

1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 **DIRECT TESTIMONY**

3 **OF**

4 **KENT W. DICKERSON**

9/27/2003

7 **Q. Please state your name, business address, employer and current position.**

8 A. My name is Kent W. Dickerson. My business address is 6450 Sprint Parkway,
9 Overland Park, KS 66251. I am employed as Director - Cost Support for
10 Sprint/United Management Company.

12 **Q. Please summarize your qualifications and work experience.**

13 A. I received a Bachelor of Science degree from the University of Missouri - Kansas
14 City in 1981 with a major in Accounting. In 1984, I passed the national exam and
15 am a Certified Public Accountant in the State of Missouri.

16
17 From 1981 to 1983, I was employed as a Corporate Income Tax Auditor II for the
18 Missouri Department of Revenue. From 1983 to 1985, I worked for Kansas Power
19 and Light (now Western Resources) in the Tax and Internal Audit areas. I joined
20 United Telephone Midwest Group in September, 1985 as a Staff Accountant in
21 the Carrier Access Billing area. Thereafter, I moved through a progression of
22 positions within the Toll Administration and General Accounting areas of the
23 Finance Department.

1 In 1987, I was promoted into the Carrier and Regulatory Services group as a
2 Separations/ Settlement Administrator performing Federal and Intrastate
3 access/toll pool settlement, reporting and revenue budgeting functions. I was
4 promoted to Manager - Pricing in June, 1989 where I performed FCC regulatory
5 reporting and filing functions related to the United Telephone - Midwest Group
6 Interstate Access revenue streams. In 1991, I was promoted to Senior Manager -
7 Revenue Planning for United Telephone - Midwest Group. While serving in this
8 position, my responsibilities consisted of numerous FCC regulatory reporting and
9 costing functions. In 1994, I accepted a position within the Intrastate Regulatory
10 operations of Sprint/United Telephone Company of Missouri where my
11 responsibilities included regulatory compliance, tariff filings, and earnings
12 analysis for the Missouri company's intrastate operations. Since December 1994,
13 I have set-up and directed a work group which performs cost of service studies for
14 retail services, wholesale unbundled network elements cost studies, and state and
15 federal Universal Service Fund cost studies. Over the last seven years, I have been
16 charged with developing and implementing cost study methods which conform
17 with Total Service Long Run Incremental Cost ("TSLRIC") and Total Element
18 Long Run Incremental Cost ("TELRIC") methodologies. I am responsible for
19 written and oral testimony, serving on industry work groups, and participating in
20 technical conferences related to TSLRIC/TELRIC costing methodology, filing of
21 studies within 18 individual states that comprise Sprint's Local Telephone
22 Division (LTD) and providing cost expertise to Sprint's participation in regulatory
23 cost dockets outside of the LTD territories.

24

25 **Q. Have you previously testified before state regulatory commissions?**

1 A. Yes. I have testified before the Florida, Nevada, North Carolina, Texas, Kansas,
2 Missouri, Georgia, and Wyoming regulatory commissions regarding
3 TSLRIC/TELRIC cost matters.
4

5 **Q. What is the purpose of your testimony?**

6 A. The purpose of my testimony is to support Sprint witness Dr. Brian Staihr's
7 response to issue 5f, which states, "For each market, what is the appropriate cut-
8 off for multiline DS-0 customers (where it is more economic to serve a multiline
9 customer with a DS-1 loop)?" My testimony provides the calculations used to
10 determine the economic crossover between provisioning DS-0 (voice grade) loops
11 and DS-1 loops.
12

13 **Q. Has Sprint developed an economic crossover analysis?**

14 A. Yes. Exhibit KWD-1, attached to my testimony, calculates the average economic
15 crossover a competitive local exchange carrier (CLEC) would experience in
16 serving the an analog customer in the territories of the three largest incumbent
17 local exchange carriers (ILEC) within the state of Florida based on the number of
18 analog voice lines used by the customer.

19 **Q. What is the appropriate cut-off for multiline DS-0 customers (where it is
20 more economic to serve a multiline customer with a DS-1 loop)?**

21 A. The model results indicate that up to 12 DS-0s at a customer's location,
22 purchasing individual loops is more cost effective than purchasing single DS-1.
23

24 **Q. What are the cost components in the economic cost crossover model for the
25 provision of service over a DS-1 facility?**

1 A. Our model includes the monthly recurring charges of the unbundled network
2 element DS-1 loops, the unbundled network element non-recurring charges for
3 DS-1 loops, and the monthly costs of a channel bank installed at the customer's
4 premises used to multiplex multiple voice channels onto a DS-1 loop facility.

