



Carolina Telephone
Centel-North Carolina
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October 21, 1997

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
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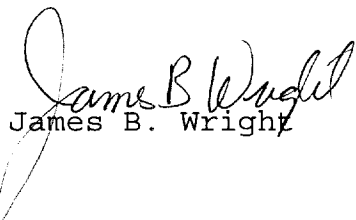
RE: Docket No. 97-00888 (Universal Service)
Sprint's Response to Technical Conference Issues

Dear Mr. Waddell:

Pursuant to the October 16, 1997 Staff Memorandum to Directors, Sprint Communications Company L.P. and United Telephone-Southeast, Inc. (Sprint) enclose for filing in the above case an original and thirteen copies of Sprint's Response to the October 14, 1997 Technical Conference Issues.

Please contact me or Laura Sykora (919/554-7323) if you have any questions regarding this filing.

Sincerely yours,


James B. Wright

JBW:er

CC: Laura Sykora (with enclosure)
Steve Parrott (with enclosure)
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Tony Key (with enclosure)
Counsel of Record (with enclosure)

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CERTIFICATE
Universal Service Fund
(Docket No. 97-00888)

The undersigned hereby certifies that a copy of the Joint Response of United Telephone-Southeast, Inc. and Sprint Communications Company L.P. filed in the above docket is being provided to each of the following participants, by placing a copy of the same in the United States Mail postage prepaid and addressed as follows:

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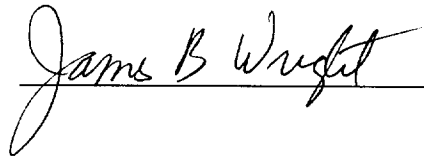
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This 21st day of October, 1997



#11414

UNIVERSAL SERVICE
Docket No. 97-00888

SPRINT COMMUNICATIONS COMPANY L.P.
and
UNITED TELEPHONE-SOUTHEAST, INC.

OCTOBER 21, 1997 RESPONSE

In response to Dr. Austin Lyons, Dr. Chris Klein and Mr. Dennis McNamee's October 16, 1997 memo to the Directors, Sprint Communications Company L.P. and United Telephone-Southeast, Inc. (collectively referred to as Sprint) offer the following comments.

- **Comments on whether the new issues identified by the Staff for Phase 1 are appropriate. Those issues are 8d and e, 9a and f through k, and 15.**
- **Comment on the issues identified for Phase 2.**

Sprint has reviewed the Tennessee Regulatory Authority's list of issues defined for Phase I and Phase II. The new issues identified by the TRA Staff [8(d)-(e)] are appropriate for inclusion in Phase I. The preliminary costing issues outlined in item 9 are more appropriate for Phase II. Sprint's agrees with inclusion of item 15 in Phase I to determine whether access reform should be incorporated into Phase II and if so, how.

Sprint proposes item 21.a. be included in Phase I, "What base will be used to determine amounts paid into the system for support of the universal service fund?". This issue is interrelated to item 6 "What carriers/providers must provide support under a Tennessee universal service system?".

In addition, Sprint proposes inclusion of item 7 (a)(v) from the September 16, 1997 AT&T/BellSouth list of issues as issue 17.d. "What cost studies should be undertaken, and by whom, to determine if any such school and library discounts are receiving, or require, a subsidy? 7 (a)(v)"

- **A statement on each of the issues as to whether a settlement is possible or whether the issues can be handled by briefs alone i.e. - testimony at a hearing will not be necessary.**
- **Identification of issues of law and comments on the proposed briefing schedule.**

Sprint has noted on the attached matrix (Attachment A) whether it believes that settlement is possible in regard to each issue. The matrix indicates those areas where Sprint recommends that either briefs for issues of law or comments for issues of policy

would be helpful in reaching settlement. For those items likely to be contested, Sprint has indicated testimony would be necessary.

- **Comments on the schedule for completion of Phase 1 and Phase 2.**

Sprint agrees with the proposed schedule for Phase I (revised October 17, 1997) and Phase II of these proceedings.

- **Whether a response to Issue 16 could be delivered by November 14.**

While Sprint will be in a position to provide the information requested in issue 16 by November 14, Sprint recommends the following. As an alternative to help the TRA both to prepare for Phase II and to provide the FCC with comments related to cost methodology, Sprint recommends a Technical Workshop with proponents of the various Universal Service models providing specific documentation that would address each issue in Item 16 and the impacts of these various inputs in the models.

Such a workshop could include two half-day sessions with the first being an overview of the models and the second being an in-depth demonstration. Sprint would recommend the first week of December, 1997 for these workshop sessions to allow sufficient time for preparation in a coordinated effort by the parties and to allow time for the TRA to use information from the workshop for filing FCC comments. A Technical Workshop such as this would provide greater understanding of the documentation of the cost models. In addition, parties would have the benefit of hands-on experience with the models.

