BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

UT-991535

In the Matter of the Cost Allocation	)	
Of the Consumer Education Plan	)	Comments of Sprint
For 564 Area Code Overlay	)	

Sprint Corporation, on behalf of United Telephone Company of the Northwest, Sprint Communications Company, L.P. and Sprint Spectrum L.P. (collectively, "Sprint") hereby submits the following comments in response to the Commission's February 1, 2001, Notice of Opportunity to File Comments concerning the cost allocation of the Consumer Education Plan for 564 Area Code Overlay.

I. Introduction

Sprint supports the need for a public education plan to ensure consumers are aware of the new dialing pattern required once the 564 overlay is implemented. Sprint is willing to undertake such an effort to educate its customers, but like any business, wants to make prudent decisions to manage the cost of such an effort. Basing the cost to each company on the number of telephone number prefixes (NXXs) held would result in an inequitable allocation of plan expenses. Additionally, it would result in an imprudent expenditure for Sprint compared to the cost Sprint would incur to put together its own communication plan in keeping with the goals approved by the Commission. The commission should give companies the opportunity to opt out of the industry plan and implement their own plan. If the Commission is unwilling to consider this alternative, then the Commission should not order an allocation of costs that would exceed what the company would expect to expend to implement its own education campaign.

Sprint asserts that companies should not be expected to expend advertising costs for education efforts on ten-digit dialing in eastern Washington, nor should such costs be allocated across the industry. Such efforts will only lead to customer confusion. Finally, Sprint supports the utilization of the Washington Independent Telephone Association (WITA) to collect and distribute the assessments ordered by the Commission for any industry effort that is undertaken as long as WITA is not held responsible for any amount it is unable to collect.

II. Method for allocating costs

Staff proposes that the cost allocator should meet the following criteria: it should rely upon verifiable, publicly available data that is non-confidential, and readily calculated. Further, it should be cost causative, shared by all service providers, and be competitively and technology neutral. While this criteria appears eminently reasonable, it is impossible to find an allocation basis that fulfills all of the requirements. For instance, access lines are verifiable and publicly available, but do not capture all providers since paging companies and cellular providers do not have access lines. Customer counts might be competitively neutral, but such information is not generally publicly available and most providers would consider it commercially sensitive and proprietary. Revenues might be publicly available, but are not cost-causative.

NXXs are verifiable, publicly available, and shared by all service providers but not competitively neutral. Even the fundamental premise that the cost allocation basis should reflect cost causation is problematic. Staff asserts that the demand for NXXs has been driven by new entrants, but certainly there is no denying that the proliferation of multiple lines ILECs have provisioned for modem, fax, and teen use has been a contributing factor to NXX exhaust. Sprint has seen no evidence to suggest that new entrants have had a greater impact on number exhaust than these other drivers.

Additionally, new entrants can hardly be blamed for the fact that they are required to order a 10,000 number block to serve a single customer. This is a limitation of the current technology. Some people might argue that certain new entrants have perpetuated the exhaust problem by hoarding NXXs; however, that issue is already being handled effectively by the WUTC staff through the authority granted by the FCC for states to recover unused and unneeded NXXs. Moreover, a disproportionate allocation of customer education costs to new entrants hardly seems the appropriate remedy for addressing the issue, and would unfairly penalize all new entrants because of a few offenders.

A cost allocation tied to NXXs is not competitively neutral and will result in the assignment of high and inequitable costs to those companies who do not yet have the high utilization ratios realized by incumbents. As Staff points out, it is clear that the amounts would vary significantly for some service providers. Utilization of prefixes is much higher for the major incumbent ILECs such as Qwest, Verizon, Century and United than it is for new CLEC market entrants. For example, using Staff's estimate of as much as 70% utilization of numbers for an NXX, and assuming 9,999 available numbers per NXX, the cost per customer at an assumed NXX allocated cost of $568 results in a per customer education cost of approximately $.08. However, for a company with an assumed utilization of 5%, the per customer cost would approximate $1.13. Clearly this disparity results in a per customer education cost of 14 times that of the incumbent and could place an unfair burden on new and smaller market entrants. Smaller companies and newer competitive market entrants should not be forced to subsidize the education costs of companies with a large subscriber base.

