

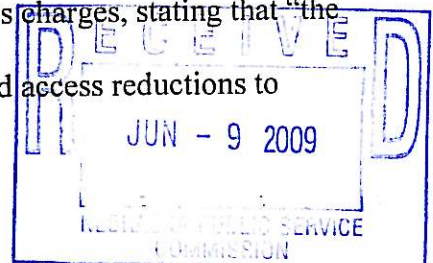
BEFORE THE NEBRASKA PUBLIC SERVICE COMMISSION

In the Matter of the Nebraska)	Application No. C-4145/
Public Service Commission on its)	NUSF-74/
own motion to conduct an)	PI-147
investigation on intrastate)	
switched access charge policies)	REPLY COMMENTS OF
and regulation codified in <u>Neb.</u>)	SPRINT NEXTEL ON
<u>Rev. Stat.</u> Section 86-140)	ORDER OPENING DOCKET AND
)	SEEKING COMMENT

Sprint Communications Company L.P., Sprint Spectrum L.P., Nextel West Corp., and NPCR, Inc. d/b/a Nextel Partners, collectively, "Sprint Nextel," hereby submits its reply comments in the above-captioned matter. In its initial comments, Sprint Nextel showed that intrastate access rates in Nebraska are above cost, even at current levels, and need to be further reduced. As a first step, state access charges should be reduced to interstate access levels, and in the long run the Commission should ensure that rates are based on forward-looking economic costs. In these reply comments Sprint Nextel rebuts two arguments made by incumbent local exchange carriers: (1) any reduction in switched access charges will require that ILECs be allowed some revenue neutral way of recovering the reduction; and (2) above-cost access charges are necessary to ensure full cost recovery.

I. REVENUE NEUTRAL INCREASES TO OTHER RATES ARE NOT AUTOMATICALLY NEEDED TO OFFSET ACCESS REDUCTIONS

In its comments, Qwest argues that ILECs should be allowed to make revenue neutral increases to other rates to offset any reductions in access charges, stating that "the Commission still needs to allow any LEC impacted by switched access reductions to



recover the lost revenue through other sources.”¹ The argument that ILECs need to automatically raise some other rates to offset any access rate reductions is wrong for several reasons.

First, rates for all ILEC services should be based on economic cost, as they would be if there were competitive markets for all such services. If the rates for one ILEC service – access – were to be set at cost, that would not justify setting rates for a different ILEC service above cost. The Commission has already determined that the amount of universal service that carriers should receive should be based on their cost. It should extend that conclusion to access services and take steps to bring those services to cost as well. As a first step, it should bring access service rates to the same level as interstate access rates, as Sprint Nextel advocated in its comments.²

Second, while setting rates for all services at economic cost is necessary to send the proper signals to both consumers and potential competitors, setting rates for access services at economic cost is even more important to prevent the a local exchange carrier’s monopoly³ control of the access market from distorting the market for long distance. Thus, access charges must be set at economic cost.

Finally, automatically offsetting any access reductions with revenue neutral increases in other rates may well perpetuate above cost rates for some services. If all rates except access were set at cost, reducing access rates to cost would not require an increase in other rates. If rates other than those for access are also set above cost, then further increasing one or more of those rates to offset a reduction to cost of access would

¹ Qwest Comments at 8 of 10.

² See Sprint Nextel Comments at 4.

³ Once a carrier has obtained the local customer, any other carrier who wishes to terminate a call to that customer must use access services of that carrier.

simply drive those rates further away from cost and further distort the market signals provided to consumers and competitors.

II. ABOVE COST ACCESS CHARGES ARE NOT NECESSARY TO ENSURE FULL COST RECOVERY

Some carriers argue in their comments that above cost access charges may be necessary to keep local service retail rates affordable.⁴ This argument ignores an important fact.

The ILECs' networks can be used to provide many services and new services are always being developed. Initially, ILEC networks could be used to provide only voice related services such as local and long distance calling. Over time, the ILECs have identified and offered many additional services – alarm services, broadband via digital subscriber line, features such as Caller ID or Call Waiting, to name a few – using their networks, and the prices for these new services will include a contribution to the joint and common costs of the network. Allowing the ILECs to set rates for existing services such as access above costs will blunt the incentive for the ILECs to develop and market these new services to consumers.

III. CONCLUSION

As Sprint Nextel argued in its comments in this proceeding, intrastate access charges should be based on the forward-looking economic costs of providing the service, which are the incremental costs to the ILEC of providing intrastate access. When the Commission moves access charges to cost, it should not permit the ILECs to automatically adjust other rates in a revenue neutral manner to offset this reduction, for

⁴ See, e.g., Embarq Comments at 5; Frontier Comments at 1-2.

the simple reasons that doing so (1) will distort markets signals to both consumers and competitors, (2) will likely be unnecessary to ensure that the ILEC is kept financially whole, and (3) will blunt the ILECs incentive to offer new products that consumers will want to buy.

Respectfully submitted this 9th day of June, 2009.

SPRINT NEXTEL

By: 

Loel P. Brooks - #15352
Brooks, Pansing Brooks, PC, LLO
1248 "O" Street, Suite 984
Lincoln, NE 68508
(402) 476-3300
lbrooks@brookspanlaw.com

Diane C. Browning
Counsel, State Regulatory Affairs
Mail Stop KSOPHN0212-2A411
6450 Sprint Parkway
Overland Park, Kansas 66251
(913) 315-9284
diane.c.browning@sprint.com

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 9th day of June, 2009, one original, one paper copy and one electronic copy of the Reply Comments of Sprint Nextel on Order Opening Docket and Seeking Comment in Application No. C-4145/NUSF-74/PI-147 were delivered to:

Nichole Underhill
Legal Counsel
Nebraska Public Service Commission
1200 N Street
300 The Atrium
Lincoln, NE 68509-4927

Jack L. Shultz
Harding & Shultz, PC, LLO
800 Lincoln Square
121 South 13th Street
P.O. Box 82028
Lincoln, NE 68501-2028

Paul Schudel
Woods & Aitken, LLP
301 South 13th Street, Suite 500
Lincoln, NE 68508

Jill Vinjamuri-Gettman
Gettman & Mills, LLP
10250 Regency Circle, Suite 200
Omaha, NE 68114

Timothy J. Goodwin
Qwest Corporation
1801 California, Suite 1000
Denver, CO 80202

William E. Hendricks
United Telephone Company of the West
d/b/a Embarq
902 Wasco Street
Hood River, OR 97031

Kevin Saville
Frontier Communications
2378 Wilshire Blvd.
Mound, MN 55364

Troy Kirk
Rembolt Ludtke, LLP
1201 Lincoln Mall, Suite 102
Lincoln, NE 68508


Steve Meradith
Windstream Communications
1440 M Street
Lincoln, NE 68508

Steven G. Seglin
Crosby Guenzel, LLP
134 South 13th Street, Suite 400
Lincoln, NE 68508

Thomas Dixon
MCI Communication Services, Inc.
d/b/a Verizon Business Services
707 17th Street, 40th Floor
Denver, CO 80202

Deonne Bruning, PC, LLO
2901 Bonacum Drive
Lincoln, NE 68502

Melanie N. McIntyre
AT&T
4300 Market Pointe Drive, Suite 350
Bloomington, MN 55435



Loel P. Brooks