

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Telecommunications Relay Services and	)	CG Docket No. 03-123
Speech-to-Speech Services for Individuals with	)	
Hearing and Speech Disabilities	)	
	)	
Structure and Practices of the Video Relay	)	CG Docket No. 10-51
Service Program	)	

**SUPPLEMENT TO REQUEST FOR INTERIM WAIVERS**

On March 21, 2019, Sprint Corporation (“Sprint”) filed a Request for Interim Waivers with the Federal Communications Commission (“FCC” or “Commission”).<sup>1</sup> In particular, Sprint requested that the Commission waive any existing TRS rules and/or policies that preclude compensation for certain costs Sprint incurs as the sole remaining provider of IP Relay service. For the 2019-20 funding year, Sprint demonstrated that grant of these waivers would result in an IP Relay rate of \$1.85 per minute. Sprint hereby supplements and clarifies its request with the additional information set forth herein.

**I. CLARIFICATIONS REGARDING COST CATEGORIES**

Sprint’s Waiver Request urged the Commission to waive existing TRS rules and/or policies that preclude compensation for outreach, a portion of overhead expenses, research and development, and an operating margin. Below, Sprint provides additional information regarding these cost categories and the requested waivers. Notably, the clarifying language set forth below

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<sup>1</sup> Request for Interim Waivers, Sprint Corporation, CG Docket Nos. 03-123 and 10-51 (Mar. 21, 2019) (“Waiver Request”).

does not alter Sprint’s calculation that the per-minute IP Relay rate should be set at \$1.85 for the 2019-20 funding year.

**Outreach Costs.** In the Waiver Request, Sprint sought a waiver in order to engage in outreach to the potential IP Relay user population.<sup>2</sup> Sprint now wishes to clarify this request in two respects.

First, in its Waiver Request, Sprint sought a broad waiver “to cover outreach to the entire IP Relay user population.”<sup>3</sup> Sprint did not, however, separately identify the costs of engaging in outreach to the DeafBlind community in its Waiver Request. Instead, Sprint included these costs in the base allowable calculation. As noted, the Commission previously granted a limited waiver that permits Sprint to engage in outreach to the DeafBlind community.<sup>4</sup> To the extent necessary, Sprint hereby clarifies that its broader request includes a request that the Commission extend the DeafBlind outreach waiver until it establishes a longer-term, compensatory rate methodology for IP Relay service. Correspondingly, Sprint also separately identifies the costs of DeafBlind outreach in Attachment A. For the 2019-20 funding year, Sprint has calculated that its DeafBlind outreach costs will amount to **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED]

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<sup>2</sup> *Id.* at 3-7.

<sup>3</sup> *Id.* at 4.

<sup>4</sup> *Id.* at 3-4 (describing and citing the relevant DeafBlind outreach waivers).

[END HIGHLY CONFIDENTIAL],<sup>5</sup> which represents approximately \$0.12 on a per-minute basis.<sup>6</sup>

Second, Sprint inadvertently included compensable marketing expenses in calculating the costs of engaging in outreach to remaining portions of the potential IP Relay user population. After removing these marketing costs, Sprint now estimates that it will incur non-DeafBlind-related outreach costs of [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] for the 2019-20 funding year, which represents approximately \$0.08 on a per-minute basis.<sup>7</sup>

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<sup>5</sup> More specifically, Sprint estimates that it will incur DeafBlind outreach costs of [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] for calendar year 2019 and [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] for calendar year 2020. Assuming that these costs are incurred evenly throughout the year, Sprint estimates that it will spend [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] during the 2019-2020 funding year – six months of costs in 2019 and six months of costs in 2020. The remaining funding year figures set forth herein are calculated in the same manner (*i.e.*, as an average of the projected 2019 and 2020 expenses).

<sup>6</sup> Sprint estimates that there will be demand for [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] minutes of IP Relay use in calendar year 2019 and [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] minutes in 2020. Assuming that these minutes of use are spread evenly throughout the year, Sprint estimates that it will carry [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] minutes of IP Relay traffic in the 2019-20 funding year. Dividing Sprint's DeafBlind outreach costs by this estimated number of minutes produces an estimated per-minute cost for Sprint's DeafBlind outreach expenses of approximately \$0.12 for the upcoming funding year.

<sup>7</sup> This calculation results from dividing the [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] in outreach costs by the [BEGIN HIGHLY CONFIDENTIAL] [REDACTED] [END HIGHLY CONFIDENTIAL] estimated minutes of IP Relay use.

