

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Tariffs Filed by Sprint)
Missouri, Inc., d/b/a Sprint, to Reduce the Basic)
Rates by the Change in the CPI-TS as Required)
by Section 392.245(4), Updating Its Maximum)
Allowable Prices for Non-basic Services and)
Adjusting Certain Rates as Allowed by Section)
392.245(11), and Reducing Certain Switched)
Access Rates and Rebalancing to Local Rates,)
as Allowed By Section 392.245(9))

Case No. TR-2002-251

AFFIDAVIT OF KENT W. DICKERSON

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

Comes the Affiant, and after being duly sworn, does hereby depose as follows:

1. I am the same Kent W. Dickerson who filed an Affidavit on May 10, 2004 in Case No. TR-2002-251. In my affidavit I explained my responsibilities as Director of Cost Support for Sprint and my participation and supervision of the Sprint-Missouri, Inc. Access Cost Study Pursuant to Statute 386.020 RSMo dated September 1, 2001 in the case referenced directly above. I am filing this affidavit to respond to the late filed testimony of OPC witness, Thomas M. Regan.

2. At the heart of Mr. Regan's rejection of Sprint's Total Service Long Run Incremental Cost Studies (TSLRIC) is the easily disproved argument that because services such as toll, switched access and vertical services must traverse the network element "loop" in order to connect the end user customer location to the ILEC switch and/or IXC POP, the cost of the loop is then common to all of those services and, thus, should be excluded from a TSLRIC

examination of Basic Local Telecommunications Service (BLTS). Although I do not disagree with the fact that vertical services and toll calls must physically traverse to and fro across the loop, this fact does not support OPC's and Mr. Regan's characterization of the cost of loop as common to all services. In fact the same simple test I discussed in my original affidavit proves the opposite to be true, that in fact the loop is a direct cost component of BLTS and thus appropriately reflected in a TSLRIC study of BLTS.

3. This issue is really quite simple and resolved by the answer to the following question: What service must an end user purchase in order to gain access to the network and enable even the possibility of purchasing vertical services and or making a toll call? The answer is unarguably BLTS. It is not possible for an end user customer to purchase a vertical service or place a toll call without having first purchased the BLTS that provides the connection of their location (home in the case of residential customers) to the public switched telephone network where the vertical services and or IXC POP are located. Further it is impossible for that same connection purchased as BLTS to be physically established without incurring the cost of loop. Every unit of BLTS sold requires a corresponding loop to establish the physical connection between the customer location and vertical services.

4. Conversely, the cost of loop is completely unaffected by a customer's purchase (or not) of vertical services and or toll calling habits. Said again, vertical services and or toll services traversing over the loop have zero effect on the cost of the loop purchased as part of BLTS. Thus BLTS is the obvious and only service which bears a direct cost relationship with loop costs. It is noteworthy that FCC goes on to conclude that recovery of loop costs from IXCs on an interstate access per minute of use basis is no longer appropriate. Rather, the FCC has increasingly shifted loop cost recovery to End User customers based on flat rate charges levied against the End User customers' purchase of BLTS only. Thus the FCC order is entirely

consistent with the Missouri Statute, and Sprint's TSLRIC study results and associated rate rebalancing filing.

5. Mr. Regan's reply comments attempt to support the contention that loop costs are common to multiple services by citing to Washington and Colorado State Commission orders. I believe the very recent experience in Florida is more instructive as the situation is a near exact match to that in Missouri. Legislation was passed in Florida which allowed the revenue neutral rebalancing of reductions to above LRIC cost intrastate switched access Minutes of Use charges netted against increases to below LRIC cost BLTS retail end user rates. As OPCs are want to do everywhere, the Florida OPC hired an external witness willing to represent the predictable "loop is a common cost" argument.¹ The Florida Commission rejected this persistent myth and correctly concluded for a second time that loops are indeed a direct cost of BLS as follows:

We find that the ILECs' access charge rates provide support to local exchange service. In making this determination, we accept the economic testimony of the ILECs' and IXC's witnesses, which treat the cost of the local loop as a cost of basic local service. In particular, the testimony shows there is no economic principle requiring that the cost of that loop be allocated across other ancillary services that are provided over the loop.

We are not persuaded by the testimony of AARP and OPC's witnesses that all or some of the cost of the local loop should be shared, such that any costs shared by more than one service would be excluded from the ILECs' Total Service Long Run Incremental Cost (TSLRIC) calculations. This would be inconsistent with our past decisions, perhaps most notably in our 1998 Report on Fair and Reasonable Rates to the Legislature, that the costs associated with the local loop should not be allocated. The arguments raised by OPC and AARP have been considered and rejected in the past, and we find no new persuasive basis upon which to deviate from our consistent policy on this issue.²

¹ I filed Direct Testimony sponsoring TSLRIC studies for Sprint-Florida using the identical methodology to the Sprint-Missouri TSLRIC studies filed in this case and filed Rebuttal Testimony refuting the same "loop is a common cost" argument repeated in Mr. Regan's reply comments.

² Order No. PSC-04-0456-FOF-TL, Docket Nos. 030867-TL, 030868-TL, 030869-TL, 030961-TL, December 24, 2003, pg. 21.

6. I would also point out that the FCC's stance on the direct cost relationship between loop costs and BLTS is clearly evidenced in the Federal USF program and related Synthesis Model cost estimates, both of which properly treat loops costs as a direct cost of BLS. OPC's argument and references to a few historic decisions in other states are not new and merely perpetuate the mis-guided blending of two distinct issues, those being cost causation and cost recovery. As I have demonstrated above, only BLTS bears a direct cost causation relationship with loops.

7. Mr. Regan's reply comments close with a superficial comparison of some generic cost estimates contained to Ben Johnson's testimony in Case No. TR-2001-65 to the Sprint-Missouri TSLRIC studies produced under my supervision in this case. Simply put, Ben Johnson's costs were developed using generic national cost model inputs which do not depict Sprint-Missouri's costs. It is telling that Staff, unlike OPC, actually invested energies in the review and verification of Sprint's TSLRIC studies and expresses no concerns regarding the results.

8. In summary, each unit of BLTS sold incurs a direct loop cost and the potential routing of vertical services over that loop does not alter this direct cost reality. The Missouri Commission can look past OPC's refusal to acknowledge this reality and conclude once again that Sprint-Missouri's rate rebalancing filing and associated TSLRIC studies comply with the applicable Missouri statutes in full.

Further affiant sayeth not.

Kent W. Dickerson
KENT W. DICKERSON

Subscribed and sworn to me this 7th day of June, 2004.

Sharon L. Yancey
NOTARY PUBLIC

My commission expires

