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2005 APR 18 P 2:19

AZ CORP COMMISSION
DOCUMENT CONTROL

April 15, 2005

Arizona Corporation Commission
DOCKETED

APR 18 2005

VIA OVERNIGHT DELIVERY

DOCKETED BY 

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

**RE: SPRINT'S RESPONSES TO ACC STAFF'S FIRST SET OF DATA REQUESTS
DATED APRIL 11, 2005 IN DOCKET NO. T-02432B-04-0903**

Dear Docket Officer:

Enclosed please find an original and 13 copies of Sprint Communications Company L.P.'s responses to the Commission Staff's First Set of Data Requests in the above-referenced matter.

Please do not hesitate to contact me should you have any questions in this regard.

Sincerely,

Eric S. Heath

ESH:km

Enclosure

cc: Adam Lebrecht, Executive Consultant I, ACC
Steve Duffy, Esq.
File

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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission
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**IN RE SPRINT/BLACKSTONE LATINO
PREPAID PHONE CARD AND THE
SPRINT/BLACKSTONE ASIAN PREPAID
PHONE CARD PAYPHONE
SURCHARGE AND CAP**

DOCKET NO. T-02432B-04-0903

**SPRINT COMMUNICATIONS COMPANY L.P.'S
RESPONSES TO ACC STAFF'S FIRST SET OF DATA REQUESTS**

Sprint Communications Company L.P. ("Sprint") hereby submits its responses to the ACC Staff's First Set of Data Requests dated April 11, 2005 in the above-captioned matter.

PRELIMINARY STATEMENT

In responding to the discovery herein, Sprint does not concede the relevancy, materiality, or admissibility of any information or documents sought by the requests or of any response thereto. Sprint's responses are made subject to, and without waiver of, any questions or objections as to the competency, relevancy, materiality, privilege or admissibility as evidence or for any other purpose, of any of the documents and information referred to herein. These

responses are made on the basis of information presently known to Sprint at the time the responses were provided, and are made without prejudice to Sprint's right to amend and/or supplement such responses.

GENERAL OBJECTIONS

Sprint makes the following general objections to Staff's First Set of Data Requests. Unless otherwise specified, each of the following General Objections is continuing, and is incorporated in response to each request propounded by Staff, as if fully set forth therein.

1. Sprint objects to each and every data request to the extent it purports to seek information or documents that are protected from disclosure by the attorney-client privilege or attorney work product doctrine.

2. Sprint objects to each and every data request to the extent Staff seeks information or documents that are confidential, proprietary and/or trade secret information protected from disclosure. Without waiving any right to object to specific data requests on such grounds, to the extent Sprint produces responsive information, the information and documents will only be provided pursuant to a suitable protective order signed by Staff, and all persons to whom documents are provided.

3. Sprint objects to the Requests to the extent that they seek documents or information equally available to Staff through public sources or records, on the grounds that it subjects Sprint to unreasonable and undue annoyance, oppression, burden and expense.

SPRINT RESPONSES

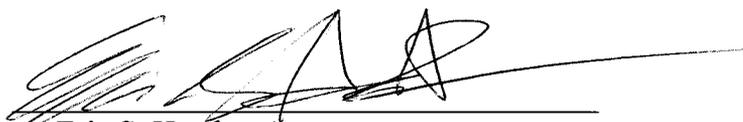
Subject to the foregoing, Sprint provides the attached responses to ACC Staff's First Set of Data Requests dated April 11, 2005 in the above-captioned matter.

Dated this 15 day of April, 2005.

Respectfully submitted,

SPRINT COMMUNICATIONS COMPANY L.P.

By



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**SPRINT'S RESPONSE TO
STAFF'S FIRST SET OF DATA REQUESTS FOR
DOCKET NO. T-02432B-04-0903**

1. The FCC's Payphone Order (The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, Report and Order, Docket No. 96-128, 11 FCC Rcd 20,541 (1996)) provides that an IXC may recover its costs for administering and paying compensation to payphone service providers (PSPs). Please explain in as much detail as possible how the Applicant arrived at \$1.50 ($\$2.00 - \$0.494 = \1.50) in maximum administrative costs associated with each payphone surcharge. Also, please explain in as much detail as possible how administrative costs are currently \$0.70 ($\$1.20 - \$0.494 = \0.70).