5
6 **Q. What are the cost components in the economic cost crossover model for the**
7 **provision of service over a DS-0 facility?**

8 A. The model includes the monthly recurring charges of the unbundled network
9 element DS-0 loops and the non-recurring charges for unbundled network element
10 DS-0 loops. The non-recurring charges reflect the charges for the initial DS-0
11 loop and each additional loop ordered.

12
13 **Q. What are the sources of unbundled network element prices for the monthly**
14 **recurring services and the non-recurring services?**

15 A. All unbundled network element prices are Florida Commission approved from
16 Docket No. 990649-TP. Order No. PSC-02-1311-FOF-TP was used for
17 BellSouth's UNE prices, Order No. PSC-02-1574-FOF-TP was used for
18 Verizon's UNE prices, and Order No. PSC-03-0058-FOF-TP was used for
19 Sprint's UNE prices.

20
21 **Q. What is the source of the access line data used to determine the weighted**
22 **average UNE prices?**

23 A. The access line data are from the HCPM adjusted with USAC lines in service.
24 HCPM provided lines by wirecenter as of 2000. For each company in the study,
25 the difference between the lines in HCPM and lines in USAC was applied to the

1 wirecenter level line counts to determine a more current estimate of access lines
2 for the studied ILECs.

3

4 **Q. What additional variables are included in the calculations?**

5 A. A weighted average cost of capital input is used for amortizing the non-recurring
6 charges. The weighted average cost of capital is the same 12.26 percent that was
7 supported by Dr. Staihr in Docket No. 990649-TP.

8

9 **Q. How are the non-recurring unbundled network element costs treated in the**
10 **economic crossover analysis?**

11 A. The non-recurring unbundled network element charges for establishing DS-0 or
12 DS-1 services are amortized over a 24 month period using Sprint's weighted cost
13 of capital. For our modeling, we have assumed a 24 month average customer life.

14

15 **Q. How is the monthly cost of the channel bank at a DS-1 customer premises**
16 **calculated?**

17 A. The monthly cost of the equipment is calculated by dividing the total material cost
18 of the over the life of the asset, accounting for Sprint's cost of capital, nine year
19 depreciation life, income tax, maintenance, and sales tax of 7 percent.

20

21 Material prices reflect the size of the channel bank and cards that would be
22 installed at a customer premises capable of multiplexing one DS-1 into DS-0s.
23 The material was amortized using Sprint's annual cost factors from Docket No.
24 990649B-TP (except for the cost of capital which was changed to 12.26 percent as
25 previously described). Labor related to the installation of the customer premises

1 channel bank was amortized over 24 months.

2

3 **Q. How are these cost components used to calculate a state-wide average**
4 **crossover between unbundled DS-0 and DS-1 loops?**

5 A. The model calculates the UNE provisioning costs of both DS-0 and DS-1
6 facilities as described above for each central office in the state of Florida served
7 by the largest LECs (Bellsouth, Verizon, and Sprint). A weighted average cost
8 for each MRC and NRC is computed by multiplying the central office specific
9 result by the percentage of access lines in that central office. The weighted
10 average cost of a DS-1 loop is then divided by the weighted average cost of a DS-
11 0 loop.

12

13 **Q. What is the economic crossover result produced in the model.**

14 A. The model results indicate that up to 12 DS-0s at a customer's location,
15 purchasing individual loops is more cost effective than purchasing a single DS-1.
16 Above 12 DS-0s, the DS-1 becomes the more cost effective means of providing
17 service to the customer.

18

19 **Q. Does this conclude your testimony?**

20 A. Yes.

TRO Economic Business Case
DS0 to DS1 Cross Over

State = Florida
Company = State

A	B	C	D	E	F
Row	Description	DS1 + Channel Bank	DS0	Cross-Over DS0 Quantity	Cross-Over Rounded DS0 Quantity
10	Weighted Average				
11	MRC	\$178.28	\$17.14		
12	NRC - Ammortized	\$41.42	\$1.51		
13	Total	\$219.70	\$18.66	11.78	12
14					