

ORIGINAL

Sprint

Pete N. Sywenki
Director
Federal Regulatory Affairs

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

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October 14, 1999

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

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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

Dear Ms. Salas,

This letter provides notice that yesterday representatives of Sprint held separate meetings with Kyle Dixon, Dorothy Attwood, Sarah Whitesell, Linda Kinney, and today with Rebecca Beynon with regard to the above referenced matters. In each of these meetings, we discussed Sprint's views as to the appropriate mechanism for high-cost support for non-rural companies and the Commission's cost model and inputs. The attached materials were used in each of the meetings.

In accordance with Section 1.1206(b)(2) of the Commission's rules, the original and three 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: Dorothy Attwood
Rebecca Beynon
Kyle Dixon
Linda Kinney
Sarah Whitesell
Lisa Zaina
Katy King

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SPRINT PROPOSAL ON FEDERAL UNIVERSAL SERVICE HIGH COST SUPPORT

- Don't materially expand federal funding for non-rural LECs at this time
 - Especially recognizing that the amount of support needed for rural LECs has not been defined
- Sprint proposed USF plan
 - Costs calculated at wire center level
 - Federal support
 - Wire centers where costs exceed 150% of nationwide average (\$20.10)
 - Federal fund supports 37.5% of costs above threshold
 - Individual states responsible for funding this need up to \$1.00 per access line per month
 - Total fund size = \$325M
 - Surcharge on interstate revenues less than 1/2 of 1%

MEASUREMENT OF COSTS FOR USE PURPOSES

- Sprint supports use of Synthesis Model
 - Although we have some problems with the model—e.g., optimization routines not always reasonable
- Sprint's major concern is inputs:
 - Some of the proposed inputs are simply unrealistic and unobtainable in the real world, e.g.,
 - | per line expense: statistical methodology seriously flawed
 - | cable costs: data used for estimating costs unreliable and indefensible
 - | structure sharing: unreasonable and unrealistic percentages assumed
 - | switching costs: unrealistically low prices for switching equipment

MEASUREMENT OF COSTS FOR USF PURPOSES (cont.)

- More importantly, proposed inputs fail to recognize that inputs can vary widely
 - Overwhelming majority of industry commentators agree that multiple input sets reflecting company size and regional differences is necessary
 - FCC has itself recognized that input prices vary depending on size of provider (NPRM, para 78)
 - Sprint provided workable plan to incorporate input variation into the model (filed 8/6/99)

- Bottom Line: The proposed inputs produce cost results that significantly understate the forward-looking economic costs of Sprint Local Telecom Division.

RECOMMENDATIONS

- To the extent that the Commission does not (or because of time constraints cannot) rectify these model deficiencies, it should...
 - Adopt Hold Harmless
 - | don't reduce USF support to a company when that reduction might result solely from inaccurate input costs
 - Not use Synthesis Model results for other purposes such as access costs or UNEs
 - | for USF, cost results are used in a "relative" fashion, and input cost inaccuracies cause less distortion, especially if hold harmless is adopted
- Over longer term, the Commission should look at refining both the model and the inputs
 - Coordinate with consideration of USF for rural LECs