

ORIGINAL



Pete N. Sywenki
Director
Federal Reserve Bank of Dallas

Law & External Affairs
1850 M Street, NW, Suite 1100
Washington, DC 20036
Voice: 202 828 7452
Fax: 202 296 3469
pete.n.sywenki@mail.sprint.com

RECEIVED

SEP 24 1999

EX PARTE OR LATE FILED

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

September 24, 1999

Ms. Magalie Roman Salas
Secretary - Federal Communications Commission
The Portals, 445 Twelfth St., SW
Washington, D.C., 20554

RE: CC Docket Nos. 96-45 and 96-160

Dear Ms. Salas,

Today, Brian Staihr and I, representing Sprint, met with Lisa Zaina and Katy King of the Common Carrier Bureau with regard to the above referenced matters. The purpose of the meeting was to discuss Sprint's views with regard to federal universal service fund for maintaining comparable state rates and the related cost model and input selection proceeding. The attached materials and the comments filed by Sprint in these proceedings served as the basis for the discussions.

In accordance with Section 1.1206(b)(2) of the Commission's rules, the original and two copies of this notice are being submitted for inclusion in the docket identified above. If there are any questions, please call.

Sincerely,

Pete Sywenki

Attachment

cc: Lisa Zaina
Katy King

Sprint Position on Federal Universal Service High-Cost Support Fund for Intrastate Rate Comparability

- “Reasonably-sized” fund.
 - Sprint supports Commission’s objective of not materially expanding federal universal service support for non-rural companies.
 - Sprint is concerned with expansion of federal USF support for non-rural companies absent any measure of amount of federal support that will be required by rural companies.
- Sprint plan for federal USF (as filed 7/23/99)
 - Costs calculated by Synthesis Model at wire center level.
 - Federal support available for WC where average cost is 150% or greater than national average.
 - Initially, 37.5% of costs exceeding that threshold eligible for federal support.
 - Individual states responsible for funding this need up to \$1 per access line per month. (Preserves states future ability to fund rural carriers.)
- Result: Reasonably-sized/properly targeted fund.

Sprint Position on Federal High Cost USF (cont.)

- Key Result: Reasonably-sized fund is not dependent on model input values.
 - Use of cost benchmark and national average makes certain input values relatively less important.
 - Inaccuracy of inputs less of a problem for universal service than for other potential uses of Synthesis Model.
- Unlike other parties, Sprint believes Synthesis Model (properly used) can be effective tool for determining federal USF.
 - Optimization routines only when reasonable.
 - Costs calculated at wire center level.
 - Inputs priced at current values, not idealized values.
- Concern #1: Parties will be tempted to use Synthesis Model for unintended purposes: UNE costing, access costing.
- Concern #2: Input decisions made with USF and “reasonable fund size” in mind will have far-reaching implications.

Sprint Position on Federal High Cost USF (cont.)

- Input FNPRM: Input Variation
 - Overwhelming majority of industry participants agree that multiple input sets are a necessity.
 - FCC admits that input prices vary depending on size of provider (FNPRM paragraph 78).
 - Sprint provided workable plan to incorporate input variation into model (filed 8/6/99).
- Input FNPRM: Per line expenses
 - Methodology for determining per line expenses universally criticized by industry.
 - Industry consensus regarding seriously flawed econometrics, double-removal of expenses.
- Input FNPRM: Cable costs
 - Majority of industry finds that RUS/NRRI data used for estimating cable costs is fundamentally flawed, unreliable and indefensible.
- Input FNPRM: Structure sharing
 - Unreasonable, unrealistic forward-looking percentages assumed.
- Input FNPRM: Switching costs
 - Unrealistically low prices represent costs that are unattainable by any provider.

Sprint Position-Federal High Cost USF (cont.)

- **Conclusion #1:** When Synthesis Model results are used in “relative” fashion, input problems are less of an issue.
 - If per line expenses are understated, national average will be understated as well as specific regions. Difference between the two is not affected.
- **Conclusion #2:** Commission plans to use model results in this manner, mitigating many problems with both inputs and model platform.
- **Conclusion #3:** Hold harmless provision at company level assures no harm to any provider as result of model imperfections.
- **Suggestion #1:** Allow for future refinements of both the model and inputs.
 - Immediate timeframe may not allow for multiple input sets. Longer term, multiple input sets should be considered seriously.
- **Suggestion #2:** Official recognition that Synthesis Model and *chosen* inputs are to be used for federal USF only. Model and inputs (in current form) may not be appropriate for company-specific regulatory filings such as unbundled network element (UNE), interconnection or access proceedings.
- **Suggestion #3:** Model may be suitable for costing of unbundled loops if company-specific/region-specific inputs are used. Model platform in its current form lacks required precision and specificity to accurately cost unbundled switching & transport.