Response:

Based on the ACC Staff's question it appears Sprint may not have clearly described the purpose of the payphone surcharge in association with the prepaid phone card surcharge filing. To clarify: Sprint does not make the claim that the maximum administrative costs associated with its payphone surcharge are \$1.50. Sprint prefers to set its initial maximum rate for service at a level above the initial approved rate in the order to provide pricing flexibility as Sprint's costs and regulatory requirements change over time. Sprint believes the Arizona Administrative Code anticipates and condones providing competitive providers with pricing flexibility so as to avoid the cumbersome filings associated with a request to increase maximum rates. (See, A.A.C. § R14-2-1104 and - 1105). This will ultimately result in saving both time and effort for the Commission and Sprint if, and when, Sprint requests a future rate increase for the service.

In addition, Sprint believes its track record demonstrates no history or pattern of raising the rate to the maximum level shortly after gaining approval for the maximum rate level. Further, Sprint is willing to offer assurances to the ACC that it will only increase its payphone surcharge if it experiences increased costs or if the FCC changes the allowable surcharge amount. Although Sprint believes that the \$2.00 maximum rate is a reasonable and justifiable ceiling, it has no intention of raising the payphone surcharge rate to \$2.00 in the foreseeable future.

As Staff indicates in its data request, the \$1.20 Payphone Surcharge rate for both the Sprint/Blackstone Latino Prepaid Phone Card and the Sprint/Blackstone Asian Prepaid Phone Card reflects a competitive retail payphone surcharge rate necessary to retire the cost associated with the \$0.494 rate, which went into effect on September 24, 2004 with the FCC's order issued in CC Docket No. 03-225; FCC 04-182. The cost retirement analysis attached as Exhibit 1 substantiates the proposed new rate.

EXHIBIT 1

SPRINT COMMUNICATIONS COMPANY L.P. RESPONSE TO ACC DATA REQUEST IN DOCKET NO. T-02432B-04-0903

In response to the August 26, 2004 FCC order that more than doubled the payphone compensation cost for dial-around calls from payphones in the U.S., Sprint has generally established payphone surcharge increases to ensure that the dollar value of "cost retirement" generated from the payphone surcharge is equivalent to the new payphone compensation cost of \$0.494.

The "cost retirement" in this case is determined by multiplying the number of minutes decremented for a payphone call (breakage) by Sprint's variable minute-driven cost which is \$0.024 per minute on average.

Following is one example to illustrate how Sprint factored the increase in the payphone compensation cost to arrive at the increase in retail payphone surcharge. In this example, the retail payphone surcharge before October 1, 2004, the effective date of the increase, was \$0.60 and the retail rate per minute is \$0.06.

In this scenario, \$0.60 is decremented from a card for a payphone call, which is equivalent to 10 minutes ($\$.60 / \$.06$). This creates 10 minutes of breakage that Sprint will not have to process, thus retiring \$0.24 of cost (10 minutes x \$0.024/min). The \$0.24 cost retirement is equivalent to the \$0.24 dial around compensation cost owed to the payphone owner.

When the cost to the payphone owner increased to \$0.494, the decrement must increase to cover the additional cost. In order to retire cost equivalent to the dial around compensation cost, Sprint must decrement enough minutes to drive a cost savings of \$0.494. This is determined by dividing the \$0.494 dial around compensation cost by the \$0.024/min variable cost:

$$\$0.494 / \$ 024 = 20.58 \text{ minutes}$$

minutes must be decremented for a payphone call in order to retire costs equivalent to the dial around compensation cost. With a \$0.06 per minute retail rate, this means the payphone surcharge now needs to be \$1.235 (20.58 minutes x \$0.06/min).

$$\text{Illustrated in reverse: } 20.58 \text{ minutes} \times \$0.024/\text{min} = \$0.494.$$