- **Whether a list of Access Charge Reform issues to be worked jointly with the Phase II issues could be delivered by November 14.**

Since Phase I will determine whether it is appropriate to include access reform in Phase II, it is premature to deliver a list of access charge reform issues by November 14.

**Universal Service Issues
Docket 97-00888**

I. Phase I - Non-Cost Issues	Phase I Issue Y/N	Settlement Possible Y/N	Testimony/ Brief/ Comments
1. Define and determine what services are to be supported by a Tennessee universal service support system? (Settlement possible)	Y	Y	
a. Do we use state or Federal defined services? 1(a)(i)			Brief
b. Should we provide support in addition to Federal mandated services? 1(a)(ii)			Comments
c. What are the universal service core elements? 5(a)(iii)			Brief
d. Does Tennessee Relay Center need to be addressed in this proceeding? 14(a)(iii)			Comments
e. Do public interest payphones, if determined to be necessary, need to be addressed in this proceeding? 14(a)(i), 14(a)(ii)			Comments
2. Will all carriers be able to provide all elements of universal service? 1(b)(i) (Settlement possible)	Y	Y (include Toll Control Waiver)	Comments
a. How should the TRA address "exceptional circumstances?" 1(a)(iii)			
3. What carriers/providers are eligible to receive support? (Settlement possible)	Y	Y	
a. What procedures will TRA use for designating ETC. 2(a)(ii)			Comments
b. Should those companies not under TRA authority be designated as an ETC? 2(a)(iv)			Brief
c. Should the TRA adopt the Federal advertising guidelines? 2(a)(v) and 2(a)(vi)			Brief
d. Should the TRA adopt the Federal facilities requirements? 2(a)(vii)			Comments
e. Must a carrier participate in this proceeding to be eligible for designation as ETC? 2(a)(xi)			Comments

	<u>Phase I Issue Y/N</u>	<u>Settlement Possible Y/N</u>	<u>Testimony/ Brief/ Comments</u>
f. What procedure is necessary to ensure that rural carriers satisfy notice of status requirement? 2(b)(vi)			Comments
4. Define carrier of last resort designation. (Likely to be contested)	Y	N	Testimony
a. Is this term still relevant? 2(a)(ix)			
b. If so, how do we designate? 2(a)(ix)			
c. Can a carrier of last resort withdraw service and if so how? 2(a)(x)			
5. Define service areas. (Settlement possible)	Y	Y (Clarify ETC Svc. Areas)	Comments
a. How does the TRA designate service areas for rural and nonrural areas? 2(a)(i)			
b. Should ETC and service area be the same? If not, what are alternatives? 2(a)(iii)			
c. Should rural carriers be required to file proposed service area and can others comment on that filing? 2(b)(ii)			
d. Determine if there are any unserved areas in Tennessee. 2(b)(i)			
6. What carriers/providers must provide support under a Tennessee universal service system? (Settlement possible)	Y	Y	Brief/ Issue of Law
a. Define telecommunications carrier. Is the TRA required to use the Federal definition? 3(a)(i)			

		<u>Phase I Issue Y/N</u>	<u>Settlement Possible Y/N</u>	<u>Testimony/ Brief/ Comments</u>
b.	Does state or Federal law require contributions or participation from carriers not under TRA authority? 2(a)(ii), 3(a)(ii)			
7.	How do we determine if rates are affordable? (Likely to be contested)	Y	N	Testimony
a.	If current rates are set using existing statutes, are rates considered affordable? 4(a)(iv)			
b.	Must the TRA use Federal standards for affordability? 4(a)(i)			
c.	If so, how do we gather information and apply the Federal standards in this case? 4(a)(ii) and 4(a)(iii)			
	[Issue appearing as 7(d) has been moved from 9(b)]			
d.	What is the proper territorial scope of universal service rates (e.g., statewide by carrier, by service area, or by category of support) 4(a)(v)	Y	Y	
8.	How does the TRA define implicit and explicit subsidies? (Likely to be contested)	Y	N	Testimony
a.	Determine definition. 4(a)(vi)			
b.	How does the TRA determine implicit subsidies in current rates? 4(a)(vii)			
c.	How does the TRA make implicit support explicit as defined by the Act and the FCC? 4(a)(viii)			
d.	What cost methodology should be used to determine existing implicit subsidies?			
e.	Should the TRA identify implicit subsidies by element or groups of elements?			
9.	Preliminary cost modeling issues. (Likely to be contested)	N	N	Testimony

