BEFORE THE WASHINGTON UTILITIES

AND TRANSPORTATION COMMISSION

UT-991737

In the Matter of Rulemaking Concerning Line Extension Tariffs	)))	INITIAL COMMENTS OF SPRINT CORPORATION

The following responses are offered by Sprint Corporation to the ?Notice of Opportunity to File Written Comments? issued by the WUTC November 19, 1999:

What should the purpose of line extension charges be?

The purpose of line extension charges should be to recover most of the cost of extending service to customers.

How should the ratemaking standards of ?fair, just, reasonable, and sufficient? be measured when applied to line extension charges?

Line extension applies when a residential customer?s location is outside the current service facilities of the provider. It is not fair to charge all customers for the facilities necessary to reach applicants who live in remote locations. The same issue arises with the extension of other utilities to individuals who live beyond the current service facilities of a provider. For example, an individual who chooses to build a residence far from a natural gas or water line may have to use propane or well water if the cost of providing utility service is prohibitive. In the same way, an individual may have to consider alternatives (or a different building location) when choosing a building site far from telephone facilities. Presumably, the cost of the property, or value, reflects the lack of available infrastructure. The purchaser should expect to bear most of the additional cost to acquire infrastructure, and not expect society to bear the full cost.

The standard allowance and generous financing terms included in Sprint?s tariff are designed to meet the ?reasonable? standard.

Even without a standard allowance, line extension charges are not always sufficient to cover the full cost of construction. However, under rate of return regulation, companies are allowed to set rates at levels that provide sufficient revenues to cover costs. Therefore, the combination of local rates, and line extension charges are sufficient to cover costs.

What are some of the pitfalls in the current line extension tariffs? What are some possible solutions?

Existing tariffs allow customers to avoid paying the full cost of extending infrastructure. While this may be justified for social policy reasons, such as the promotion of universal service, it may not be warranted for multiple lines[1], or for customers who do not need assistance., e.g., the proverbial millionaire who decides to live on a mountain top. One solution to this problem would be to limit the amount of subsidy one subscriber can receive.

Another pitfall is that sometimes the first resident in a new development may end up bearing the cost that should rightfully be borne by the developer and spread over several households. Sprint suggests that the terms and conditions for business line extensions and rural housing developments should be categorized as special construction rather than line extensions. This would help field personnel differentiate between the two applications.

How have companies traditionally recovered their full cost for line extensions? Are there other ways for companies to recover costs of line extension that

[1] Once any initial drop is installed, there may be no additional capital costs for a second line; however, if the customer later wants several more lines, then it is likely that additional capital expenditures will be required.

would reduce large costs to customers?

Companies typically do not recover their full cost for construction through line extension charges. Local rates are set to cover costs not recovered through non-recurring charges, such as line extension charges. Sprint?s tariffs allow the customer to pay line extensions over as long as 3 years to minimize the financial impact on customers.

What part, if any, of line extension does, or should, universal service mechanisms support?

On the whole, Sprint is satisfied with the recovery of line extensions provided in its current tariff, except that it would like to clarify the distinction between residential line extensions and special construction as noted in the response to question 3. Sprint believes that the universal service support fund should not be increased to support all line extension costs; however some support may be warranted in extreme circumstances.

If it is determined to be in the public best interest to recover some line extension charges through the universal service program, then a threshold might be set to establish eligibility. A cap could be set on the amount a primary residence should be expected to pay, with the remainder of the line extension costs being directly reimbursed to the telephone company by the universal service fund. The Commission would need legislative authority to implement a universal service program. Additionally, the current statutory definition of universal services would need to be revised. The state will need to ensure that the expanded definition of universal services is not inconsistent with the FCC, and that funding is sufficient to support definitions or standards that do not rely on or burden Federal universal service support mechanisms pursuant to Section 254(f) of the Telecommunications Act.

Can cost-recovery mechanisms be established that would allow a service provider, other than the local exchange provider, to extend service to rural areas in need of telephone service? What might they be?

Any provider should be able to provide service using the same cost recovery mechanisms as the incumbent local provider.

Is a uniform line extension policy appropriate?

Sprint believes the overall objective should be consistent; however, there are a number of factors that may affect companies or their customers differently, as indicated in the next question. Therefore, companies need some latitude to tailor their line extension tariffs to accommodate unique circumstances.

8. No two line extensions are alike. Variables include: whether an extension is in a rural or urban area; whether access to the community is controlled by a gate; whether the extension is in a development; the weather conditions; whether the residents face health concerns or physical challenges. Which of these, or other, variables are appropriate exceptions to a uniform line extension policy?

Sprint believes that developments should be treated differently, as explained in response to question 3. Social policy issues, such as whether the indigent or physically-challenged customers should be more fully subsidized are best addressed in the context of LINK-Up augmentation, or social service programs that are better equipped to assess need than telephone companies.

9. Should a rule that applies to large-size carriers apply to medium-size carriers? To small-size carriers?

Any rule that is created should be equitable and non-discriminatory so that no carrier is put at a competitive disadvantage. There may be factors that warrant flexibility in the line-extension tariffs, such as those suggested in question 8; however those factors tend to relate more to demographics and geography than to the size of the company providing service. Even large companies under rate of return regulation face capital constraints. Unlimited borrowing can drive up capital costs beyond what investors are willing to tolerate, or beyond what rate payers can be expected to bear.

Respectfully submitted this 10th of December, 1999 by

SPRINT CORPORATION

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