

Exhibit No.:

Issues: Quality of Service

Witness: Larry Henderson

Sponsoring Party: Mo PSC

Type of Exhibit: Rebuttal Testimony

Case No.: IO-2006-0086

Date Testimony Prepared: November 15, 2005

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

LARRY HENDERSON

SPRINT NEXTEL CORPORATION

CASE NO. IO-2006-0086

**Jefferson City, Missouri
November 2005**

****Denotes Highly Confidential Information****

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**Missouri Public
Service Commission**

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Exhibit No. 9 NP
Case No(s). IO-2006-0086
Date 2-17-06 Report by

My commission expires _____

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REBUTTAL TESTIMONY
OF
LARRY HENDERSON
SPRINT NEXTEL CORPORATION
CASE NO. IO-2006-0086

Q. Please state your name and business address.

A. My name is Larry R. Henderson. My business address is 200 Madison Street, Jefferson City, Missouri, 65102.

Q. By who are you employed?

A. I am employed as a Technical Specialist II in the Telecommunications Department for the Missouri Public Service Commission.

Q. What are your duties and responsibilities?

A. I provide technical assistance on telecommunications matters to the Commission, consumers, the telecommunications industry and other Commission Staff members. This technical assistance includes helping address consumer complaints. I also help train and educate Commission Staff members on technical telecommunications matters.

One of my primary duties is to monitor the quality of service provided by basic local telecommunications companies. I review the quarterly quality of service report results submitted by these companies and follow-up, as necessary to help ensure companies maintain the Commission's service objectives. This responsibility includes reviewing and ensuring companies are accurately tabulating their quarterly quality of

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1 service report results. In certain instances, I will inspect a company's physical plant to
2 ensure compliance with Commission's rules, the National Electric Code, and National
3 Electric Safety Code. I'll also provide constructive feedback and training to correct
4 deficiencies in non compliant areas.

5 Q. Please describe your prior experience.

6 A. I have 37 years of technical experience within the telecommunication
7 industry. I progressed through a variety of technical positions at Southwestern Bell from
8 1968 before I retired from the company in 2001. A significant portion of my experience
9 with Southwestern Bell was as Manager of Technical/Network Operations where I
10 supervised and help train subordinates and contractors on the construction and
11 maintenance of telecommunications facilities. In this capacity, I supervised the
12 installation, rearrangement and design of analog, digital and fiber optic outside plant
13 facilities. I also held the position of Area Manager Digital Electronics for Southwestern
14 Bell where I supervised the design, installation and repair of data and broadband
15 networks. In 2001, I accepted the position of Technical Specialist with the Missouri
16 Public Service Commission. My specific experience is outlined in Schedule 1.

17 Q. Have you previously testified before the Commission?

18 A. No, I have not.

19 Q. What is the purpose of your testimony?

20 A. My purpose is to assess whether the proposed separation of Sprint
21 Missouri, Inc.'s local telecommunications business will be detrimental to the quality of
22 service that is currently being provided to Sprint Missouri, Inc.'s basic local
23 telecommunications service customers. Specifically, I will review Sprint Missouri, Inc.'s

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1 compliance with the Missouri Commission's service objectives as reported in the
2 company's quarterly quality of service reports submitted to the Commission. I will
3 identify concerns, if any, raised by these past reports. I will also evaluate Sprint
4 Missouri, Inc.'s proposed plans for ensuring the company continues to provide quality
5 telecommunications service to its customers.

6 Q. Please provide your evaluation of Sprint Missouri, Inc.'s prior and existing
7 compliance with the Commission's quality of service requirements.

