



Funding Universal Service

Objectives

- minimize administrative cost - ultimately consumers pay these costs
- maximize competitive parity - USF charges should not play any role in customer decisions
- maintain wireless/wireline contribution proportions - no basis for shifting burden

Sprint Proposal - Basic Steps

- 1) segment retail telecom revenue into wireline and wireless
- 2) multiply segment revenue by segment-specific interstate factors to calculate segment-specific interstate revenue
- 3) divide total interstate revenue by total fund need and multiply result by segment-specific interstate revenue to get segment-specific contribution amounts
- 4) divide wireline contribution amount by lines and wireless contribution amount by numbers to get contribution rates
- 5) carriers collect from customers at specified contribution rate and remit proceeds to fund administrator

Sprint Proposal - Estimates

	Wireline			Wireless	Total
	Local	Toll	Total		
Retail Telecom Revenue	\$115,040	\$82,319		\$78,813	
% interstate & international	15%	74%		15%	
Revenue Base	\$17,256	\$60,916	\$78,172	\$11,822	\$89,994
Fund			6%	6%	\$5,524
Contribution			\$4,798	\$726	
Lines / Numbers			199	131	
Contrib per line per month			\$2.01	\$0.46	

Notes:

2001 estimated

amounts shown in millions except per line/number

wireline interstate factors derived from FCC Form 499

Sprint Proposal - Customer Impact

	Non-Lifeline				Lifeline			
	zero	low	med	high	zero	low	med	high
Long Distance Bill	\$0.00	\$4.96	\$16.45	\$53.70	\$0.00	\$4.96	\$16.45	\$53.70
% Interstate	<u>74%</u>							
Interstate Portion of Bill	\$0.00	\$3.67	\$12.17	\$39.74	\$0.00	\$3.67	\$12.17	\$39.74
USF Surcharge	<u>10.4%</u>							
USF Charge on LD Bill	\$0.00	\$0.38	\$1.27	\$4.13	\$0.00	\$0.38	\$1.27	\$4.13
plus LEC Surcharge	<u>\$0.54</u>	<u>\$0.54</u>	<u>\$0.54</u>	<u>\$0.54</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Total USF Surcharges	\$0.54	\$0.92	\$1.81	\$4.67	\$0.00	\$0.38	\$1.27	\$4.13
Sprint Proposal	\$2.01	\$2.01	\$2.01	\$2.01	\$0.00	\$0.00	\$0.00	\$0.00
Difference	\$1.47	\$1.09	\$0.20	(\$2.66)	\$0.00	(\$0.38)	(\$1.27)	(\$4.13)

Notes:

Long Dist Bill amounts from "Bill Harvesting" - mkt share wtd avg of AT&T, MCI, Sprint (lo/med/hi=33/33/33split)

74% interstate derived from toll carriers FCC Form 499

10.4% interstate is mkt share wtd avg of 12% MCI, 9.9% AT&T, and 9.9% Sprint USF fees

LEC surcharge is weighted average of SWBT, Verizon, BellSouth, and Qwest USF fees

\$2.01 estimated charge assumes all lines charged same -- residential could be less and business more

Sprint Proposal - Benefits

- Competitive Parity - competing carriers are assessed, collect, and remit the same charge
- Eliminates Customer Confusion - consumers can evaluate competing providers' service offerings solely on the merits of the offerings themselves, not on the basis of how the carriers choose to recover USF obligations
- Simplifies and minimizes administrative costs for carriers, the commission, and USAC
- Equitable, Explicit, Sufficient, and Predictable
- Flexible - adaptable as the market changes