Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Modernizing the E-rate Program for Schools and Libraries	)	WC Docket No. 13-184
	)	
	)	
Connect America Fund	)	WC Docket No. 10-90

COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint"), pursuant to the Public Notice released on April 8, 2015 (Report No. 3017), respectfully submits its comments in support of requests for clarification of the cost-effectiveness rule applicable to mobile broadband solutions that was adopted in the *Second E-rate Modernization Order*.[1] Clarification of the new rule by the Commission in a public proceeding will help to ensure that E-rate applicants and USAC know the parameters of the cost-effectiveness analysis that must be performed; that the rule is applied consistently; that the rule promotes rather than impedes broadband deployment in schools and libraries; and that pending funding requests for mobile broadband service are handled promptly and fairly.

1. Clarification of Depreciation, Maintenance and Security Costs

In the *Second E-Rate Modernization Order*, the Commission stated that "applicants that seek funding for data plans or air cards for mobile devices should compare the cost of all components necessary to deliver connectivity to the end user

[1] *Modernizing the E-rate Program for Schools and Libraries; Connect America Fund*, 29 FCC Rcd 15538 (2014). On March 6, 2015, petitions relating to the new cost-effectiveness rule adopted in this order were filed by T-Mobile (*see* Petition for Reconsideration and Clarification, pp. 3-14) and by Cox (*see* Petition for Reconsideration, pp. 8-10).

device, including the costs of Internet access and connectivity to the school or library, to the total cost of data plans or air cards when selecting the most cost-effective service option" (para. 158, footnote omitted). Sprint believes that the "cost of all components" standard referenced in this paragraph is overly vague, and accordingly supports T-Mobile's request (Petition, pp. 3, 6) that the Commission provide guidance about the appropriate amortization period for WiFi network costs,[2] and that it clarify that the maintenance and security costs associated with owning and operating a WiFi network can and should be included in the cost-effectiveness analysis.

Inclusion of all relevant and reasonable cost elements is crucial to a realistic cost-effectiveness analysis. Excluding or underestimating the depreciation, maintenance, and security costs of owning and operating a WiFi network will make such solution appear to be far more cost effective than it actually is, particularly vis-à-vis a fully costed mobile broadband solution. A skewed financial analysis could lead to an outcome directly contrary to the stated intent of the cost-effectiveness rule: an E-rate applicant's request of funding for a mobile broadband data plan or air card may be rejected even if such solution is *more* cost-effective than a WiFi arrangement.

2. Prospective Application of the New Cost-Effectiveness Rule

The Commission also should grant T-Mobile's request for clarification that the new cost-effectiveness rule adopted in the *Second E-rate Modernization Order* applies no earlier than the 2015-16 funding year (Petition, p. 13). This order had an effective date of March 6, 2015, and any funding requests submitted prior to that date should be evaluated

[2] The cost-effectiveness analysis is sensitive to assumptions such as reasonable life-span of WLAN facilities, because, all other things being equal, annual depreciation cost will be higher the shorter the amortization period. *See also*, Cox Petition, p. 9 ("the useful life of self-constructed… projects…will be an important aspect of any effort to compare the cost-effectiveness of self-constructed facilities to the cost of a finished service").

based on the cost-effectiveness rule then in effect. The pre-March 6 rule required E-rate applicants to select the eligible service via competitive bid, with price being the primary, but not the sole, factor considered; that rule did *not* require E-rate applicants to compare the cost of a competitively bid service (*e.g.*, a mobile broadband data plan) with the cost of some other service not submitted in response to the RFP (*e.g.*, a WiFi network). The retroactive application of a new rule is both unfair and unlawful,[3] and the Commission should accordingly make it clear that the cost-effectiveness rule adopted in the *Second E-Rate Modernization Order* is to be applied prospectively (funding requests submitted after March 6, 2015) only.

3. Availability of E-rate Support.

T-Mobile has requested that the Commission reconsider and clarify its guidance regarding the consideration of the likelihood of receiving Category Two E-rate support in the cost-effectiveness analysis (T-Mobile Petition, p. 12). Sprint supports this request, and urges the Commission to clarify that E-rate applicants may consider the availability of Category Two support when analyzing the cost-effectiveness of data plans or air cards for mobile devices. An E-rate applicant that has not received, and/or is unlikely to receive, support for internal connections or managed internal broadband services, and that lacks the financial and technical resources to deploy and operate such facilities on its own, will not be in the position to own, supplement, and operate a fixed broadband access/WiFi network. For such schools and libraries, a mobile broadband solution may be the only feasible option for meeting some or all of their broadband needs.

To be clear, E-rate applicants would still be required to demonstrate that the services they are requesting are eligible and cost-effective. The requested broadband

[3] *See* T-Mobile Petition, p. 14.

solutions would still have to be selected pursuant to competitive bid, and price would still have to be the primary factor in selecting a bid. However, schools and libraries should be allowed to consider the likelihood of Category Two support as one of the non-price factors incorporated into their evaluation of competitive bids.

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Sprint is aware of numerous E-rate funding requests for mobile broadband data plans and air cards used with mobile devices that remain pending, apparently because of questions relating to the cost-effectiveness of these service options. Many other funding requests have been approved (after having undergone extensive PIA review), but have been waiting reimbursement for months, apparently also due to questions relating to their cost-effectiveness. To help resolve these reviews, and to ensure the efficient processing of other mobile broadband funding requests, the Commission should issue the requested guidance about the parameters and application of the cost-effectiveness rule adopted in the *Second E-rate Modernization Order*. Commission clarification regarding an appropriate depreciation period, allowable inclusion of maintenance and security costs, the prospective application of the new rule, and treatment of Category 2 funding, issued in a public proceeding, will significantly improve the E-rate service selection, review and reimbursement processes. Both E-rate applicants and USAC would have a common and clearer understanding of what constitutes an acceptable cost-effectiveness analysis, thereby helping to ensure that the most cost-effective broadband solution, whether fixed or mobile, can be implemented. Decisions could be rendered more rapidly, reducing the uncertainty and resource-intensive interactions inherent in drawn-out reviews and audits.

Commission clarification as requested above is in the public interest, and should be issued expeditiously.

Respectfully submitted,

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