**Research and Development.** In its filing, Sprint sought a waiver to recover certain research and development costs during the 2019-20 funding year.<sup>8</sup> Sprint reiterates that it seeks such a waiver *only* to the extent the Commission believes it is needed. As indicated, Sprint believes that the research and development expenses at issue already are compensable because they fall within the “functional equivalency mandate of section 225.”<sup>9</sup>

**Operating Margin.** Consistent with the FCC’s practice of including an operating margin approach in setting the compensation rates of other forms of TRS, Sprint asked the Commission to apply the same approach to IP Relay.<sup>10</sup> More specifically, Sprint urged the Commission to apply a 12.35% margin to the IP Relay rate, which represents the upper boundary of the “range of 7.6% to 12.35%” that the FCC found to be “the ‘zone of reasonableness’ of an allowable operating margin” for VRS and IP CTS.<sup>11</sup>

As indicated, an operating margin at the high end of the zone that the Commission has concluded is reasonable is justified in this case because of the higher risk Sprint and its investors incur in providing IP Relay business as compared with other TRS offerings. That risk is

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<sup>8</sup> Waiver Request at 10-12.

<sup>9</sup> *Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Report and Order, Order on Reconsideration, and Further Notice of Proposed Rulemaking, 19 FCC Rcd 12475, ¶ 188 (2004) (finding that “costs directed at providing advanced . . . features that fall outside the functional equivalency mandate of section 225 are not compensable”).

<sup>10</sup> Waiver Request at 13-14.

<sup>11</sup> *Id.* at 14; *Structure and Practices of the Video Relay Service Program; Telecommunications Relay Services and Speech-to-Speech Services for Individuals with Hearing and Speech Disabilities*, Report and Order and Order, 32 FCC Rcd 5891, ¶ 26 (2017).

evidenced by the fact that Sprint is the sole remaining provider of IP Relay service. For example, Sprint must single-handedly deal with fluctuations in IP Relay call volumes. If call volumes increase significantly on a given day, Sprint may lack the capacity to meet the requirement that IP Relay providers answer 85 percent of all calls within 10 seconds.<sup>12</sup> As a result, Sprint would be forced to forfeit payment for the entire day in which its performance fell short and expose Sprint to the risk of even more draconian penalties.<sup>13</sup> The margins for Sprint's IP Relay business currently are so slim that it cannot afford to continue to provide service under these circumstances.<sup>14</sup> Put simply, higher-risk businesses necessitate higher operating margins.

Moreover, there is ongoing upward pressure on the per-unit costs Sprint incurs to provide IP Relay service because of the decline in demand for other TRS offerings that share the same platform as IP Relay. Traditional TRS and IP Relay share many of the same network elements, and significant efficiencies are gained by having these two services on the same platform.<sup>15</sup> As

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<sup>12</sup> 47 C.F.R. 64.604(b)(2).

<sup>13</sup> See 47 C.F.R. 64.604(c)(5)(iii)(E), (L); *Structure and Practices of the Video Relay Services Program; Purple Communications, Inc. Request for Review of the Decision of the TRS Administrator to Withhold TRS Payment*, Order, 27 FCC Rcd 8014, ¶¶ 1, 27 (2012) (explaining that failure to comply with the average speed-of-answer rule can lead to compensation being withheld for each day a provider is out of compliance as well as other forfeitures and penalties).

<sup>14</sup> Particularly given that Sprint has lower cash flow relative to other providers in the telecommunications industry, the company can hardly afford to continue offering low-margin services.

<sup>15</sup> Waiver Request at 9 (“Sprint’s calculations indicate that the company would incur approximately \$0.30 per minute in additional expenses if it were a standalone IP Relay provider. Put differently, the IP Relay rate would need to be at least \$0.30 higher to compensate a standalone provider, and the TRS Fund receives the benefit of the significant efficiencies Sprint realized by operating multiple lines of business.”).

traditional TRS traffic continues to decline, however, IP Relay will represent an ever-increasing percentage of the traffic on Sprint's platform. Hence, a greater share of the cost of maintaining the platform will have to be borne by the company's IP Relay offering. Just as in the rate-of-return context, if carriers are denied the opportunity to receive a reasonable operating margin, they ultimately will have no choice but to "decline to make ongoing investments in the provision of efficient service."<sup>16</sup>

## II. RELATIONSHIP TO ROLKA LOUBE COST SUBMISSION

On February 20, 2019, Sprint submitted its response to the Interstate TRS Fund 2018 Annual State Rate Data Request to Rolka Loube ("Annual Cost Submission"). The costs included in Sprint's response are fully consistent with the costs set forth in Sprint's Waiver Request. For ease of reference, Attachment A cross-references Sprint's submission to Rolka Loube and the requested waiver amounts for the 2019-20 funding year. In particular, Sprint calculates a per-minute IP Relay rate of \$1.85 as follows.

