

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

In the Matter of)	
)	
Federal-State Joint Board on)	
Universal Service)	CC Docket No. 96-45
)	
Comments on the Recommendation)	
For Phasing Down Interim)	
Hold-Harmless Provision)	

Comments of Sprint Corporation

Sprint Corporation hereby submits its comments in response to the Commission's July 11, 2000 Public Notice requesting comment on the Federal-State Joint Board on Universal Service's recommendations for phasing down the interim hold-harmless provision (Recommended Decision).¹ In its Recommended Decision, the Joint Board recommended that the Commission phase down the balance of interim hold-harmless support, excluding Long Term Support (LTS), through \$1.00 reductions in average monthly, per-line support beginning January 1, 2001, and every year thereafter. As discussed below, Sprint urges the Commission not to phase down any interim hold harmless support.

Sprint has consistently expressed its opinion that, in creating Section 254 of the Act², Congress did not intend for changes in the universal support mechanism to harm

¹ See Public Notice DA 00-1536; *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Recommended Decision, FCC 00J-1 (rel. June 30, 2000) (Recommended Decision).

² Telecommunications Act of 1996, Pub. L. 104-104.

either carriers or end users. Accordingly, Sprint urges the Commission to retain hold harmless support until final, accurate mechanisms of cost calculation have been adopted and carriers and states have had an opportunity to determine how they will make services available in high cost areas that no longer receive federal support.

In previous comments, Sprint has urged the Commission to incorporate inputs that accurately reflect costs on a company-specific basis. To do otherwise results in a situation in which universal service support could be denied a smaller LEC serving high-cost areas that can not achieve the lower per-unit costs of a larger LEC, serving both high- and low- cost areas. Because the Commission has declined to make company-specific inputs integral to the cost model process, this is precisely the situation that has been created. Companies serving rural, secondary markets will find that the costs incurred to serve these high cost markets remain the same, while federal support to assist them in continuing to provide such services will no longer be available. Sprint again urges the Commission to adopt a cost model that uses company-specific inputs.

Regardless of the manner in which costs are calculated, and in spite of the fact that the failure to use company-specific inputs will skew the model results, the supported services must continue to be made available. Thus, the cost support formerly received from federal funds must be replaced and the logical source for these funds is the affected states. As Sprint argued in its earlier comments, the Commission must maintain hold harmless on the federal level until such time as the states are able to assess their situations as well as their ability to meet the funding burden shifting to them. Sprint recommends a 24-to-36 month timeframe during which hold harmless will remain in place following final cost calculations on the federal level.

On July 18th, 2000, the United States Court of Appeals for the Eighth Circuit determined that the Commission's forward-looking economic cost methodology was overly speculative, stating: "It is clear from the language of the statute that Congress intended the rates to be "based on the cost . . . of providing the interconnection or network element...not the cost some imaginary carrier would incur."³ Similarly, in June, the Supreme Court agreed to review the Fifth Circuit's decision upholding the use of forward-looking pricing to calculate federal high-cost support. These developments bring the entire cost methodology proposed by the Commission into question, further accentuating the need for continued hold harmless support pending development of a final cost model.

For these reasons, Sprint urges the Commission not to phase down interim hold-harmless support.

Respectfully submitted,
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August 14, 2000

³ Iowa Utilities Bd. v. FCC, No. 96-3221 (8th Cir. Filed July 18, 2000).

CERTIFICATE OF SERVICE

I, Joyce Y. Walker, hereby certify that I have on this 14th day of August, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "In the Matter of Federal-State Joint Board on Universal Service, Comments on the Recommendation For Phasing Down Interim Hold-Harmless Provision", CC Docket No. 96-45; filed this date with the Secretary, Federal Communications Commission, and to the persons listed below.

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