ORIGINAL

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April 1, 2004

Ms. Blanca S. Bayó, Director
Division of the Commission Clerk
& Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 981834-TP

Dear Ms. Bayó:

Enclosed for filing on behalf of Sprint-Florida, Incorporated and Sprint Communications Limited Partnership are the original and 15 copies of Sprint's Post-Hearing Statement and Brief. Also included is a diskette with a copy of this document in Word.

Copies are being served on the parties in this docket pursuant to the attached certificate of service.

Please acknowledge receipt of this filing by stamping and initialing a copy of this letter and returning same to my assistant. If you have any questions, please do not hesitate to call me at 850/599-1560.

Sincerely,

Susan S. Masterton

Susan S. Masterton

Enclosure

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CERTIFICATE OF SERVICE
DOCKET NO. 981834-TP & 990321-TP

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by U.S. and electronic mail on April 1, 2004 to the following:

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(+ Signed Protective Agreement)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Competitive Carriers for Commission action to support local competition in BellSouth Telecommunications, Inc.'s service territory.	DOCKET NO. 981834-TP
In re: 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 Filed: April 1, 2004

SPRINT'S POST-HEARING STATEMENT AND BRIEF

Pursuant to the Third Order Modifying Procedure, Order No. PSC-03-1311-PCO-TP, and the Commission's ruling at the hearing extending the date for filing briefs, Sprint-Florida, Incorporated and Sprint Communications Company Limited Partnership (collectively "Sprint") file this Post-hearing Statement and Brief.

INTRODUCTION

Sprint is both an ILEC and a CLEC in Florida. Sprint's positions on the issues in this proceeding reflect a balance of the needs of CLECs and the legitimate concerns of ILECs relating to collocation implementation and cost recovery. Sprint's positions on the individually numbered issues in this docket are consistent with the Telecommunications Act of 1996, 47 U.S.C. §151 et seq., (the "Act") and pertinent rulings of the Federal Communications

Commission ("FCC") and this Commission.[1] Each of Sprint's positions should be adopted by the Commission.

The Commission should reject AT&T's suggestion to adopt a single cost model and a single set of inputs for Sprint, BellSouth and Verizon. Differences in scale and scope, as well as operational differences, result in different costs and different cost structures for the collocation offerings of each ILEC. Forcing Sprint to arbitrarily use another company's cost model and rate structure in Florida will create costly inefficiencies for both Sprint and CLECs alike.

The rates proposed by Sprint in this proceeding will result in lower overall prices for collocation than Sprint's current rates. The Act and the FCC rules implementing the Act require that Sprint's collocation costs and the prices based on these costs comply with TELRIC.[2] FCC Rule 51.505 requires TELRIC costs to be forward-looking and "based on the most efficient telecommunications technology currently available and lowest cost network configuration, given the existing location of the ILEC's wire centers." Sprint's has demonstrated through the evidence that it has presented in this proceeding that its costs study and its prices derived from the cost study comply with TELRIC and the Act and should be adopted by the Commission.

ISSUES, POSITIONS AND DISCUSSION

ISSUE 9A: For which collocation elements should rates be set for each ILEC?

Position **Rates for Sprint should be set for the collocation elements identified in Sprint's cost study. These rate elements are based on examinations of actual collocation

[1] 47 U.S.C. §§ 251 & 252, 47 C.F.R. Part 51 and related FCC and Commission decisions.

arrangements in Sprint central office buildings, as well as FCC and FPSC requirements.**

Discussion

The Commission should reject AT&T's proposal for a single set of elements

AT&T recommends that BellSouth's list of collocation elements be adopted by the Commission for Sprint and Verizon. (Tr. 530) AT&T posits that Sprint's list of elements is inadequate and purports to identify several elements included in BellSouth's list but not included in Sprint's. (Tr. 537; Hearing Exhibit 5, at pages 20-23) The Commission should reject AT&T's contentions. Sprint has provided over 700 collocations system-wide over the last seven years, using the elements list that Sprint has proposed in this proceeding. (Tr. 426) CLECs have not expressed concerns that Sprint's element list is insufficient, nor have they made this an issue in interconnection agreement negotiations. (Tr. 34) Sprint's element list differs from BellSouth's (and Verizon's, as well) in that certain costs are included in a single element, whereas BellSouth and Verizon break out those costs into separate elements. (Tr. 426) For example, Sprint's floor space element includes the costs for space preparation activities, while BellSouth and Verizon list this as a separate charge. (Tr. 426) Sprint has found that CLECs prefer simplification for collocation pricing and provisioning. (Tr. 426)

Of the specific elements identified by AT&T as missing from Sprint's pricing list, Sprint found that many of these charges are disconnect charges. (Tr. 426-428) Sprint recovers these charges through the decommissioning process, which involves an augment application and a major or minor augmentation fee, based on the scope of the work to be performed. For

[2] 47 U.S.C. §251; 47 C.F.R. 51.505.

disconnection of a single customer, Sprint uses the UNE loop disconnect rate approved by the Commission in the Sprint phase of the UNE docket, *In re: Investigation into pricing for unbundled network elements (Sprint/Verizon Track)*, Order No. PSC-03-0058-FOF-TP in Docket No. 990649B ("Sprint UNE Order") (Tr. 427) Several other elements AT&T identified are similarly recovered by Sprint in different elements or involve services that Sprint has never been requested to provide. (Tr. 427-428) In fact, these elements are not "missing" from Sprint's list, but are recovered appropriately through Sprint's rate structure.

