

**BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

In the Matter of:)
)
MCI COMMUNICATIONS SERVICES, INC.;)
BELLATLANTIC COMMUNICATIONS, INC.;)
NYNEX LONG DISTANCE COMPANY; TTI)
NATIONAL, INC.; TELECONNECT LONG)
DISTANCE SERVICES AND & SYSTEMS)
COMPANY; AND VERIZON SELECT)
SERVICES, INC.)

COMPLAINANTS)

v.)
)
WINDSTREAM KENTUCKY WEST, INC.;)
WINDSTREAM KENTUCKY EAST, INC. –)
LEXINGTON; AND WINDSTREAM)
KENTUCKY EAST, INC. – LONDON)

DEFENDANTS)

RECEIVED

APR 24 2009

PUBLIC SERVICE
COMMISSION

Case No. 2007-00503

**RESPONSE OF SPRINT COMMUNICATIONS COMPANY, L.P., SPRINT SPECTRUM
L.P., NEXTEL WEST CORP., AND NPCR, INC. D/B/A NEXTEL PARTNERS**

Sprint Communications Company L.P., Sprint Spectrum L.P., Nextel West Corp., and NPCR, Inc. d/b/a Nextel Partners (collectively, "Sprint Nextel") files this response to the Commission Staff's First Information Request to Sprint Nextel dated March 30, 2009.

Request No. 1

Discuss the impact of the Defendants' current access charges upon Sprint Nextel's long-distance Kentucky retail customers. Provide cost comparisons to Sprint Nextel's long distance retail customers in five other Sprint Nextel Interexchange Carrier states.

RESPONSE: Windstream's current high Kentucky switched access charges impact Sprint Nextel as a carrier in several segments of today's telecommunications market. Sprint Nextel is a still a traditional wireline long distance carrier with retail customers located within Kentucky. Sprint Nextel is also a national provider of wireless voice services, a provider of wholesale voice-related services to cable providers who offer their retail customers telephony services in Kentucky, and Sprint Nextel is a provider of wholesale long distance services to other carriers who have retail customers in Kentucky. In the operation of these businesses, Sprint Nextel incurs

intrastate switched access charges from origination and termination of non-local voice services to Windstream customers. Windstream’s high switched access rates burden each of these businesses and the customers each serve with higher costs than is necessary or appropriate. Throughout the country, state regulatory bodies are again reviewing the access charges of Incumbent Local Exchange Carriers (“ILECs”) and Competitive Local Exchange Carriers (“CLECs”). Carriers who incur these continuing high intrastate switched access rates as a cost of offering their retail wireline and wireless services in competition with the very same carriers like Windstream who charge the high access rates can not wait for the FCC to complete its comprehensive access reform and therefore must actively pursue reform on a state-by-state basis as Sprint Nextel, Verizon and AT&T are doing in this case.

Sprint Nextel’s average intrastate switched access cost per minute charged by the three Kentucky Windstream LECs is [Begin Confidential] [REDACTED] [End Confidential] which is higher than Sprint’s national average intrastate switched access cost.

The following chart shows the average intrastate switched access rate Sprint Nextel expects to pay to all LECs in six states in which Windstream has significant operations. The states shown are the states where Windstream has its most working loops as reported in USAC HC05 High Cost Loop Support by State by Study Area Code for the 2nd quarter of 2009.

[BEGIN CONFIDENTIAL]

	<u>Windstream Working Loops</u>	<u>Statewide Intrastate Access Rate</u>
KY	463,375	\$ [REDACTED]
GA	444,700	\$ [REDACTED]
TX	388,923	\$ [REDACTED]
OH	263,888	\$ [REDACTED]
NE	228,528	\$ [REDACTED]
PA	203,846	\$ [REDACTED]
NC	203,404	\$ [REDACTED]

[END CONFIDENTIAL]

Request No. 2

Quantify the effect of Sprint Nextel’s proposed reduction of access charges on retail long distance rates of Sprint Nextel and other carriers in market.

RESPONSE: Sprint Nextel proposes that Windstream’s aggregate intrastate switched access rate in Kentucky be capped at the same level as its interstate aggregate per-minute rate. Sprint Nextel anticipates that the effect of such a determination will be an annual savings on intrastate

switched access of approximately [BEGIN CONFIDENTIAL] \$ [REDACTED] [END CONFIDENTIAL]. This savings will accrue to each of the business segments (e.g., wireline retail and wholesale long distance, wireless, cable wholesale business) of Sprint Nextel's Kentucky operations discussed in the response to Request No. 1, above.

- a. Will a reduction of the Defendants' access charges provide a windfall for long-distance providers, including Sprint Nextel, instead of resulting in a corresponding reduction in the rates that consumers pay for long-distance?**

RESPONSE: No. The reductions in intrastate switched access rates will reduce input costs of all carriers that must pay Windstream's access rates. These savings will be realized by carriers operating in competitive markets. Retail long distance, wholesale long distance, wireless and cable telephony services are all deemed competitive services in today's telecommunications market. That means regulators have determined that the market for such services is sufficiently competitive to permit market forces to control the prices of services offered in that market. Regulation is no longer necessary to control prices. In competitive markets, market forces exert downward pressure on retail prices to reflect the providers' reduced input costs. Further, lower input costs encourage the entry of new competitors in an efficient market. Consumers benefit from lower prices and more competitive choices. This is basic economic theory and the law of supply and demand. There is no need to regulate the flow-through of switched access reductions to retail customers.

