to recover the costs of the relocation based on an apportionment of the relocation cost as a percentage of the total square footage relocation cost.

Q. **What position does BellSouth and GTE take relative to the development of generic parameters for the use of administrative office space?**

A. Both BellSouth (Milner, page 33, line 10) and GTE (Ries, page 14, line 18) state that generic parameters should not be developed as each central office/premises is different and has its own unique set of circumstances.

Q. Do you agree with BellSouth and GTE?

A. No. I agree that each ILEC central office/premises is different, however, this, in no way, impedes the development of generic parameters for the use of administrative office space in ILEC central offices. Perhaps, the real issue here is one of semantics, in the use of the term "parameter", when the term "guideline" may be more appropriate. There should be an overriding guideline that requires ILECs to relocate nonessential personnel in favor of making space available for collocation. Space in central offices/premises is critical to the success of ALECs in their ability to compete with ILECs. If space is currently housing nonessential or administrative personnel, then there should be a general requirement to make such space available for physical collocation. This is an extremely important public policy issue

that will facilitate development of facilities-based competition.

Q. Do you agree with BellSouth that the ILECs should be required to have space available for essential employees, i.e., breakrooms, restrooms, etc.?

A. Yes. Obviously these types of facilities are required as a quality of life working condition and in fact, may be required by labor contracts. The issue is not whether these types of facilities should be on the premises, but how large should these facilities be. Some of these locations may have been constructed to accommodate many more employees than are currently located and/or essential to the premises. In this case, these facilities may be much larger than required and should be reduced in size to make space available.

Issue 17 - Cost Recovery

Q. Do you agree with GTE's witness Ries definition of fill factors?

A. Yes. Mr. Ries correctly states on page 20, line 20 that a fill factor is an "average usage level over the life of the investment." The key word in this definition is usage. A fill factor spreads the cost of the facility over the average usage or utilization of the facility. In other words, it assigns spare capacity over the actual utilization of the facility.

Q. Do you agree with GTE's methodology used for the development of the fill factor for allocation of collocation costs?

A. No. GTE's allocation methodology is not consistent with the use of fill factors that have historically been used and approved by state commissions relative to unbundled network elements and in many other cost study applications.

Perhaps the concept of fill factors is best explained by an example; Let's assume that an ILEC places a 3200 pair cable that costs $10,000 with an average utilization of 50%. Thus, the fill factor in this case is 50% which means that 1600 pair of the 3200 pair are actually used to provide revenue producing services. If 100% of the pairs were utilized, the per

unit cost would be $10,000 divided by 3200 or $3.125 per pair. However, given a fill factor of 50%, the actual per unit cost would be $10,000 divided by 1600 or $6.25 per pair.

Now, let's assume that the ILEC usage of the actual pairs utilized (1600) is 1500, then the ILEC would bear a cost of $9,375 (1500 pairs * $6.25) while the ALEC who is utilizing 100 pairs would bear a cost of $625 (100 pairs * 6.25) which is $1/16^{th}$ or 6.25%. This is the methodology that has long been used by the industry and most recently in the development of unbundled network element costing/pricing, i.e., a methodology that utilizes the actual usage of the facility as the allocator.

GTE's proposal using number of collocators or actual users of the facility renders a totally different result that places an inappropriate burden on ALECs. In the above example, GTE would assume (this is a hypothetical, the actual number will vary by office/facility) that there are four ALEC users of the facility and one ILEC user of the facility. Relative to the above example, GTE would bear only 1/5 or 20% of the $10,000 facility cost while placing 80% of the

costs on ALECs provided that their assumption of four ALECs bears out in actuality. In fact, in GTE's methodology, if there are more collocators than forecasted for a particular premises, they would over-recover the costs.

GTE's methodology is truly anti-competitive as it places a disproportionate share of the costs of collocation on ALECs. GTE's description of fill factor is accurate but they fail to use the factor appropriately in that they do not use the actual utilization of the facility in their calculations. This is a key component of any allocation methodology based on fill factors. Allocation of costs based on square footage, as proposed by Sprint, does consider the actual utilization of the facility and is appropriate for use in the allocation of collocation costs.

Q. Does BellSouth propose the use of collocators as an appropriate allocator of collocation costs?

A. Yes, BellSouth proposes the development of several new security rate elements for the recovery of collocation costs. Specifically, Mr. Hendrix on page 10,

beginning on line 23, proposed a Security System rate element that is designed to recover the costs of installing a card reader system. He proposes that the appropriate cost recovery allocation be based on the number of collocators.

Q. Does Sprint agree with an allocation based on number of collocators?

A. No. As discussed above, Sprint believes that this places an inappropriate burden on ALECs. Sprint agrees that installation of a card reader system benefits both ALECs and ILECs alike. As I discussed in my direct testimony, security costs are incurred to protect the equipment located on the premises. In this case, the ILEC may have 90% of the value of the total equipment placed on premises, yet, BellSouth proposes to incur a relatively minor portion of these costs. Sprint believes that a relative value allocation methodology is far superior and an appropriate method for allocation of security costs. Given the propriety of the price paid for relative equipment to equipment vendors, Sprint believes that an allocation based on relative square footage is

appropriate and fairly reflects the value of the equipment located on the ILEC premises.

Q. Does this conclude your testimony?

A. Yes, it does.

CERTIFICATE OF SERVICE
DOCKET NOS. 981834-TP & 990321-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by U.S. Mail or hand-delivery this 19th day of November, 1999 to the following:

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