These pricing mechanisms have worked well for Sprint, not only in Florida but in the other states where Sprint provides collocation services as an ILEC. The Commission should not disturb Sprint's successful collocation pricing structure based on AT&T's unsupported and erroneous assertions. Rather, the Commission should approve the elements proposed by Sprint and reflected in Sprint's collocation cost studies and resulting prices.

ISSUE 9B: For those collocation elements for which rates should be set, what is the proper rate and the appropriate application of those rates?

Position **Sprint's rates should be the recurring and nonrecurring charges submitted by Sprint in its cost study and associated testimony. Sprint's cost study complies with TELRIC principles in that it is forward looking with no inclusion of embedded costs.**

Discussion

The Commission should reject AT&T's proposal for a single cost model

Similar to its recommendation that all ILECs should use the same elements for providing collocation, AT&T recommends that the Commission adopt a single cost model to be used by Sprint, BellSouth and Verizon for determining the costs to provide collocation in Florida. This proposal is unworkable and should be summarily rejected by the Commission. As discussed in the previous issue, Sprint has been offering collocation using its elements and pricing, based on its cost model, since 1996. Sprint's collocation offering and pricing are essentially the same throughout the 18 states where Sprint provides collocation as an ILEC. (Tr. 488) Requiring Sprint to adopt BellSouth's cost model would impose an undue burden on Sprint, in that Sprint would need to develop an isolated cost model and pricing mechanism for Florida only. (Tr. 490) In addition, it would not benefit the many CLECs who provide services throughout the country and would need to work with a collocation product and pricing for Sprint in Florida that would differ from Sprint's collocation offering in the rest of Sprint's 18 states. (Tr. 489) No other state has required Sprint to use a single cost model for pricing UNEs or collocation, nor are other states likely to require or even approve Sprint's use of BellSouth's Florida cost model. (Tr. 507) [3]

BellSouth and Verizon agree with Sprint that a single cost model is unworkable and unnecessary. (Tr. 246-250, 703-714) In addition, staff's witness Gabel agrees, based on his experiences in other proceedings in which the development of a single cost model was considered, that such an approach is unworkable because of the different provisioning systems

and accounting processes employed by the various ILECs. (Tr. 898-899) Dr. Gabel also disputes AT&T's contention that a single cost model is necessary because CLECs are burdened if they are required to review different costs models for the different ILECs. (Tr. 899) Dr. Gabel states that he found both Sprint's and Verizon's models easy to use and evaluate. (Tr. 899) Similarly, Sprint's witness Davis demonstrates that the various ILEC models are easily compared using a net present value (NPV) analysis. (Tr. 423-425, 453; Composite Hearing Exhibit 40, at JRD-3)

AT&T suggests BellSouth's model as the single model to be used by all the ILECs. Through discovery Sprint has determined that the BellSouth model would be unsuitable for use by Sprint and Verizon. (Hearing Exhibit 15, at pages 59-72) First, BellSouth's model is a proprietary model which BellSouth stated it would not willingly share and for which BellSouth said it would require compensation for the use of its intellectual property. (Tr. 248, 495) Second, contrary to AT&T's witness Turner's representations, BellSouth's model cannot, in most cases, be modified to contain different inputs or elements. (Tr. 496-497) Interestingly, in response to a question from Commissioner Deason, Dr. Gabel said that the BellSouth model was the most difficult to use and evaluate. (Tr. 898)

No value and much harm would result from requiring Sprint and Verizon to use BellSouth's cost model. As BellSouth's witness Shell aptly states:

> Simply put, Mr. Turner's proposal for a single model would cause the ILECs to spend more time and more costs with no real effect on the resulting cost numbers. (Tr. 249-250)

AT&T has presented no convincing evidence or rationale for the Commission to adopt its suggestion. In concluding his response to Commissioner Deason's question at the hearing regarding the efficacy of a single ILEC cost model, Dr. Gabel states:

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[3] While the Public Utilities Commission of Nevada ordered the use of single cost model to set prices for recurring rates for the single unbundled network element of 2-wire analog loops, the remainder of the UNE prices it set for

> ...I don't think time would be well spent in this instance in Florida with the three models that you have before you to compel the companies to use the same model. (Tr. 899)

The Commission should heed Dr. Gabel's reasoned analysis, reject AT&T's position and approve the cost models separately proposed by Sprint, BellSouth and Verizon.

Sprint has modified its pricing structure to reflect the Commission's ruling in Phase I

In the Commission's Order addressing the technical and policy issues raised in Phase I of this proceeding[4], an issue arose concerning the ILECs' practices regarding allowing CLECs to hire approved contractors to do certain work in the CLEC's collocation space rather than the CLEC paying the ILEC to do the work. These practices were raised as a concern in connection with the identified issue in Phase I that addressed when nonrecurring charges should be paid to the ILEC. Sprint's position on this issue has been that CLECs could perform work only in their collocation space, but not in the common areas of Sprint's central offices. (Sprint's Post-hearing Statement and Brief, filed September 9, 2003 (Sprint's Phase I Brief), at pages 5-6) Sprint's stated position in the Phase I proceeding is consistent with the FCC rules regarding when CLECs should be allowed to perform work in an ILEC's CO, however, BellSouth employs a more liberal policy, allowing CLECs to perform certain collocation work, even in BellSouth's common areas. (Phase I Order, at page 11) The CLEC parties to this docket appear to approve of and, indeed, prefer the BellSouth practice. (AT&T Communications of Southern States, LLC's

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Sprint were based on Sprint's cost model. Nevada PUC Docket No. 98-6005. (Hearing Exhibit 1, page 73)

[4] *In re: Petition of Competitive Carriers for Commission action to support local competition in BellSouth's Telecommunications, Inc.'s service territory; In re: 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*, Order No. PSC-03-1358-FOF-TP in Docket Nos. 981834-TP and 990321-TP ("Phase I Order").