- (1) Sprint begins by calculating a base allowable cost of **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]**. This figure represents the total of sections A through E, less C.10 and E.2, on the "IP Relay Service Expense and Capital Investments Data" tab of Sprint's Annual Cost Submission.<sup>17</sup> Based on the projected **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** minutes of IP Relay demand, the base allowable costs represent approximately \$1.36 on a per-minute basis.

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<sup>16</sup> *Prescribing the Authorized Rate of Return: Analysis of Methods for Establishing Just and Reasonable Rates for Local Exchange Carriers*, Wireline Competition Bureau Staff Report, DA 13-1111, ¶ 7 (May 16, 2013).

<sup>17</sup> The base allowable cost includes Sprint's research and development and marketing expenses.

- (2) Sprint then adds **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED] **[END HIGHLY CONFIDENTIAL]** to reflect the costs of DeafBlind outreach. These costs were reported in the “E.2a Deaf\_Blind” portion of “Appendix 1\_0” of Sprint’s Annual Cost Submission. As indicated, these costs represent around \$0.12 on a per-minute basis.<sup>18</sup>
- (3) To account for outreach to the remaining portions of the potential IP Relay user population, Sprint adds **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED] **[END HIGHLY CONFIDENTIAL]** in costs, which were reported in Sprint’s Annual Cost Submission in cells J15-K15 of the E.2a portion of “Appendix 1\_0.” These costs represent approximately \$0.08 on a per-minute basis.<sup>19</sup>
- (4) In the Waiver Request, Sprint urged the Commission to permit the company to recover a modest portion of its overhead expenses.<sup>20</sup> These overhead expenses of **[BEGIN HIGHLY CONFIDENTIAL]** [REDACTED] **[END HIGHLY CONFIDENTIAL]** represent approximately \$0.08 on a per-minute basis.<sup>21</sup>
- (5) After summing items (1) through (4), Sprint applies a 12.35% operating margin to the resulting sub-total to arrive at a proposed IP Relay rate of \$1.85.

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<sup>18</sup> See *supra* at 2-3.

<sup>19</sup> See *supra* at 3.

<sup>20</sup> Waiver Request at 7-9.

<sup>21</sup> Note that Sprint adjusted this number downward from the original Waiver Request to account for the fact that certain compensable overhead costs already are included in the “base allowable cost” figures.

### III. CONCLUSION

Sprint respectfully reiterates its request that the Commission grant its Waiver Request in order to ensure that IP Relay service continues to be a stable, functionally equivalent offering until the FCC adopts a sustainable longer-term rate methodology for this important service. Should there be any questions regarding this supplement, please do not hesitate to contact the undersigned.

Respectfully submitted,

/s/ Charles McKee

Charles McKee  
Vice President, Government Affairs,  
Federal Regulatory

Scott R. Freiermuth  
Counsel, Government Affairs,  
Federal Regulatory

Sprint Corporation  
6450 Sprint Parkway  
Overland Park, KS 66251  
(913) 315-8521  
[scott.r.freiermuth@sprint.com](mailto:scott.r.freiermuth@sprint.com)

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## Sprint Accessibility - IP Relay

Annual TRS Fund Filing  
Reference

		2019 Projections	2020 Projections	Average \$\$ Projection	2019 Projections	2020 Projections	Average Projection	
Conversation Minutes	IP Relay Demand Tab [BHC]	[REDACTED]	[REDACTED]	[REDACTED]				
Base Allowable Cost *	Total Sections A-E less Section E.2 less Section C.10	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
<u>Waivers</u>								
Add: Outreach : DeafBlind	Appendix E.2 Deaf_Blind	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Add: Outreach : Non DeafBlind	Appendix E.2a Cells J15-K15	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Outreach Total	Section E.2	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Add: Allocated Overhead	Section C.10	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	
Total Internet Protocol Expenses	Total Sections A-E	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[EHC]
Operating Margin Waiver						12.35%	[BHC]	[REDACTED] [EHC]
PROPOSED RATE							\$	1.848

\* - Base Allowable Cost is inclusive of Marketing (E1) and Research & Development (C4).

**Confidentiality designations in this exhibit are noted by: [BHC] for Begin Highly Confidential and [EHC] for End Highly Confidential, with specific redactions highlighted in yellow.**