8 A. Sprint Missouri, Inc.'s has complied with the Commission's service
9 objectives as described in 4 CSR 240-32.080 of the Commission's rules. Schedule 2
10 summarizes Sprint Missouri, Inc.'s quality of service reports for the past sixteen quarters.
11 These reports pertain to service provided from the third quarter of 2001 through the first
12 quarter of 2005. These results show that Sprint Missouri, Inc.'s met or exceeded the
13 Commission's service objectives since the second quarter of 2003. The quarterly quality
14 of service reports are submitted by companies providing basic local telecommunications
15 services. According to 4 CSR 240-3.550(5) a basic local telecommunications company is
16 required to submit a report no later than 45 days following the end of each quarter.

17 Q. Please briefly explain the Commission's service objectives.

18 A. The quality of service reports submitted by companies providing basic
19 local telecommunications service contains eleven measurements. These measures are:

- 20 ▪ percentage of basic local service orders installed within five days,
- 21 ▪ percentage of installation commitments met,
- 22 ▪ average time to reach a local operator,
- 23 ▪ average time to answer a call to the company's business office,

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- 1 ▪ percentage of calls receiving dial tone within three seconds,
- 2 ▪ percentage of local switched calls completed without blockage,
- 3 ▪ percentage of interexchange calls completed without a blockage,
- 4 ▪ percentage of trouble reports received per 100 access line,
- 5 ▪ percentage of out of service trouble reports that service was restored
- 6 with in 24 hours,
- 7 ▪ percentage of trouble reports were restored by the committed time.

8 We also monitor the number of service request that exceed 30 days of when the service
9 was requested.

10 Q. Do you have any comments about the last measurement where a company
11 is required to quantify the number of service requests that exceed 30 days of when the
12 service is requested?

13 A. Yes, this measurement describes "held orders" where the company is
14 unable to install basic local service within 30 days. This measurement can provide some
15 insight into how well a company forecasts, plans and provides capital to meet the needs
16 of Missouri consumers. For example a company may experience held orders if the
17 company lacks the facilities to provide basic local service to the requesting customer.
18 Commission rules do not specify maximum numbers for held orders. Instead
19 Commission rules simply require a company to quantify the number of held orders.

20 ** HC-----

21 HC-----

22 Q. Do you have any additional comments about the quarterly quality of
23 service reports submitted by Sprint Missouri, Inc.?

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1 A. Yes. On January 14, 2003, the Commission Staff conducted an in-depth
2 review of Sprint Missouri, Inc.'s tabulation of the quarterly quality of service report and
3 compliance with Commission rules. This review is primarily intended to ensure a
4 company is accurately tracking and tabulating the information contained in the quarterly
5 quality of service report. The review revealed three irregularities which have since been
6 corrected. First, Sprint Missouri, Inc. had been tracking orders that did not meet the
7 criteria for measuring the percentage of basic local service orders installed within five
8 days. Second, Sprint Missouri, Inc. also has been tracking orders that did not meet
9 criteria for measuring the percentage of installations commitments met. Third, Sprint
10 Missouri, Inc. was not tracking all trouble reports in compiling the company's customer
11 trouble report rate. Based on these corrections, Staff is of the opinion Sprint Missouri,
12 Inc.'s has been accurately tracking and tabulating its quarterly quality of service report
13 results since the 1st quarter of 2003.

14 Q. Do you have any concerns regarding Sprint Missouri, Inc.'s quality of
15 service?

16 A. No, not at this time. I have no concerns relating to the quality of service
17 that is being provided today by Sprint Missouri, Inc. or the quality of service that has
18 been provided in the last 30 months.

19 Q. Have Sprint Missouri, Inc.'s officials discussed how the proposed
20 separation of the local telecommunications business will impact Sprint Missouri, Inc.'s
21 compliance with the Commission's quality of service objectives?

22 A. Yes. Sprint Missouri, Inc.'s witnesses claim that Sprint Missouri, Inc. will
23 continue to have the technical, managerial, and financial capability to provide quality

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1 telecommunications services. From Sprint Missouri, Inc.'s perspective, the transaction
2 will be transparent to the Missouri consumer. Sprint Missouri, Inc.'s customers should
3 continue to receive the same level of service from the same employees they have dealt
4 with for years. Sprint Missouri, Inc.'s officials also state that Sprint Missouri, Inc. will
5 continue to have the technical and managerial capabilities to provide quality service after
6 the separation. The only visible change will be the name and logo.