Post-hearing Brief, filed September 9, 2003 (AT&T Phase I Brief), at page 3; Phase I Order, at pages 11 and 12) Because of BellSouth's practice of allowing CLECs to perform much of their own work for activities for which costs would otherwise be recovered through nonrecurring charges, BellSouth's position in Phase I was similar to the CLECs' position that nonrecurring charges should be billed within the 30 day billing cycle after the work was completed. (BellSouth Telecommunications, Inc. Brief of the Evidence, filed September 9, 2003 (BellSouth Phase I Brief), at page 3) The Commission ultimately adopted this position. (Phase I Order at page 15)

Because the CLECs, rather than BellSouth, perform power cable installations, cross connect cable installations and security cage installations in BellSouth's central offices, BellSouth's costs studies do not address the costs for these activities and they are not included in BellSouth's elements list or proposed prices. (Composite Hearing Exhibit 35, at WBS-2) Subsequent to and as a result of the Commission's decision in Phase I, Sprint has reevaluated its policies regarding the work that CLECs' can perform in Sprint' central offices and has decided to adopt the BellSouth practice. (Tr. 463-464) Sprint's policy change means that certain of the elements included in its cost study and proposed price list for activities currently performed by Sprint are no longer necessary. Following BellSouth's practices and prices, Sprint proposes to extract costs associated with those activities from its price list. This results in the elimination or reduction of both recurring and nonrecurring rates and charges. Specifically, Sprint proposes to reduce or eliminate certain prices, as follows:

	Section II: Rate List - Physical and Virtual Collocation Elements		
Line	**Element**	**NRC**	**MRC**
	Administrative, Engineering and Project Management Fees		
2	New Collocation - Admin., Transm. Engr. & Project Management Fee	$4,935.51	
4	Minor Augment - Administrative & Project Management Fee	$581.58	
7	Major Augment - Administrative & Project Management Fee	$1,451.88	
	Security Cage Construction		
10	Security Cage - Engineering	$688.54	
11	Security Cage - Construction	By CLEC	
	DC Power		
14	Power Costs - Connection to Power Plant up to 30 Amps	By CLEC	$5.69
15	Power Costs - Connection to Power Plant 35-60 Amps	By CLEC	$8.04
16	Power Costs - Connection to Power Plant 70-100 Amps	$533.90	$17.10
17	Add Per Foot Over 110 Linear Feet	$2.42	$0.24
18	Power Costs - Connection to Power Plant 125-200 Amps	$533.90	$34.42
19	Add Per Foot Over 110 Linear Feet	$2.42	$0.45
	AC Power		
20	Cost per AC Outlet Installation (per outlet 20 amps)	$106.78	
21	Cost per Additional Set of Overhead Lights	$106.78	
	Cross Connect Facilities		
22	DS0 Switchboard Cable Per 100-Pr	By CLEC	$4.51
23	DS0 Co-Carrier Switchboard Cable Per 100 Pr.	By CLEC	$3.80
24	DS1 Cross Connect (Per 28 DS1s)	By CLEC	$6.36
25	DS1 Co-Carrier Cross Connect (Per 28 DS1s)	By CLEC	$4.81
26	DS3 Cross Connect (Per 12 DS3s)	By CLEC	$18.19
27	DS3 Co-Carrier Cross Connect (Per 12 DS3s)	By CLEC	$7.48
28	Optical Cross-Connect Per 4 Fibers	By CLEC	$8.96
29	Optical Cross-Connect Co-Carrier Per 4 Fibers	By CLEC	$8.83
32	Internal Cable - 48 Fiber	$1,074.69	$3.25
33	Internal Cable - Per 100-Pr Copper Stub Cable	$185.30	$2.93

The revisions in the cost study to reflect the elimination of charges related to power cable installations, cross connect cable installations and security cage installations that underlie Sprint's proposed price list are enumerated in the following table mapped to Revised Exhibit JRD-2:

Rate List Line No	Rate Element Description	9-25-03 Revision of JRD-2 Page Ref.	9-25-03 Revision of JRD-2 Exhibit Number & Line Reference for revised cost total	Comments and line number reference to changes reflected in 1-28-04 Price List Exhibit
2	New Collocation – Admin., Transm. Engineering & Project Mgmt. Fee	10 of 111	Exhibit 1.1 L.11	Reduced Network Project Mgr. Labor by 12 hrs. (L5) and Drafting Labor Hrs. by 2 hrs. (L7)
4	Minor Augment – Administrative & Project Mgmt. Fee	12 of 111	Exhibit 1.3 L.10	Reduced Network Project Mgr. Labor by 2 hrs. (L5) and Drafting Labor Hrs. by .5 hr. (L6)
7	Major Augment – Administrative & Project Mgmt. Fee	12 of 111	Exhibit 1.3 L.24	Reduced Network Project Mgr. Labor by 6 hrs. (L19) and Drafting Labor Hrs. by 1.25 hrs. (L20)
10	Security Cage - Engineering	16 of 111	Exhibit 3 L.4	No changes in Cage Engineering.
11	Security Cage - Construction	16 of 111	Exhibit 3 L.8	Removed all Cage Construction Cost
14	Power Costs – Connection to Power Plant up to 30 Amps	25 of 111	Exhibit 5.1 L.14 NRC L.13 MRC	Power cable material and installation NRC (L14) removed entirely. DC Power maintenance cost factor (L3) reduced to 1.17% to reflect Cost of Removal Only. Cable racking (L12) remains.
15	Power Costs – Connection to Power Plant 35-60 Amps	26 of 111	Exhibit 5.2 L.14 NRC L.13 MRC	Power cable material and installation NRC (L14) removed entirely. DC Power maintenance cost factor (L3) reduced to 1.17% to reflect Cost of Removal Only. Cable racking (L12) remains.
16-17	Power Costs – Connection to Power Plant 70-100 Amps and Per Foot Over 110 Linear Feet	27 of 111	Exhibit 5.3 L.14 NRC L.13 MRC	NRCs (L14) reduced to Engineering only since power cable material and installation costs removed. DC Power maintenance cost factor (L3) reduced to 1.17% to reflect Cost of Removal Only. Cable racking (L12) remains. See Workpaper 5.11 for engineering and other investments.
18-19	Power Costs – Connection to Power Plant 125-200 Amps and Per Foot Over 110 Linear Feet	28 of 111	Exhibit 5.4 L.14 NRC L.13 MRC	NRCs (L14) reduced to Engineering only since power cable material and installation costs removed. DC Power maintenance cost factor (L3) reduced to 1.17% to reflect Cost of Removal Only. Cable racking (L12) remains. See Workpaper 5.12 for engineering and other investments.
20	Cost per AC Outlet Installation	31 of 111	Exhibit 6 L.4	NRC (L4) reduced to Engineering only since outlet material and installation costs removed
21	Cost per Additional Set of Overhead Lights	31 of 111	Exhibit 6 L.8	NRC (L8) reduced to Engineering only since additional overhead lighting material and installation costs removed
22	DS0 Switchboard Cable Per 100 Pair	35 of 111 93 of 111	Exhibit 7 L.7 Workpaper 7	MRC consists of Cable Rack Investment (WP 7, line 1) times Digital ACF (Exhibit 7, line 2) plus all remaining investment (WP 7, line 18-line 1) times a reduced ACF of 1.94% (which reflects only cost of removal)

Rate List Line No	Rate Element Description	9-25-03 Revision of JRD-2 Page Ref.	9-25-03 Revision of JRD-2 Exhibit Number & Line Reference for revised cost total	Comments and line number reference to changes reflected in 1-28-04 Price List Exhibit
23	DS0 Co-Carrier Switchboard Cable Per 100 Pair	36 of 111	Exhibit 7.1 L.14 NRC L.13 MRC	Co-Carrier Switchboard Cable material and installation NRC (L14) removed entirely. Recurring expense factor (L3) reduced to 1.94% to reflect cost of removal only. Cable racking (L12) remains.
24	DS1 Cross Connect (Per 28 DS1s)	38 of 111 95 of 111	Exhibit 8 L.7 Workpaper 8	MRC consists of Cable Rack Investment (WP 8, line 2) times Digital ACF (Exhibit 8, line 2) plus all remaining investment (WP 8, line 22-line 2) times a reduced ACF of 1.94% (which reflects only cost of removal)
25	DS1 Co-Carrier Cross Connect (Per 28 DS1s)	39 of 111	Exhibit 8.1 L.14 NRC L.13 MRC	Co-Carrier Cable per 28 DS1s material and installation NRC (L14) removed entirely. Recurring expense factor (L3) reduced to 1.94% to reflect cost of removal only. Cable racking (L12) remains.
26	DS3 Cross Connect (Per 12 DS3s)	41 of 111	Exhibit 9 L.7	MRC consists of Cable Rack Investment (WP 9, line 2) times Digital ACF (Exhibit 9, line 2) plus all remaining investment (WP 9, line 24-line 2) times a reduced ACF of 1.94% (which reflects only cost of removal)
27	DS3 Co-Carrier Cross Connect (Per 12 DS3s)	42 of 111	Exhibit 9.1 L.14 NRC L.13 MRC	Co-Carrier Cable per 12 DS3s material and installation NRC (L14) removed entirely. Recurring expense factor (L3) reduced to 1.94% to reflect cost of removal only. Cable racking (L12) remains.
28	Optical Cross Connect (Per 4 Fibers)	44 of 111	Exhibit 9.2 L.7	MRC consists of fiber gutter investment (WP 10, line 1 / 36) times Digital ACF (Exhibit 9.2, line 2) plus all remaining investment (WP 10, line 20 - line 1 / 36) times a reduced ACF of 1.94% (which reflects only cost of removal)
29	Optical Cross Connect Co-Carrier (Per 4 Fibers)	45 of 111	Exhibit 9.3 L.14 NRC L.13 MRC	Co-Carrier Cable fiber jumpers material and installation NRC (L14) removed entirely. Recurring expense factor (L3) reduced to 1.94% to reflect cost of removal only. Fiber gutter (L12) remains.
32	Internal Cable – 48 Fiber	58 of 111	Exhibit 13 L.8 MRC L.13 NRC	Annual expense factor (L3) reduced to 1.94% to reflect Cost of Removal Only. No change in NRC which recovers engineering only.
33	Internal Cable – Per 100-Pr. Copper Stub Cable	58 of 111	Exhibit 13 L.8 MRC L.13 NRC	Annual expense factor (L3) reduced to 1.94% to reflect Cost of Removal Only. No change in NRC which recovers engineering only.