	Phase I Issue Y/N	Settlement Possible Y/N	Testimony/ Brief/ Comments
a. Should universal service cost studies be company-specific or generic?			
b. [Issue appearing as 9(b) has been moved to 7(d)]			
c. What is the proper level to which deaveraging should be applied in the cost studies? 5(a)(v)			
d. Should rural and non-rural study areas be combined or separated in the cost studies? 5(a)(iv)			
e. Which network elements are necessary to provide services included in universal service? 5(a)(vi)			
f. Should universal service cost studies be based on cost studies for permanent UNE prices?			
g. Should costs be developed on a combined or intrastate basis?			
h. Should state specific or federal factors be used in the cost studies?			
i. Is it possible to create a hybrid model from the individually proposed models?			
j. Which network elements should be included in the revenue benchmark?			
k. What time period should be used to calculate the revenue benchmark?			
10. How should the TRA determine the basis for support for “low income consumers?” (Possible settlement for portions. Funding will be contested)	Y	Y	Comments
a. Should the TRA change its existing Lifeline program? 6(a)(ii)			
b. What standards and procedures should be adopted to address waiver requirements to the no-disconnect rule? 6(a)(iii)			
c. What funding mechanism should be adopted to fund Lifeline and Linkup? 6(a)(v) and 9(a)(iii)			

		Phase I Issue Y/N	Settlement Possible Y/N	Testimony/ Brief/ Comments
11.	What support in addition to the Federal support already adopted by the TRA should be provided to schools and libraries? (Likely to be contested)	Y	N	Testimony
	a. The TRA should state specifically what discounts are available in Tennessee and at what levels. 7(a)(i), 7(a)(ii) and 7(a)(iii) b. How does the TRA address pre-discount price complaints? 7(a)(iv)			
12.	What support should be provided to health care providers? (Settlement possible)	Y	Y	Comments
	a. Should the TRA provide support in addition to that provided for by the Act and the FCC? 8(a)(i) b. If so, who should pay for it and how? 8(a)(ii)			
13.	How should the TRA monitor provision of supported service to determine if support is being used as intended until competition develops. 2(a)(viii) (Likely to be contested)	Y	N	Testimony

		<u>Phase I Issue Y/N</u>	<u>Settlement Possible Y/N</u>	<u>Testimony/ Brief/ Comments</u>
	a. Does the TRA need cost allocation rules or accounting safeguards to determine that services supported do not bear more than a reasonable share of joint and common cost or otherwise unnecessarily subsidize a service? 9(a)(iv)			
14.	Are any changes in state laws or rules needed? 1(b)(ii) (Likely to be contested)	Y	N	Brief/ Issue of Law
	a. Is there a conflict between federal statute provision that universal service support should be explicit and the Tennessee statute requirement? 4(a)(ix)			
	b. How does the TRA reconcile state universal service statute with federal statute on “sufficient” universal service funding. 9(a)(i)			
	c. Will rules have to be changed to allow various regulatory schemes to provide for recovery of any universal service contributions? 11(a)(ii)			
	d. Will rules have to be changed to allow transition for carriers operating under various regulatory schemes? 12(a)(i)			
	e. If legislation is needed to appoint third party administrator it must be obtained. 13(a)(vi)			
15.	Should the access charge reform issues be incorporated into the schedule addressing Phase II of the universal service proceeding?	Y	N	Testimony

Phase II - Cost Issues

16.		Phase I Issue Y/N	Settlement Possible Y/N	Testimony/ Brief/ Comments
16.	What cost model or method should be adopted to calculate needed universal service supports? (Likely to be contested) 5(a)(vii), 14(b)(i) and 14(b)(ii) Note: the word “method” is used to mean “algorithm(s) and input value(s).”	N	N	Testimony (Workshop)
	a. What method should be used to population distributions within service areas?			
	b. What method should be used to match a model’s wire center line count to a LEC’s existing wire center line count?			
	c. What method should be used to determine the proper outside plant mix (i.e., the fractions of aerial, underground, and buried cable) and associated materials and installation costs?			
	d. What method should be used to determine drop lengths and associated costs?			
	e. What method should be used to determine structure sharing (e.g., poles, trenches, conduits)?			
	f. What method should be used to determine the most economically efficient fiber-copper cross-over point?			
	g. What loop design standards, if any, should be adopted for the cost model?			
	h. What size(s) of digital loop carriers should the model incorporate?			
	i. What wireless threshold, if any, should the model use?			
	j. What method should be used to determine the materials and installation costs of manholes, poles, anchors, guys, aerial cable, building attachments?			
	k. What method should be used to determine NID costs?			