7 Q. What is your assessment of these statements by Sprint Missouri, Inc.'s
8 officials?

9 A. In terms of assessing the impact of the proposed transaction on the quality
10 of service provided to Sprint Missouri, Inc.'s customers, I looked at two primary factors.
11 One factor is the number of employees who will continue to provide services to these
12 customers. A second factor concerns capital expenditures or the amount budgeted for
13 capital projects. Quality of service may be negatively impacted if the proposed
14 transaction results in significant reductions in either the number of employees or capital
15 expenditures.

16 Q. Please explain your assessment of how the proposed transaction will
17 impact the number of employees used to provide basic local telecommunications services
18 in Missouri under the new local telephone company.

19 A. Sprint Missouri, Inc. currently has ** HC-** employees in the state of
20 Missouri. If the proposed transaction is approved, as proposed, then the new company
21 providing local telephone services will have ** HC-** employees. More specifically, the
22 company currently has ** HC-** employees responsible for the field work associated
23 with the installation and repair of basic local telecommunications service. In addition,

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1 the company currently has **** HC-**** employees responsible for taking orders for service
2 and repair. If the proposed transaction is approved, the company plans to have all of
3 these same employees transfer to the new local telephone company. Under this proposed
4 arrangement, I anticipate the transaction should not negatively affect the quality of
5 service Sprint Missouri, Inc. provides to its customers.

6 Q. Please describe your understanding of the current capital expenditures for
7 Sprint Missouri, Inc.'s basic local telecommunications service.

8 A. Kevin Collin's Direct Testimony, Exhibit KPC-2, contains a report
9 prepared by Houlihan, Lokey, Howard & Sukin Financial Advisors. Page 54 of this
10 exhibit shows actual and projected revenues, expenses and capital expenditures for LTD
11 Holding Company on a company-wide basis for all 18 states. Capital expenditures in
12 2004 are identified as **** HC-----****. This figure translates too approximately
13 **** HG--**** per access line based on **** HC-----**** access lines. Mark Harper's Direct
14 Testimony, Exhibit No. MDH 3, identifies that Sprint Missouri Inc. received
15 **** HC-----**** in 2004 for the construction and acquisition of property plant and
16 equipment. This figure equates to nearly **** HC----**** per access line based on the
17 number of Sprint Missouri, Inc.'s access lines in Missouri for the end of 2004. In this
18 respect, capital expenditures for Sprint Missouri, Inc.'s operations were **** HC-----**** of
19 the average capital expenditure on a per access line basis.

20 Q. How will the proposed transaction impact projected capital expenditures?

21 A. On an overall total dollar basis the projected capital expenditure budget is
22 anticipated to decline. Exhibit KPC-2, page 54, shows that projected capital expenditures
23 will decrease the next two years and ultimately be **** HC-----**** in 2007.

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1 This overall decline in the total dollar amount for capital expenditures is tempered
2 by a projected decline in access lines. For example this exhibit projects the company's
3 access lines will steadily decline from ** HC-----** in 2004 to ** HC-----** in
4 2007, based on actual established trends. Therefore, on a per line basis, capital
5 expenditures are projected to initially decline to ** HC--** for 2005 and then steadily
6 increase in subsequent years. Specifically, the company is projecting per line capital
7 expenditures of ** HC--** for 2006, ** HC--** in 2007, ** HC--** for 2008,
8 ** HC--** for 2009 and ** HC--** in 2010.

9 Q. Has LTD Holding Company projected capital expenditures specifically for
10 Missouri?

11 A. No. The company has only identified capital expenditures on a company-
12 wide basis for all 18 states. Currently, Sprint Missouri, Inc.'s local telecommunications
13 operations capital expenditure budget is simply based on projects approved to be built
14 regardless of the state.