Sprint asks that the Commission, in approving Sprint's collocation prices in this phase of docket, accept Sprint's proposal to adopt BellSouth's provisioning and pricing practices for the collocation work performed by the CLECs and approve Sprint's rates as provided herein.

The rates proposed by Sprint should be adopted

The cost study presented by Sprint in this docket fully supports Sprint's proposed collocation prices, which should be approved by the Commission (with the reductions discussed above). Sprint witness Davis's Direct Testimony contains a thorough discussion of the methodology used by Sprint in developing its collocation cost study. (Tr. 409-421) As described by Mr. Davis, Sprint's cost study identifies 10 major categories of collocation elements, including: administrative, engineering and project administration fees; security cage construction; floor space; DC power; AC power; cross-connect facilities; security cards; additional labor charges; adjacent on-site collocation; and remote terminal collocation.[5] Sprint's rates apply to both physical and virtual collocation since the offerings are the same, except that Sprint performs the maintenance on the CLEC equipment in a virtual collocation arrangement and recovers those costs through its additional labor charges. (Tr. 413)

Sprint's collocation cost study is forward-looking, as required by TELRIC, and does not rely on embedded costs. (Tr. 417) To ensure that its costs are forward-looking, where possible Sprint bases its costs on recent collocation work activities performed in Sprint's central offices. (Tr. 417) In addition, Sprint uses current vendor quotes to support certain costs. Also, Sprint

[5] Sprint is proposing that the charges for adjacent on-site collocation and remote terminal collocation should be approved by the Commission to be charged by Sprint on an individual case basis (ICB), as Sprint has had no requests for these collocation elements to date. See, Hearing Exhibit 1, at pages 4 & 5 and Hearing Exhibit 14 at pages 38 & 42.

relies on the 2003 version of R.S. Means to determine the forward-looking monthly recurring charges for floor space and relies on costs approved by the Commission in Sprint's UNE Order for certain common costs and cost factors. (Tr. 418-419) Finally, where no other mechanism for determining forward-looking costs is available, Sprint relies on work times developed by Sprint's subject matter experts (SMEs) to support certain nonrecurring costs. (Tr. 419) As stated by Dr. Gabel (Tr. 840), FCC Rule 51.505 requires ILECs to demonstrate to state commission's that their rates comply with the TELRIC standard. Sprint fully has met this burden through its cost study and through the evidence presented in its testimony and related exhibits and additional evidence presented in Sprint's responses to the extensive discovery in this proceeding.

AT&T did not extensively evaluate Sprint's cost studies or rates, choosing instead to focus on BellSouth. (Tr. 541-542; Hearing Exhibit 17, at page 70) Where staff's witnesses have questioned various aspects of Sprint proposed rates, Sprint has either modified its cost studies and associated prices to address these concerns or has demonstrated that the concerns are without merit. A discussion of the issues raised by AT&T and the staff witnesses follows.

Sprint and Verizon should not be required to use BellSouth's inputs

AT&T has suggested that Sprint and Verizon should be required to use the same collocation cost inputs as BellSouth, based on AT&T's assertion that there is no reason that the costs for collocation activities should vary among the ILECs in Florida. (Tr. 531-532) This assertion is false. Sprint's costs for collocation do vary from BellSouth's and Verizon's because of differences in purchasing power among the ILECs due to their size and also because of differences in the economies of scale that are realized by the ILECs as a result of the size of their

facilities. (Tr. 432-434, 447, Composite Hearing Exhibit 40, at JRD-4) Both BellSouth and Verizon are significantly larger than Sprint on a system wide basis. (Tr. 432; Composite Hearing Exhibit 40, at JRD-4) Therefore, they have greater purchasing power and can realize savings in their purchases of collocation equipment. In addition, BellSouth's central offices are generally larger than Sprint's and because of this larger size, BellSouth can achieve greater savings in constructing facilities within these central offices. (Tr. 433-434; Composite Hearing Exhibit 40, at JRD-4) Because costs do vary legitimately among the ILECs, the cost inputs will and should vary among the ILECs.[6] There is no basis for the Commission to use the same inputs for BellSouth, Sprint and Verizon. To do so would deny Sprint the ability to recover its costs for provisioning collocation, contrary to the requirements of the Act and FCC regulations.[7]

Sprint's AC power charge is appropriate

AT&T has suggested that Sprint's AC power charge is too high based on information it obtained from a U.S. Energy Department publication containing estimates of electric utility average rates. (Tr. 555) However, AT&T's analysis is faulty, because it uses the rate for industrial power users from this report, rather than the correct rate for commercial power users. (Tr. 435-436) Sprint's research shows that telecommunications companies are billed at the commercial power rate and Sprint's actual rates confirm this. (Tr. 435-436, Hearing Exhibit 12, at pages 134-162) BellSouth indicates that it similarly produced evidence that demonstrates that it pays the commercial power rate in Florida. (Tr. 594) Sprint's cost study appropriately reflects