<u>Phase I Issue Y/N</u>	<u>Settlement Possible Y/N</u>	<u>Testimony/ Brief/ Comments</u>
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- l. What method should be used to determine the cost of investment and installation of service area interfaces?
- m. What method should be used to determine cable fill and utilization factors?
- n. What method should be used to determine the mix of host, stand-alone, and remote switches?
- o. What switch capacity constraints, if any, should the model employ?
- p. What method should be used to determine switching investment costs?
- q. What method should be used to determine the portion of total interoffice trunking, signaling, and local tandem costs to be attributed to universal service?
- r. What method should be used to determine costs of general support facilities (e.g., vehicles, land, buildings)?
- s. What method should be used to determine the economic depreciation rate of assets?
- t. What method should be used to determine plant-specific (e.g., equipment and maintenance), non-plant-specific (e.g., engineering, network operations), customer service (e.g., marketing and billing), and corporate (e.g., legal and accounting) expense factors?
- u. In which cases is it appropriate to allocate costs between the provision of universal service and all other services?
- v. In cases where it is appropriate, what method should be used to allocate costs between the provision of universal service and all other services?
- w. What, if any, local usage component should be included in universal service support?
- x. What is the proper cost and percentage of equity?
- y. What is the proper cost of debt?

		<u>Phase I Issue Y/N</u>	<u>Settlement Possible Y/N</u>	<u>Testimony/ Brief/ Comments</u>
17.	How should cost model or methodology be applied? 5(a)(viii) (Likely to be contested)	N	N	Testimony
	a. What is the cost of universal service? b. How should cost be related to revenue benchmark and rates determined? 5(a)(ix) c. How will contracts between LECs be treated? 14(a)(v)			
	[Add BellSouth/AT&T Issue 7(a)(v)]			
	d. What cost studies should be undertaken, and by whom, to determine if any such schools and libraries discounts are receiving, or require, a subsidy? 7(a)(v)			
18.	During the transition period should rates be rebalanced? If so, how? (Likely to be contested)	N	N	Testimony
	a. How will the TRA handle financial effects on carriers who have been providing support to existing system? 12(a)(ii)			

Phase II - Administrative Issues

		<u>Phase I Issue Y/N</u>	<u>Settlement Possible Y/N</u>	<u>Testimony/ Brief/ Comments</u>
19.	Should the TRA adopt new quality of service standards? 1(a)(iv) (Standards are likely to be contested)	N	N	Comments
20.	How will affordability of rates be monitored in the future? (Likely to be contested)	N	N	Testimony
	a. Will the TRA want ongoing reports on subscribership levels, etc.? 4(a)(xi) and 4(a)(xiii)			
	b. Does the TRA need special procedures to hear complaints on affordability? 4(a)(xii)			
21.	What should be the sources, and the amount of, support in a Tennessee universal service support system? (Likely to be contested)	N	N	Testimony
	a. What base will be used to determine amounts paid into the system for support of the universal service fund? (i.e., end-user telecommunications revenues) 9(a)(ii) and 9(a)(v)	Y	N	Testimony
22.	How may universal service support contributions be recovered by the carriers/providers making them? (Likely to be contested)	N	N	Testimony

		<u>Phase I Issue Y/N</u>	<u>Settlement Possible Y/N</u>	<u>Testimony/ Brief/ Comments</u>
	a. Can carriers contributing to universal service fund recover those payments and if so how? 11(a)(i)			
23.	How should the transition from the current system to the new system take place. (Possible settlement)	N	Y	Brief / Issue of Law
	a. What standards and criteria should govern the transition? 12(a)(vi)			
	b. What information, cost studies, etc. should be gathered as transition occurs? 12(a)(iv) and 12(a)(v)			
24.	How and by whom should a Tennessee universal service support system be administered and monitored? (Likely to be contested)	N	Y	Comments
	a. Can providers that make both contributions and receive support off-set those in supporting the fund? 12(a)(iii)			
	b. Can TRA designate third party administrator or must it administer the fund itself? If so, how is administrator chosen? If not, should a division within agency be created? 13(a)(i), 13(a)(iii), and 13(a)(v)			
	c. What duties will be separated between administrator and the TRA Directors? 13(a)(iv)			
	d. Should the TRA determine the cost of personnel, equipment and facilities needed by the administrator and build that cost into universal service fund? 13(a)(ii)			

		<u>Phase I Issue Y/N</u>	<u>Settlement Possible Y/N</u>	<u>Testimony/ Brief/ Comments</u>
25.	How will the TRA make sure the universal service system is nondiscriminatory and competitively neutral? (Likely to be contested)	N	Y	Comments
	a. Does the TRA need to develop specific guidelines to ensure non-discrimination and neutrality? 10(a)(i) and 10(a)(ii) b. How should TRA handle complaints that system is discriminatory and not competitively neutral? 10(a)(iii)			
26.	When will universal service be addressed again? 14(a)(iv) (Settlement possible	N	Y	Comments