15 Q. Do you recommend the Commission approve the transaction?

16 A. Yes; however, regarding quality of service issues, I condition my positive
17 recommendation upon the additional requirement concerning the submission of quality of
18 service reports during the first four quarters after the separation of the local
19 telecommunications company. If the company's state-wide quality of service results
20 reaches a surveillance level for any category, then the company should be required to
21 submit quality of service results on a monthly basis rather than a quarterly basis.
22 Monthly reports should continue until the company's quality of service results for all
23 categories are no longer in a surveillance level for a given quarter. This condition shall

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1 apply for the company's first four quarterly reports submitted to the Commission
2 following the separation of the local telecommunications company. This condition will
3 only be triggered if the company's quality of service result is considered a substandard
4 level of performance according to the Commission's rules during any time during the
5 first year. In this regard, Staff will be able to more closely monitor the performance of
6 the company should quality of service issues develop during the first four quarters. If the
7 company's quality of service results do not fall into surveillance levels, then this
8 condition expires after four quarters of satisfactory quality of service results.
9 Commission Staff witnesses Voight and Barnes may be proposing additional conditions
10 which will be discussed in their respective testimonies.

11 Q. Does this conclude your testimony?

12 A. Yes it does?

LARRY HENDERSON

Work History

Technical Specialist I & II - Missouri Public Service Commission: Jefferson City, Missouri

2001 to present:

I provide technical assistance on telecommunications matters to the Commission, consumers, the telecommunications industry and other Commission Staff members. This technical assistance includes helping address consumer complaints. I also help train and educate Commission Staff members on technical telecommunications matters. One of my primary duties is to monitor the quality of service provided by basic local telecommunications companies. I review the quarterly quality of service report results submitted by these companies and follow-up, as necessary to help ensure companies maintain the Commission's service objectives. This responsibility includes reviewing and ensuring companies are accurately tabulating their quarterly quality of service report results. In certain instances, I will inspect a company's physical plant to ensure compliance with Commission's rules, the National Electric Code, and National Electric Safety Code. I'll also provide constructive feedback and training to correct deficiencies in non compliant areas. I also provide input into suggesting revisions to existing rules, including policies and procedures.

Area Manager Digital Electronics Southwestern Bell Telephone Company: St. Louis Missouri

2000 to 2001:

I provided direct supervision to contractors, managers and their subordinates in "Project Pronto" which consisted of the planning, design, construction, provisioning, turn-up and maintenance of digital electronic networks in the 573, 660, 636 and 314 area codes of Missouri. I was responsible to assure the final product met company specifications and was cost effective. In addition, I was responsible to ensure a safe working environment for my subordinates and the general public. The job required review and performance rating for each manager and their subordinates and therefore, required a clear understanding of all job functions, procedures and requirements analysis of problem areas, implement training or procedures to correct the problem.

Construction Manager Network Operations Southwestern Bell Telephone Company: Eldon Missouri

1989 to 2000

I provided direct supervision to contractors and subordinates to construct, splice and turn-up over 500 miles of fiber optic cable routes, 350 digital line carrier systems, 31 central offices conversions and thousands of miles of copper plant. This position also provided me the opportunity to successfully complete design engineering training, hold positions on state, division and district safety committees; establish and train one of the first Digital Electronic installation and repair crews; establish and train one of the first DaVar performance testing crews. DaVar provides the ability to review the outside plant

facilities and records for errors, pinpoint defects in the cable being tested and make recommended record changes. This position was a multi task position that involved several product and procedure field trials, including rehab projects in Springfield, St. Louis, and Houston TX. The job required all work associated within your area of responsibility to be performed in a safe, quality and cost effective manner and rate those performing the task.