[6] The Commission recognized the appropriateness of company-specific inputs in its rulings in the dockets to establish geographically deaveraged UNE rates for Sprint, Verizon and BellSouth, cited *supra* in footnote 8.
[7] 47 U.S.C. §252(d)(1)(A); 47 C.F.R. 51.507

the commercial power rate paid by Sprint and is consistent with the U.S. Energy department report cited by AT&T. (Composite Hearing Exhibit 43, at SET-5)

Sprint's use of work times and SME input is appropriate

Staff's witness Gabel questions the use of subject matter expert (SME) opinion as a basis for establishing collocation rates. (Tr. 864-867) Sprint has kept its use of SME input as a basis for its costs to a minimum in that "99% of the ongoing monthly recurring charges are supported by actual cost analysis or forward looking vendor quotes." (Tr. 451; Hearing Exhibit 1, at page 27) Sprint has used SME inputs only when such other information is unavailable. (Tr. 417-419) Dr. Gabel acknowledges that Sprint has substantially supported it rates through actual cost (through work order analysis) or vendor quotes. Yet, despite his criticism of SME inputs as a basis for costs, he still expresses a preference for Verizon's SME supported work times simply because they are lower than Sprint's or BellSouth's. (Tr. 871) Dr. Gabel's recommendation to adopt Verizon's work times based on SME inputs rather that Sprint's work times based on actual cost (work order) data is inconsistent with his own criticisms of SME inputs.

Although Sprint and BellSouth's application fees are nearly identical, Dr. Gabel recommends that both Sprint and BellSouth adopt the work times used by Verizon to develop its application fee. Even though Verizon is clearly the outlier, Dr. Gabel disregards the possibility that Verizon has omitted some costs it is entitled to or has otherwise recovered those cost in some other elements or expense loadings. (Tr. 452) As opposed to adopting Dr. Gabel's methodology of choosing what appears to be the lowest cost without regard for possible differences in cost structure and methodology, Sprint contends that NPV analysis is a fair and

equitable way to compare the collocation cost structures of different ILECs who choose to recover certain costs in varying ways. (Tr. 453)

While Dr. Gabel is careful to clarify that he is not an attorney, in his Rebuttal Testimony he references certain cases relating to the evidentiary standard for accepting expert testimony in civil proceedings. (Tr. 866-867) These cases may be instructive for the Commission in evaluating cost information based on SME input, but they are not binding. The standard for evidence in administrative proceeding is somewhat more permissive than the standard employed in civil trials. (s. 120.569(2)(g), F.S.) The Commission has accepted SME input as the basis for the costs approved in past proceedings.[8]

To the extent that Sprint does use SME opinions to support its costs, this information appropriately should be considered by the Commission. Sprint solicited SME input for its collocation cost study using a form with standard instructions as to how the SMEs were to develop and provide their input. (Hearing Exhibit 1, at pages 21-22; Hearing Exhibit 2, at pages 492-495) Contrary to Dr. Gabel's assumption in his Rebuttal Testimony, the form was not populated by the cost analyst when it was provided to the SMEs for completion. (Tr. 454) Sprint's SMEs are highly experienced in the collocation field and are the best source of cost information if actual work times are not available. (Hearing Exhibit 1, at pages 9-11, 20-23) Sprint's SME inputs reflect all possible productivity gains because they were obtained during the later half of 2001, which ended the peak period of collocation activity for Sprint. Collocation activity has dropped sharply in 2002 and remains at a comparatively low level; therefore, no additional gains in productivity are likely. (Hearing Exhibit 1, at page 23) As Sprint has

[8] *In re: Investigation into pricing for unbundled network elements (Sprint/Verizon Track),* Docket No. 990649B-TP, Order No. PSC-02-1574-FOF-TP (Verizon Order) and Order No. PSC-03-0058-FOF-TP (Sprint Order); *In re: Investigation into pricing for unbundled network elements (BellSouth Track),* Order No. PSC-02-1311-FOF-TP in Docket No. 990649A-TP.

demonstrated, SME inputs provide the best available information to establish Sprint's costs associated with nonrecurring charges for application fees, augment fees and project management fees and should be approved by the Commission.

Sprint's methodology for costing and pricing floor space is appropriate

Dr. Gabel raises a number of issues regarding Sprint's floor space costs. (Tr. 856-860) To the extent that Dr. Gabel's points are valid, Sprint addresses them in Mr. Davis's Surrebuttal Testimony and in the revised cost studies and prices filed in Revised Exhibit JRD-2. (Composite Hearing Exhibit 29, at Revised JRD-2) Dr. Gabel questions the small sample of floor plans Sprint used in developing its floor space gross up factor. (Tr. 858) In response, Sprint analyzed an additional sample of 14 offices with collocation, for a total of 19 offices to constitute a statistically valid sample. (Tr. 448) Dr. Gabel also questions Sprint's allocation of air conditioning (AC) space. (Tr. 859) In response, Sprint reallocated the AC space among other central office uses. (Tr. 450-451) In addition, Dr. Gabel questions the basis for Sprint's security additive, because it did not include a sufficient number of Florida offices. (Tr. 877) In response, Sprint revised this analysis to include only Florida offices. (Tr. 446) These three modifications in response to Dr. Gabel's comments resulted in a reduction in Sprint's floor space rate from $9.65 to $7.87. (Tr. 451)