- b. Propose the methodology that should be used by the Commission to implement a reduction in the Defendants' access rates to avoid a windfall to long-distance providers while simultaneously allowing for reduced long-distance rates for consumers.**

RESPONSE: As stated above, Sprint does not believe the Commission needs to implement any methodology to avoid a windfall. The competitive markets will ensure that result does not occur.

Request No. 3

Provide details about the rate of Sprint Nextel's retail subscriber loss in Kentucky attributed directly to the Defendants' access rates for the most recent ten calendar years.

RESPONSE: Sprint Nextel as a provider of retail wireline long distance service without affiliated ILEC operations has noted the trend in long distance subscriber loss due to a number of factors, including much greater competition from combined ILEC/IXCs like Windstream who can leverage the high intrastate switched access rates they charge their competitors in order to offer their own retail bundled local and long distance services at a comparatively lower rate to their own local subscribers. A large part of their ability to do so stems from the fact that the ILEC's local operation revenues from switched access offsets any such costs associated with the long distance portion of the bundle. Sprint Nextel does not possess any detailed information on the rate of Sprint Nextel's retail subscriber loss in Kentucky attributed directly to Windstream's access rates.

Request No. 4

On November 5, 2008, the Federal Communications Commission (“FCC”) released a Further Notice of Proposed Rulemaking in *In re: Developing a Unified Intercarrier Compensation, CC Docket No. 01-92, et al.*, that, among other things, proposed a reform of inter-carrier compensation including access charges on the intrastate level.

- a. Did Sprint Nextel provide any comments to the FCC in response to the petition?**

RESPONSE: Yes. Sprint Nextel filed comments in response to the FCC’s FNPRM.

- b. If so please provide copies of those comments.**

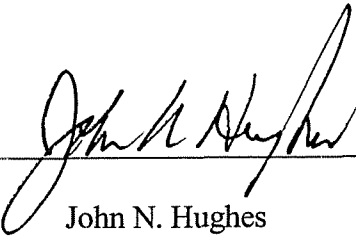
RESPONSE: Sprint Nextel’s comments are attached by link to the FCC.

http://fjallfoss.fcc.gov/prod/ecfs/retrieve.cgi?native_or_pdf=pdf&id_document=6520188246

- c. Is anything proposed by the FCC contradictory to Sprint Nextel’s position in this proceeding before the Kentucky Commission?**

RESPONSE: Sprint has consistently advocated for reductions in switched access charges within the states and at the FCC. The requested remedy, however, is not always the same. Sprint ultimately believes that traffic governed under 47 U.S.C. Section 251(g) (both interstate and intrastate access traffic) should be transitioned to the cost standard that governs local traffic termination today (47 U.S.C. Section 251(b)(5)). Historically, the cost standard for traffic termination under Section 251(b)(5) has been Total Element Long Run Incremental Cost (“TELRIC”) as defined in 47 C.F.R. Section. 51.505, which includes a reasonable allocation of forward-looking common costs and forward-looking cost of capital. But the FCC in its NPRM signaled a new cost standard for traffic termination that would include only the incremental cost of terminating one more minute on the terminating carrier’s network. It is believed this cost standard will yield a cost of terminating traffic, whether traditional access traffic or local traffic, that approaches zero. Sprint believes this standard articulated by the FCC, rather than TELRIC, is the appropriate cost standard for terminating all traffic, including intrastate access traffic and ultimately all traffic rates should be set at this level. Nonetheless, in this proceeding Sprint is not requesting intrastate access rates to be based upon this cost standard. Setting Windstream’s intrastate access rates equal to its per-minute interstate access rates would be significant step toward the ultimate goal Sprint articulated in its most recent comments in CC Docket 01-92. Sprint Nextel intends to discuss this further in its pre-filed testimony and at the hearing in this matter.

This 24th day of April, 2009.



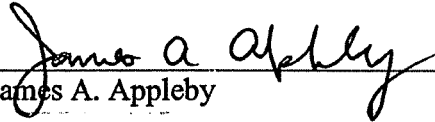
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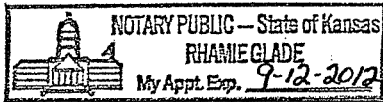
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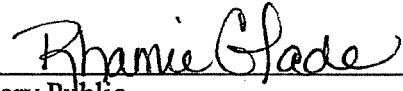
STATE OF KANSAS)
)
COUNTY OF JOHNSON)

I, James A. Appleby, Regulatory Policy Manager for Sprint Nextel Corporation located at 6450 Sprint Parkway Overland Park, Kansas 66251, being first duly sworn on oath, depose and state that I supervised the preparation of the foregoing responses to Commission Staff's First Information Request to Sprint Communications Company L.P., Sprint Spectrum L.P., Nextel West Corp., and NPCR, Inc. d/b/a Nextel Partners (collectively, "Sprint Nextel") in Case No. 2007-00503 and that the responses are true and correct to the best of my knowledge, information and belief.


James A. Appleby

SWORN TO AND SUBSCRIBED BEFORE ME this the 23th day of April, 2009.




Notary Public

My Commission Expires:

9-12-2012