A. Companies should have the ability to ensure their customer education costs under an industry plan are not more expensive than their customer education costs would be without the industry plan

Rather than trying to find the perfect cost allocator, Sprint urges the Commission to give the companies the opportunity to opt out of the industry plan and implement their own customer education effort if it is more cost-effective.

In the past, the approach taken to cost allocation for area code relief education efforts resulted in expenditures Sprint considered prudent relative to what Sprint would have had to expend on its own. Until January 17, Sprint had no reason to believe that the current industry effort would result in significant expense assignment to Sprint. For instance, Staff's November 8, 2000 memorandum indicated that "*Qwest* plans to spend $1.5 million to produce and run the television, radio, and newspaper advertisements." (emphasis provided). In its January 31 memo, Staff again suggested that costs be allocated to companies based on NNXs, and Sprint began to realize that it could be expected to spend much more on the advertising effort than the advertising expenses it would need to incur absent an industry plan. Until the Commission decides what the allocation to each company will be, companies have no way to gauge whether it would be more cost effective to implement their own plan.

Even if the Commission denies companies the opportunity to opt out of the industry plan, any cost allocation method the Commission selects should take into account what a company can reasonably be expected to spend to educate its customers about 10-digit dialing. This consideration is consistent with the approach the Commission takes when considering the prudence of an ILEC's operating expenses in a test year. A company that expends ten times the going rate to procure a service, like operator service, would certainly be questioned about the prudence of the expenditure.

Likewise, a company that makes purchases that are not needed would be questioned. By the same token, a company should be allowed to compare the expense it would be expected to incur to participate in an industry plan with the expense the company would incur on its own. Companies that serve customers who already dial 10 digits, or serve customers who are unaffected by the new NXX, should not be expected to incur any expense to educate those customers. Such an effort would only lead to confusion, and the company would not incur the costs if it were to implement its own communication plan. Those companies that do serve customers who will need to be educated about 10-digit dialing, should meet their commitment to educate customers according to the guidelines the Commission has previously approved, and be allowed to do so in a prudent manner. A prudent company would avoid costs that are unnecessary such as advertising in papers outside the area impacted, and would reduce advertising costs by sharing such costs with other providers, to the extent possible.

B. Avoidable costs

According to the media plan developed by Qwest, approximately $174,000 is a cost that can be attributable to education efforts directed to customers in eastern Washington. The 564 area code overlay education efforts are primarily intended to inform customers about the need to dial ten digits in the area where seven-digit dialing was the normal dialing pattern. Customers in eastern Washington currently dial ten digits when dialing western Washington. Sprint contends that the costs of educating customers in eastern Washington on ten-digit dialing are unnecessary and would be confusing. When the 971 area code was implemented in Oregon, Tillamook customers read ads that led them to believe they would need to dial 10 digits on local calls. That misleading information generated a great deal of customer confusion.

If the Commission does not allow companies the opportunity to opt out of the industry plan, then Sprint requests that the costs of education efforts in eastern Washington be removed prior to assignment of the customer education plan expense.

If the Commission believes such an effort is necessary to inform customers that a new NXX is coming, it would be a relatively inexpensive matter for Sprint to notify its customers in eastern Washington using a bill message and press releases. Finally, it should be noted that the industry plan does not target Sprint's eastern Washington customers. The plan includes ad placement in national papers, which are too broadly targeted, and excludes ad placement in the newspapers that cover Sprint's customer base in the Yakima Valley and White Salmon.

III. Method for Allocation and Disbursement of the Assessments Ordered

Sprint supports WITA's offer to act as the billing agent to collect and distribute money for any industry effort to implement a consumer education program. It would be important to identify how costs are to be recovered and paid for in the event companies do not pay their assessment. WITA should not be held responsible for delinquent or unpaid assessments.

IV. Conclusion

Sprint supports the need for a Consumer Education Plan. Companies should be given the opportunity to opt out of the plan if it is more cost-effective to implement their own communication plan. In any event, companies should not be expected to incur costs that are higher than what they would incur by implementing their own communication plan. Finally Sprint supports the use of WITA to collect and distribute these funds as long as WITA is not held accountable for amounts they are unable to collect.

Respectfully submitted this 16th day of February, 2001.

SPRINT CORPORATION

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