As suggested by Dr. Gabel in his Rebuttal Testimony, Sprint provided additional explanation and substantiation of its proposed rates in Mr. Davis's Surrebuttal Testimony to alleviate the remainder of Dr. Gabel's concerns. Dr. Gabel criticizes Sprint's use of R.S. Means, as opposed to Verizon's methodology that uses historic embedded costs, as a basis for Sprint's

building construction costs. (Tr. 861-862) Dr. Gabel's recommended methodology is not TELRIC compliant, which Dr. Gabel admits. (Tr. 842) AT&T agrees that R.S. Means is an appropriate estimate of forward-looking costs as contemplated by the TELRIC pricing standard required by the FCC. (Tr. 573-574; Hearing Exhibit 17, at page 75)

Sprint's use of R.S. Means as a basis for its floor space rate should be approved by the Commission. However, to the extent that the Commission might consider adopting Dr. Gabel's recommendation to use Verizon's methodology, the Commission must recognize that Sprint's proposed floor space rate includes the costs for several elements not included in Verizon's proposed floor space rate, but for which Verizon imposes a separate charge. These elements include Verizon's charges for building modifications, environmental conditioning and cage ground bars. (Tr. 444) Under cross-examination, Dr. Gabel agreed that, to the extent that these elements would not be recovered by applying Verizon's methodology, Sprint should be entitled to recover them either through a separate charge or as additives to Sprint's floor space rate, stating "I saw nothing objectionable in Mr. Davis's argument." (Tr. 893)

Dr. Gabel also incorrectly questions certain aspects of Sprint's floor space gross up factor. (Tr. 857-860) Dr. Gabel disputes Sprint's allocation of egress to only the transmission area of the central office. (Tr. 859-860) As Sprint's witness Davis explains, this allocation is appropriate because the egress that Sprint is including is only the egress within the transmission equipment room, including the aisles on the sides of the transmission area and the space allowing access to caged collocation arrangements. (Tr. 448-449) This egress is necessary for the placement and maintenance of CLEC equipment in the transmission area and, therefore, is appropriately allocated to CLECs in the floor space rate. (Tr. 448-449)

Next, Dr. Gabel takes issue with Sprint's allocation of shared and growth space. (Tr. 859) However, Dr. Gabel misconstrues the space that Sprint has included in these categories. For shared space, Sprint has excluded any space not used by CLECs. (Tr. 449) For growth space, Sprint has included only space within which Sprint and CLECs can place equipment. (Tr. 449) Therefore, this space is appropriately allocated and included in the floor space costs. (Tr. 449)

Sprint has either addressed or explained all of the floor space issues raised by Dr. Gabel. Consequently, Sprint has demonstrated that its floor space rate recovers its legitimate costs, is reasonable, and is TELRIC compliant and, therefore, should be approved by the Commission.

Sprint's cost of capital, cost factors, and depreciation lives are appropriate

AT&T implies that Sprint's cost of capital and common cost factors are different from the costs approved by the Commission in the Sprint phase of the UNE Docket (Docket No. 990649B-TP) and therefore should be rejected. (Tr. 538) AT&T is wrong. Sprint has used the cost of capital approved by the Commission in the Sprint UNE Order. (Tr. 501) In addition, Sprint has used the cost factors approved by the Commission with two exceptions, as explained by Sprint's witness Farrar in his Surrebuttal Testimony. (Tr. 502-503) These exceptions include a lower other direct expense factor to remove certain costs recovered elsewhere in Sprint's collocation cost structure and shorter depreciation lives, as well as lower salvage values. (Tr. 503)

Sprint's deviation from the Commission's Order in the UNE docket for depreciation lives is entirely appropriate in the collocation arena. As Mr. Davis explains in his Surrebuttal Testimony, collocation is different from other UNEs because it is developed to meet a specific

CLEC's needs and rarely can be reused. (Tr. 429) As detailed in Mr. Davis's Surrebuttal Testimony and in Sprint's discovery responses, the rate of abandonment of collocation space and equipment means that shorter depreciation lives than what are used for UNEs are appropriate for collocation. (Tr. 430, Hearing Exhibit 1, at page 95) These depreciation lives more accurately reflect the reality of the risks associated with the collocation environment and should be approved by the Commission.

In addition, Sprint calculated net salvage values by using actual decommissioning work orders to establish the appropriate cost of removal for collocation cable elements. (Tr. 430; Hearing Exhibit 1, at page 19) A higher cost of removal is appropriate for these elements because the cost to remove them is high in comparison to their investment value. (Tr. 430) This removal cost continues to apply under Sprint's adoption of the BellSouth practice to allow CLECs to provide and install their own cables because it has been Sprint's experience that CLECs abandon their cables when they relinquish collocation space. In general, CLECs have no financial incentive to remove their cables once their collocation arrangements are no longer needed. Therefore, Sprint expects that these cables will be left in place for Sprint to remove. However, to the extent that a CLEC desires to negotiate an interconnection agreement with Sprint in which the CLEC agrees to assume the obligation to remove its cable, Sprint would adjust the rates in that interconnection agreement accordingly.

