Exhibit No.:
Issues: Cross-Over

Witness: James M. Maples
Sponsoring Party: Sprint
Type of Exhibit: Rebuttal Testimony
Case No.: TO-2004-0207
Date Testimony Prepared: January 16, 2004

SPRINT MISSOURI, INC.
AND
SPRINT COMMUNICATIONS COMPANY, L.P.

REBUTTAL TESTIMONY

OF

JAMES M. MAPLES

IN THE MATTER OF A COMMISSION INQUIRY INTO THE POSSIBILITY OF IMPAIRMENT WITHOUT UNBUNDLED LOCAL CIRCUIT SWITCHING WHEN SERVING THE MASS MARKET

CASE NO. TO-2004-0207

Jefferson City, Missouri
January 2004

Exhibit No. 10
Case No(s). TO-2004-0207
Date 1-27-04 Rptr KF

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the Matter of a Commission Inquiry into the Possibility of Impairment without Unbundled Local Circuit Switching When Serving the Mass Market	))))	Case No. TO-2004-0207

AFFIDAVIT OF JAMES M. MAPLES

STATE OF KANSAS)
) ss:
COUNTY OF JOHNSON)

I, James M. Maples, being of lawful age and duly sworn, dispose and state on my oath the following:

1. I am presently Senior Manager, Regulatory Policy for Sprint Missouri, Inc.

2. I have participated in the preparation of the attached Rebuttal Testimony in question and answer form to be presented in the above entitled case;

3. The answers in the attached Rebuttal Testimony were given by me; and,

4. I have knowledge of the matters set forth in such answers and that such matters are true and correct to the best of my knowledge and belief.

James M. Maples
JAMES M. MAPLES

Subscribed and sworn to before me on this 15th day of January, 2004.

Sharon L. Yancey
NOTARY PUBLIC

My Appointment Expires:

NOTARY PUBLIC OFFICIAL SEAL STATE OF KANSAS
SHARON L. YANCEY
MY COMMISSION EXPIRES
April 7, 2004

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

REBUTTAL TESTIMONY

OF

JAMES M. MAPLES

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

A. My name is James M. Maples. My business address is 6450 Sprint Parkway, Overland Park, KS 66251. I am employed as Senior Manager – Regulatory Policy for Sprint/United Management Company.

Q. Are you the same James M. Maples that filed direct testimony in this proceeding on December 18, 2003?

A. Yes.

Q. What is the purpose of your testimony?

A. My testimony will address the methodology for calculating the DS-0/DS-1 crossover supported in the direct testimony of Southwestern Bell's witness, Gary A. Fleming. While the relationship between DS-0 and DS-1 costs is similar between Sprint's crossover model and the Southwestern Bell crossover model, the parties determined the results based on different assumptions and reached significantly different conclusions. This testimony will point out the important differences between the studies supported by Sprint and Southwestern Bell

(SBC), including the treatment of revenues, which is the primary basis for the divergent views. SBC's underlying assumption that every customer with four or more lines will always purchase additional services that warrant the purchase of a DS-1 arrangement is fundamentally flawed.

Q. Please summarize Sprint's position regarding the appropriate cut-over.

A. A crossover model that correctly applies the rules established in the Triennial Review Order [1] should be limited to the provision of voice services only and not expanded to include a subjective analysis of potential product offerings. The approach taken by SBC includes this type of subjective analysis, interjecting unnecessary complication, and should be rejected.

Cost Model Comparison

Q. You mentioned in your statement above that the cost model results between the two models are similar. Please explain.

A. The following table compares the costs utilized in Southwestern Bell's model and Sprint's model and derives the implied crossover between DS-0 and DS-1. The source of the Southwestern Bell numbers is page 9 of Schedule GAF-6 from Mr. Fleming's direct testimony. Sprint's numbers are taken from Schedule JMM 1-1

[1] Report and Order and Order on Remand and Further Notice of Proposed Rulemaking, *In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers,* CC Docket No. 01-338; *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996,* CC Docket No. 96-98; *Deployment of Wireline Services Offering Advanced Telecommunications Capability,* CC Docket No. 98-147; FCC 03-36 (Released August 21, 2003) (Herein referred to as the Triennial Review Order or TRO)

filed with my direct testimony. Based on the underlying costs clearly the crossovers are very similar.

	SBC				Sprint
	Zone 1	Zone 2	Zone 3	Zone 4	State-Wide Average
Total DS-0 Cost per Month	13.82	19.75	20.85	17.52	21.12
Total DS-1 Cost per Month	164.09	168.48	170.13	164.28	190.3
DS-1 Cost /DS-0 Cost	11.87	8.53	8.16	9.38	9.01
Crossover	12	9	9	10	10

Q. What are the major differences between the assumptions contained in the models?

A. The first major distinction is that Sprint's model calculates weighted statewide average recurring and non-recurring costs using information from SBC, Sprint, and Century Telephone. SBC's results are specific to SBC and are shown by zone. As I stated in my direct testimony on page 11, Sprint believes that a state wide average presents a more workable plan for the parties to implement.

