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FILE COPY

August 12, 1996

BY HAND DELIVERY

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

Re: Docket No. 960838-TP

Dear Ms. Bayo:

Enclosed for filing in the above-styled docket are the original and fifteen (15) copies of each of the following:

1. Prepared Direct Testimony of William E. Cheek. 08429-96
2. Prepared Direct Testimony of James D. Dunbar, Jr. 08428-96
3. Prepared Direct Testimony of Randy G. Farrar. 08427-96

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

Copies of Sprint United/Centel's prefiled direct testimony are being served on counsel for MFS by overnight express delivery.

Thank you for your assistance in this matter.

Yours truly,

John P. Fons

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cc: All parties of record

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UNITED TELEPHONE COMPANY
OF FLORIDA
CENTRAL TELEPHONE COMPANY
OF FLORIDA
DOCKET NO. 960838-TP
FILED: August 12, 1996

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

RANDY G. FARRAR

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

A. My name is Randy G. Farrar. I am presently employed as Manager - Network Costing and Pricing for Sprint/United Management Company, an affiliate of United Telephone Company of Florida and Central Telephone Company of Florida. My business address is 2330 Shawnee Mission Parkway, Westwood, Kansas, 66205.

Q. What is your educational background?

A. I received a Bachelor or Arts degree from The Ohio State University, Columbus, Ohio, in June 1976, with a major in history. Simultaneously, I completed a major program in economics. Subsequently, I received a Master of Business Administration degree, with an emphasis on Market Research, in March 1978, also from The Ohio State University.

Q. What is your work experience?

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A. From 1978 to 1983 I was employed by the Public Utilities Commission of Ohio. In 1980, I was promoted from Financial Analyst to Senior Financial Analyst. My duties included the preparation of Staff Reports of Investigation concerning rate of return and cost of capital. I also designed rate structures, evaluated construction works in progress, measured productivity, evaluated treatment of canceled plant, and performed financial analysis for electric, gas, telephone, and water utilities. I presented written and oral testimony on behalf of the Commission Staff in over twenty rate cases.

I have been employed by Sprint Corporation or one of its predecessor companies since 1983. From 1983 to 1986 I was Manager - Rate of Return. I presented written and oral testimony before state public utilities commissions in Iowa, Nebraska, South Carolina, and Oregon.

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

From 1987 to 1992 I was Manager - Local Exchange Costing. In 1992 I was promoted to Manager - Network Costing and Pricing. I perform financial analyses for various business cases, which analyze the profitability of entering new markets and expanding existing markets, including Custom Calling, Centrex, CLASS and Advanced Intelligent Network features, CPE products, Public Telephone and COCOT, and intraLATA toll. I am an instructor for numerous training sessions for subsidiary companies, designed to support corporate policy on pricing and costing theory, and to educate and support the use of various costing models. I was a member of the United States Telephone Association's New Services and Technologies Issues Subcommittee from 1989 to 1992, and the Economic Analysis Training Work Group from 1994 to 1995. In 1996 I presented written testimony before the Illinois Commerce Commission on the avoided costs of resold services.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to describe the development of costs for tandem switching and transport and the cost associated with transiting a switch. From this information prices for these functions can be

developed.

Q. Please briefly describe the costing methodology used in this proceeding.

A. I have used a capacity-based costing approach in all costing. The capacity cost approach is a well established methodology used to determine the total service long run incremental cost (TSLRIC) of any service. Total Service Long Run Incremental Cost (TSLRIC) represents the incremental cost of an entire service. (TSLRIC is also known as Long Run Service Incremental Cost (LRSIC) or Total Incremental Cost (TIC)). Specifically, TSLRIC includes all fixed and volume sensitive costs created by offering the service, or avoided by not offering the service. In other words, the TSLRIC of a specific service is equal to the difference between (1) the total cost of the company providing all services, and (2) the total cost of the company providing all services except the specific service.

The TSLRIC of a group of services is equal to the TSLRIC of each individual service within the group, plus those fixed and volume sensitive costs created by offering that

group of services, but are not affected by any of the individual services within the group.

TSLRIC should include only current or forward looking technologies.

Typically, TSLRIC studies involve determining the incremental investment associated with a specific service, and applying an appropriate annual charge factor. Unless space capacity is driven by specific services, an average utilization, rather than a theoretical capacity utilization, should be employed since it more accurately reflects the actual costs incurred by the incumbent LEC to provide a network component. A theoretical capacity utilization would result in a cost to the CLEC which is lower than that actually realized by the ILEC, which would uneconomically discourage facilities-based competition.

Q. Please describe your costing methodology for unbundled tandem switching.

A. Tandem switching in a Nortel DMS switch consists of two individual cost functions; a traffic sensitive cost and a per call set-up cost. The Bellcore Switching Cost

Information System (SCIS) model was used to determine the underlying costs required to provide these functions. SCIS refers to this cost component as "Cost Per Tandem Trunk CCS."

Q. Please describe the traffic sensitive portion of the tandem switching.

A. The traffic sensitive cost function consists of the switching equipment necessary to complete both the incoming and outgoing tandem trunk function. The most significant switching equipment involved in this function are main distribution frame and protector, digital trunk controller, and the network module.