Sprint's DC power charges are appropriate

Staff's witness Curry agrees that Sprint's DC power charges are generally reasonable. (Tr. 824, 828) Specifically, after reviewing Sprint's cost methodologies and

calculations related Sprint's DC power charges, Mr. Curry states that "[f]or the most part, Sprint's methodologies and explanations appear reasonable." (Tr. 824) However, he raises a few issues concerning Sprint's charges, which Sprint has amply addressed in Mr. Davis's Surrebuttal Testimony. (Tr. 457-459) First, Mr. Curry raises concerns with Sprint's work times for company engineers involved in new power plant construction. (Tr. 825) However, as Mr. Davis describes in his Surrebuttal Testimony, the involvement of Sprint's engineers is necessary to review plans for new construction to ensure that the new plant is not over-sized, thereby ensuring that the costs shared by both Sprint and CLECs are no higher than necessary. (Tr. 457) Given that the cost of the Sprint DC power engineer in comparison to the overall cost of the DC power plant investment is minimal, this cost is justifiable and prudent. (Tr. 457; Hearing Exhibit 1, at page 61)

Next, Mr. Curry is mistaken when he compares Sprint's power cable charges to the charges for power cables set forth in R.S. Means. (Tr. 458-459) The cable that the R.S. Means costs are based on is not telecommunications power cable. Telecommunications power cable is more costly because it must be more flexible while offering greater protection against ambient heat, moisture, flames and corrosion. (Tr. 458, 459) In any event, upon Sprint's adoption of the BellSouth practice of having CLECs build their own collocation arrangements (including power cables) CLECs will purchase their DC power cable directly, so that Sprint's costs and charges for DC power cable will no longer apply.

Mr. Curry also questions the basis for Sprint's cage ground bar costs. (Tr. 826, 829) However, as Mr. Davis explains in his Surrebuttal Testimony, Mr. Curry's questions are based on a misunderstanding of Sprint's cost calculations and the resulting average per collocator

ground bar investment. (Tr. 460) Sprint did obtain additional vendor quotes, as suggested by Mr. Curry, which confirmed the reasonableness of Sprint's costs. (Tr. 460)

While Covad did not present any witnesses, Covad did raise an issue at the hearing related to DC power charges that bears mention. An exhibit prepared by Covad for cross examination purposes implies that recovering costs associated with DC power infrastructure through recurring DC power charges results in over-recovery of such costs. (Tr. 303-305, 761-767; Confidential Hearing Exhibit No. 38) This implication is erroneous. In addition to the initial cost of constructing DC power infrastructure, the recurring DC power charge recovers ongoing costs including maintenance and property taxes. (Tr. 303, 728) In addition, the costs of infrastructure are not a one time expense. Depreciation of the equipment requires that it be replaced at the end of its depreciation life. (Tr. 303-305, 728) If infrastructure expenses are recovered in a nonrecurring fee, as Covad appears to prefer, a monthly recurring fee would still need to be assessed to recover ongoing costs including maintenance and property taxes. (Tr. 303, 728) In addition, the nonrecurring fee would need to be reassessed when the depreciation life of the equipment expires. (Tr. 304, 728)

Sprint's recurring DC power charges are reasonable and appropriate for recovery of the costs associated with provisioning DC power. The Commission should approve Sprint's DC power costs presented in its cost study and Sprint's proposed DC power charges based on those costs.

ISSUE 10: What are the appropriate definitions, and associated terms and conditions for the collocation elements to be determined by the Commission?

Position **The definitions applicable to Sprint's collocation elements should be those recommended by Sprint in its cost study and associated testimony. The terms and conditions for collocation should be as set forth in the applicable interconnection agreement.**

Discussion

The narrative accompanying Sprint's cost study comprehensively identifies and defines Sprint's collocation elements. (Composite Hearing Exhibit 39, at Revised JRD-2) The terms and conditions for collocation are set forth in Sprint's interconnection agreements. (Tr. 33; Hearing Exhibit 27) This is consistent with the requirements of sections 251 and 252 of the Act to negotiate the terms of interconnection and access to unbundled network elements. (Tr. 34) While Sprint believes that ILECs may file collocation tariffs at their option, Sprint does not believe that tariffs can be required under the Act, nor does Sprint believe that they should be. The Commission should approve the definitions for Sprint's collocation elements set forth in Revised Exhibit JRD-2 (as modified by Sprint's adoption of BellSouth's practices as discussed above) and should approve Sprint's interconnection agreement as the appropriate mechanism for setting forth the terms and conditions for collocation in Sprint's central offices.

CONCLUSION

Sprint's positions as set forth in this Post-hearing Statement emanate from its position as both a CLEC and an ILEC in Florida. They reflect a balance between a CLEC's need to ensure that the costs and conditions of collocation are reasonable and do not impose unnecessary impediments on its ability to obtain collocation expeditiously and economically and an ILEC's interests in managing and protecting its central offices and in recovering the costs it incurs to provision collocation to requesting CLECs. Sprint has demonstrated through the evidence it has presented in this proceeding that its costs and charges comply with TELRIC and the Act. The Commission should approve Sprint's positions and its collocation costs and charges as set forth herein.

RESPECTFULLY SUBMITTED this 1st day of April 2004.

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