The second major distinction is the period over which the non-recurring charges are recovered. Sprint's model uses a two-year recovery period, while the SBC model uses a 12% amortization rate, which is effectively an 8 year recovery period. These costs should clearly be recovered over the life of the customer and not the economic life of the equipment and Sprint does not believe that an 8 year customer life is reasonable. The churn rate should more closely reflect the realities of the market place and Sprint believes that two years is more representative given the fact that the customers in question are not full fledged enterprise customers, but are more closely aligned with the mass market.

Furthermore, the installation of the equipment located at the customer premises should be treated in the same manner. It appears that the SBC model only includes the cost of the equipment and no labor for its installation. Sprint's model includes the labor of installing and removing the equipment located at the customer premises and recovers it over two years. If and when a customer leaves these costs are not reusable and therefore must be recovered from each customer requesting service. This is appropriate since the labor cannot be reused, unlike the material cost of the equipment. Sprint's model appropriately amortizes the material cost of the equipment over the life of the asset.

And finally, Sprint's crossover model calculates the cutoff by comparing the economic cost of using multiple DS-0 lines to a single DS-1 line, while the SBC model assumes a 4 DS-0 line cutoff and seeks to support that conclusion. It conveniently does so by pointing to the prices of various CLEC product offerings and concludes that every customer with 4 lines is willing to purchase a wide array of products that they may or may not need. SBC probably could have selected another number for the cutoff and supported it with the same arguments and same information.

Q. Are there any other differences?

A. There are other differences, such as the cost of capital, but the impact on the crossover result is not significant.

Treatment of Revenues

Q. What role should revenues play in the crossover analysis?

A. Sprint believes that revenues do not play an explicit role in the crossover equation because the revenues are unchanged between the DS-0 and DS-1 provisioning scenarios and logically they cancel each other out, leaving only cost differences as computed in Sprint's model.

Q. How does SBC approach differ on this key point?

A. SBC methodology assumes that changing the network configuration from multiple DS-0s to a DS-1 will automatically generate additional revenue thus creating a lower crossover.

Q. Does Sprint agree with SBC's approach?

A. No, Sprint disagrees on three counts. First, Sprint does not believe that SBC's assumption that every customer with 4 voice lines is willing to purchase additional data products to cover the cost of a DS-1 line is correct. Second, Sprint believes that a correct interpretation of the TRO requires the parties to focus on the provision of voice services and the revenues generated by them. And third, SBC's approach introduces unnecessary variables into the modeling.

Q. Why does Sprint disagree with SBC's assumption regarding the treatment of data revenues?

A. While the SBC model results in a DS-0/DS-1 crossover essentially the same as Sprint's when calculated based on cost, Mr. Fleming concludes that any increased costs that a CLEC incurs when provisioning a DS-1 to a customer with 4 or more lines will ***always*** be offset with increased revenues generated by the sale of data services (Fleming Direct, page 34, lines 10-12). The basis of this assumption is a review of various CLEC product offerings to businesses and quotes from publications regarding the use of the Internet by some businesses (Fleming Direct, pages 27-32). Disregarding the fact that the cutoff will apply to all customers with the requisite number of voice lines, residence or business, the quotations regarding Internet use do not support the assumption that 100% of small business customers will purchase data products and provides no direct correlation with the number of lines.

The CLEC product offerings are described as utilizing integrated access devices to combine both voice and data services on a high-capacity line, which is not a UNE-P scenario. If a CLEC actually sells all these additional data services to a customer and uses the described configuration, the CLEC will provision a physical facility based on the technical requirements and economics and not some crossover based on lines, which effectively makes the issue moot.

Q. How does the TRO address revenues in calculating the crossover?

A. As I stated in my direct testimony, in referring to paragraph 497 of the Triennial Review Order, "the TRO recognized that, for certain customers, service providers are in a position to make a decision as to whether they will provide service using DS-0 or DS-1 facilities, based on the number of DS-0 loops needed to provide the customer's voice services."[2] The order explicitly discusses the aggregation of multiple loops on a high-capacity facility based on the number of lines [3] in direct reference to statement regarding voice services and Sprint believes that this emphasis on voice grade lines should be the focus of the Commission's analysis. This position is further supported by the definition of DS-1 enterprise customer contained in footnote 1296 of the TRO.