The capacity cost is equal to the utilized cost of the switching equipment divided by the busy hour capacity of that equipment. Each DS1 consists of 24 channels. Since each channel has a busy hour capacity of 36 CCS, the busy hour capacity of each DS1 is 864 CCS (36 CCS times 24 channels). SCIS determines the cost per busy hour CCS. Thus, the total investment of busy hour traffic sensitive tandem switching per DS1 is equal to the SCIS busy hour cost per CCS times the DSI busy hour capacity of 864 CCS.

Q. Please describe the per call set-up portion of the tandem switching cost.

A. The per call set-up function consists of two separate cost components. The first is the central processor time required to set up the tandem call. The SCIS model determines this cost as a "getting started cost per millisecond." Multiplying this cost times the number of milliseconds required to set up the call results in a cost per tandem call set-up.

To determine the tandem call set-up busy hour capacity, the DS1 busy hour capacity of 864 CCS is converted to minutes and divided by the average call duration. This number of busy hour tandem call set-ups is then multiplied by the cost per tandem call set-up to determine total busy hour investment.

The second cost component involved in the tandem call set-up function is the cost of the SS7 network. The switch SSP cost per octet is derived from the SCIS model. The STP and link costs per octet are derived from the Bellcore Common Channel Signaling Cost Information System (CCSCIS) model. Multiplying these costs times the number of octets required to set up a tandem call results in a

total SS7 cost per tandem call set-up. This is multiplied times the number of busy hour call set-ups to determine total busy hour investment.

Q. How are the busy hour investments converted to a monetary price?

A. There are two steps. First, each cost function (traffic sensitive, processor set-up, and SS7 set-up) is multiplied by an annual charge factor to determine an annual revenue requirement. Second, the annual amount is divided by 12 to determine a monthly amount.

Q. Please describe the cost of unbundled transport.

A. Unbundled transport consists of two separate cost functions. The first is transport termination, which consists of the end office equipment necessary to terminate interoffice traffic at both ends of the route. The most significant termination equipment involved are the fiber optic terminal, DSX1 and DSX3 cross-connects, and mile multiplexers.

Each equipment component has the capacity of a given number of DS1s. The cost per DS1 is equal to the

utilized engineered, furnished and installed (EF&I) unit cost of each component, divided by its DS1 capacity.

The second transport function is transport mileage, which consists of the installed utilized costs of the actual interoffice facilities. The capacity of the fiber is equal to the capacity of the fiber optic terminal utilizing the fiber.

Investment is converted to cost by multiplying by an annual charge factor and dividing by 12. Finally, this cost is increased by 15% to account for a reasonable allowance for joint and common costs.

Q. Please describe the intermediary switching function.

A. As I understand MFS' request, intermediary switching involves the use of a Sprint switch to connect a MFS switch to another ALEC or ILEC switch, thereby saving MFS the cost of direct connections to those switches. The cost to Sprint is no different from interconnection to a Sprint switch for any other switching function. Thus, the cost of providing intermediary switching is equal to the cost of tandem switching determined above.

Q. Have you determined Sprint's tandem switching cost and transport cost?

A. Yes, I have. These costs are reflected in my Exhibit No. RGF-1.

Q. How did Sprint develop a cost for Interim Telephone Number Portability which is addressed at p. 56 of Mr. Devine's prefiled direct testimony?

A. Remote Call Forwarding (RCF) is the method Sprint recommends be used for purposes of Interim Telephone Number Portability. In developing the cost, two functions must be evaluated. They are RCF and the cost per call path.

The RCF investment varies depending on the switch technology. The investment for all technologies includes real-time milliseconds, as well as dedicated memory. A line card may or may not be included in the investment depending on the technology. Software expense has been included although each technology reflects different payment arrangements. Bellcore's SCIS model provides the mechanism from which to develop investment.

The cost per path reflects the additional investment needed to accommodate multiple simultaneous terminating calls to a single number. Additional memory, processor and usage sensitive line related investment will be required to accommodate the incremental switching activity associated with additional call paths. There will also be added investment associated with transporting call data between the ILEC switch and the CLEC switch. There are limitations to simultaneous forwarded calls depending on the technology.

Q. What is the cost of RCF in Florida for Sprint?

A. The cost is set forth in my Exhibit No. RGF-2.

Q. Does this conclude your testimony?

A. Yes.

LOCAL INTERCONNECTION RATE

DEVELOPMENT SUMMARY

SERVICE/FUNCTION	COST
End Office Interconnection	N/A (1)
Access Tandem Interconnection (2)	
A. Tandem Switching-Per Port	$337.50
B. Transport	
DS1 Termination	49.54
DS1 Per Mile	0.83
DS3 Termination	365.87
DS3 Per Mile	23.11

(1) Sprint proposes that end office local interconnection be on a bill and keep basis.
(2) A port is a DS1 level interface (24 equivalent voice grade circuits).

INTERIM NUMBER PORTABILITY (1)

RATE DEVELOPMENT

SERVICE	TSLRIC COSTS				
	FEATURE	6 CALL PATHS	TOTAL	PLUS 15% CONTRIBUTION	LESS 55% DISCOUNT(2)
Residence	$0.91	$0.12	$1.03	$1.18	$0.53
Business	0.91	1.02	1.93	2.22	1.00
Additional Paths (Each)	N/A	N/A	0.69	0.79	0.36

(1) Using Remote Call Forwarding technology.
(2) Discounted for inferior number portability.