Construction Manager Network Operations Southwestern Bell Telephone Company: Kaiser, Missouri

1986 to 1989

I provided direct supervision to contractors and subordinates to construct, splice and inspect the installation of copper and fiber facilities in aerial, direct buried and underground environments. This position required coordination of the relocation of facilities involved with many road relocations in central Missouri.

Construction Manager Network Operations Southwestern Bell Telephone Company: Camdenton, Missouri

1984 to 1985

I provided direct supervision to contractors and subordinates to construct, splice and inspect the installation of copper and fiber facilities in aerial, direct buried and underground environments. This position required extensive contractor and employee training involving the National Electric Code, the National Electric Safety Code and local regulations.

Manager Repair Service Bureau Network Operations Southwestern Bell Telephone Company: St. Louis, Missouri

1983 to 1984

I provided direct supervision to subordinates and repair supervisors for the receipt, test, dispatch and close of all customers direct and non-direct trouble reports. This job set the commitment clock for repair and installation forces. I supervised the status of trouble reports including documenting when trouble reports are received, when service was restored, what caused the trouble and who closed the out of service ticket. This data was used to populate the quarterly quality of service report required by this Commission in Chapter 32.

Manager Repair Service Bureau Network Operations Southwestern Bell Telephone Company: Eldon, Missouri

1980 to 1982

I provided direct supervision in a non-mechanized test and mechanized test environment to subordinates and repair supervisors for the receipt, test dispatch and close of all customers direct and non-direct trouble reports. This job set the commitment clock for repair and installation forces. I supervised the status of trouble reports including documenting when trouble reports are received, when service was restored, what caused the trouble and who closed the out-of-service ticket. This data was used to populate the

quarterly quality of service report required by this Commission. This job also handled the consolidation of several rural test centers.

Manager Installation/Repair Network Operations Southwestern Bell Telephone Company: Camdenton, Missouri

1979 to 1981

I provided direct supervision and hands-on training to technicians installing all services offered by Southwestern Bell. This supervision included the installation of public coin, business single/multi line and public branch exchanges, (PBX) residential service private line and party line services. I had the opportunity install one of the first digital PBX's and remove one of the last plug board PBX's in Missouri.

PBX Installer/Repairman Network Operations Southwestern Bell Telephone Company: Laurie, Missouri

1977 to 1979

I installed and repaired all business services provided by Southwestern Bell which included multi line key and PBX service and private line data circuits. I had the opportunity to install one of the last crossbars PBX's and install a five way button and buzzer signaling device.

Installer/Repairman/Cable Repair Network Operations Southwestern Bell Telephone Company: Sunrise Beach, Missouri

1975 to 1977

I was required to isolate and repair cable faults in aerial and buried cable. This job also required the locating of underground facilities prior to excavation work.

Installer/Repairman Network Operations Southwestern Bell Telephone Company: Sunrise Beach, Missouri

1973 to 1977

I installed and repaired basic and party line service, coin and business service.

Station Installer Network Operations Southwestern Bell Telephone Company: Kansas City, Missouri

1971 to 1973

I installed basic and coin telephone service. This job also required wiring of PBX projects. I installed the coin telephones in Arrowhead and Kauffman Stadiums.

**Frame Attendant Network Operations Southwestern Bell Telephone Company:
Kansas City, Missouri**

1971 to 1971

I had an opportunity to cut the last panel central office out of service on this project. My job was the coordination of placement of 38, 000 ½ tap jumpers from the main distribution frame to the office equipment.

**Installer/Repairman Network Operations Southwestern Bell Telephone Company:
Camdenton, Missouri**

1969 to 1970

I installed and repaired basic and party line service, coin and business service. Installed telephones at the first National Governors Conference in 1970 at Tan-Tar-A resort.

**Lineman Network Operations Southwestern Bell Telephone Company: Camdenton,
Missouri**

1969 to 1969

I installed aerial cable and poles. I worked on an un-located crew that traveled Missouri Re-Trans positioning AT& T Long lines copper open wire circuits.

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