> We define "DS-1 enterprise customers" for our impairment analysis as customers for which it is economically feasible for a competing carrier to provide voice service with its own switch using a DS-1 or above loop. We find that this includes all customers that are served by the competing carrier using a DS-1 or above loop. After the state commission conducts a "multiline DS-0 cut-off" inquiry, it includes customers who could be served by the competing carrier using a DS-1 or above loop. *See infra* para. 497.

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[2] Maples Direct, page 5, lines 3-6
[3] TRO footnote 1544

This definition is repeated in footnote 1376 of the TRO and clearly supports a position that only voice grade revenues should be considered. It is true that the rule describing the crossover analysis refers to an "increased revenue opportunity", [4] but it does not give explicit directions on what is to be modeled. Sprint believes that the correct interpretation, when considered in context with the other sections of the TRO described above, is that revenues increase for each voice grade line added and represent the increased revenue opportunity to be considered.

Q. How will CLECs be impacted if the Commission sets the crossover at 4 lines as SBC recommends?

A. Sprint has shown that, holding revenues constant, the crossover is 10. If the Commission sets the crossover at 4 lines CLECs will be penalized economically if they have to provide service, via a DS-1 versus multiple DS-0s, to a multi-line customer that only wants voice service for 4 to 9 lines. It is likely that they will not provide service and a segment of the market will not receive the benefit of competition. Furthermore, Sprint does not believe that replacing the existing "4-line exclusion" with a crossover at 10 lines will expand the number of UNE-P lines.

[4] §51.319(d)(2)(iii)(B)(4), Code of Federal Regulations

Existing 4-line Exclusion

Q. What is the 4-line exclusion you referred to previously?

A. The FCC established a restriction in the UNE Remand Order [5] that remains in effect until the Commission completes its investigation in this matter. That restriction imposes a 4-line cutoff in the top 50 metropolitan statistical areas (MSA) for density zone 1 in effect January 1, 1999. There is no cutoff for areas outside the top 50 MSAs.

Q. Does the TRO require the commission to adopt the 4-line cutoff?

A. No. The FCC clearly expects the state commissions to conduct an investigation and did not prohibit them from reaching a different conclusion. The FCC simply did not have enough evidence before it in the TRO proceeding to change the existing rule. That is not the case here. The FCC also did not set a cutoff for areas outside density zone 1 of the top 50 MSAs. If the FCC expected the Commission to simply uphold the 4-line cutoff, it stands to reason that the Commission would then uphold the existing cutoff for geographic areas outside density zone 1 of the top 50 MSAs, which is not 4 lines.

[5] Third Report and Order and Fourth Further Notice of Proposed Rulemaking, *In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket 96-98, FCC 99-238 (Released November 5, 1999)

Q. What will be the impact to the Incumbent Local Exchange Carrier's (ILEC) in Missouri should the Commission set the cutoff at 10?

A. Sprint believes that it will have little to no effect on the ILECs and that establishing a cutoff at any level has a greater potential for negatively impacting CLECs.

Q. Please explain.

A. In footnote 1545 of the TRO the FCC stated an expectation that state commissions would make a finding of whether or not ILECs were exercising the 4-line carve out. Sprint examined its existing contract with SBC and while it gives SBC the right to exercise the 4-line exclusion within 60 days notice, it does not mandate the use of the 4-line exclusion and to the best of our knowledge; SBC has not exercised its right to date. In addition, there are only two MSAs in Missouri that are in the top 50, St. Louis and Kansas City, and the 4-line exclusion is limited to only that portion of the St. Louis and Kansas City MSAs that is within density zone 1; therefore, there are no line limits currently in effect for other areas throughout the MSAs and the state. Given the fact that there is effectively no line restriction today, the establishment of a cutoff that will be enforced will not adversely impact ILECs by increasing the number of UNE-P lines. In fact, if CLECs are serving customers with more than the line limit established by the Commission in this proceeding for a single location outside these two areas, say Springfield, the CLECs will have to transition the customers to alternate arrangements, such as DS-1 UNE loops. It stands to reason that the lower the cutoff, the higher number of existing CLEC customer locations will qualify, will have to be transitioned, and therefore have a greater impact the CLECs.

Summary

Q. Please summarize your testimony.

A. My testimony has shown that while the methodologies are different, the costs contained in SBC model support Sprint's recommendation of setting the DS-0/DS-1 cutoff at 10. It has proven that the proper treatment of revenues for this analysis, consistent with the TRO, is to hold them constant and exclude them from any and all crossover calculations, focusing on the cost of providing service via multiple DS-0s versus a DS-1. And finally, it has been shown that setting the DS-0/DS-1 cutoff at 10 should not adversely affect ILECs.

Q. Does this conclude your testimony?

A. Yes.