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 OF SPRINT CORPORATION

Sprint Corporation ("Sprint"), on behalf of its local and long distance divisions, submits its Comments to the Rural Task Force Recommendation to the Federal-State Joint Board on Universal Service, released on September 29, 2000.

Sprint supports the Rural Task Force ("RTF'") core recommendations that size the fund, "re-base" the indexed cap on high cost loop support[1] and modify the corporate operations expense limitation.[2] These adjustments are expected to result in an increase to the High Cost Loop Fund of $118.5 million[3], which is less than an 8% increase of the total current fund amount of $1.55 billion[4]. Sprint appreciates the complex balancing of interests and compromises necessary to arrive at this reasonable result. However, Sprint does not agree with all of the RTF's recommendations, including some of the "wild card" recommendations, such as coverage for catastrophic events and the safety net for 14% growth in plant in service.

At the outset, it is disappointing to note that the RTF settled on a cost model, the Modified Embedded Cost Mechanism ("MECM"), that relies on embedded cost rather than

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[1] RTF Recommendation at 24-25
[2] Id. at 27-29
[3] Id. at 24
[4] Id. at 20

forward looking cost[5]. Sprint has been a consistent proponent of forward looking cost methodologies, and would have preferred that the RTF adopt such an approach. Nevertheless, Sprint acknowledges that the MECM is simple for all parties to administer. While using forward looking costs is the economically correct approach, the MECM provides a practical way in which to proceed at this time.

The RTF also recommended that the federal universal service fund be sized so that it "presents no barriers to investment in plant needed to provide access to advanced services."[6] Further, the RTF added that supporting advanced services would also support access to information services in rural areas at a bit per second rate comparable to that provided in urban areas.[7] Although Sprint is a proponent of the wide availability of advanced services, Sprint maintains that a service must be added to the list of services supported by the fund before the cost of providing that service is included in the fund. Section 254(b) of the Communications Act of 1934, as amended (the "Act"), establishes principles for the Joint Board and the Commission to follow in determining universal service policy. However, Section 254(c) sets forth the guidelines for the Joint Board and the Commission to follow in deciding which services are included in the definition of universal service. Although Sections 254(b)(2) and (3) include access to advanced services and information services among the universal service principles, the Commission must first address the issue of redefining supported services. The RTF should not attempt a short cut by incorporating the costs of these services into the fund prior to their approval under Section 254(c). Along this line,

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[5] Sprint is also disappointed that the RTF made little or no mention of the need to address USF reform in a completely competition-friendly manner, including the need to rebalance local rates as a critical piece of the Universal Service puzzle.
[6] Id. at 23
[7] Id.

Sprint agrees with the RTF's statement that the indexed cap "should be resized whenever the definition of supported services is changed."[8]

Sprint disagrees with the RTF recommendation to provide support for catastrophic losses. The RTF recommends that in study areas where a CLEC has been approved as an eligible telecommunications carrier, and the CLEC is providing service, the CLEC and ILEC may both obtain the same support per loop by freezing the ILEC's support amount.[9] An ILEC may adjust the frozen support amount in the event of a catastrophe that affects the ILEC's ability to provide universal service. While the fund exists to supplement the revenues of rural carriers serving high cost areas, the fund should not become a substitute for carriers' insurance policies. Each carrier should be responsible for maintaining adequate insurance in the event of emergency, as that is a standard component of business risk to be borne by any provider in any marketplace.

Likewise, the "safety net" appears to be just that, a method by which other carriers support a rural carrier's business decision to add plant. The safety net additive is applied where the growth in telecommunications plant in service per line is 14% higher than the previous year. This plant addition is not tied to any particular service and as such is truly a wild card. Further, if a carrier qualifies for the safety net additive in a given year, the additive also applies for the four succeeding years regardless of whether the 14% criterion is met in those years.[10] Sprint does not believe that the safety net provides adequate assurance that support payments will be used only for the facilities and services covered by the fund, as required by Section 254(e) of the Act. Therefore, Sprint opposes the RTF's safety net proposal.

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[8] Id. At 27
[9] Id. At 26
[10] Id. At 27

Finally, Sprint agrees with the concept that an adjustment could be made, within certain limits, to a rural carrier's funding following its acquisition of an exchange by sale or merger, known as the "safety valve."[11] The effect of acquiring an exchange should not only have the potential effect of increasing universal service support, but should also be allowed to decrease such support based on the cost of providing the supported services in the acquired exchange. Sprint reserves the right to further comment on a specific mechanism for effecting the safety valve.

SUMMARY

While Sprint would have preferred the use of a forward looking cost methodology, rather than the MECM, Sprint supports the core recommendations of the RTF regarding sizing the fund and adjusting the cap on the HCL fund and the corporate operations expense limitation. The give and take of competing interests on the RTF resulted in a practical and reasonable outcome. However, Sprint opposes some of the RTF's add-ons, such as coverage for catastrophes and the safety net for 14% additions to telecommunications plant in service.

Respectfully submitted,

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[11] Id. At 29-30

CERTIFICATE OF SERVICE

I, Joyce Walker, hereby certify that I have on this 3rd day of November 2000, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Comments of Sprint Corporation" in the Matter of Federal-State Joint Board on Universal Service, CC Docket No. 96-45, filed this date with the Secretary, Federal Communications Commission, to the persons on the attached service list.

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