

## **Sprint Local Telephone Companies**

### **Tariff F.C.C. No. 3**

### **Transmittal No. 225**

#### ***Description and Justification***

The Sprint local telephone companies (Sprint LTC) hereby submit the following information in support of the accompanying tariff filing, as required by Sections 61.38 and 61.49(f)(3) of the Federal Communications Commission's Rules and Regulations.

This filing is being made on 15 days' notice under the Federal Communications Commission's streamlined filing procedures, and add rates offering frame relay customers the option of ordering a PVC with a committed information rate of 384 kbps in the state of Ohio.

#### ***1.0 Frame Relay Service***

Sprint LTC currently offers Frame Relay Service (FRS) in the state of Ohio. In order to better accommodate the frame relay needs of customers, this filing proposes to add frame relay rates for Permanent Virtual Circuits (PVCs) with a committed information rate of 384 kbps. Exhibit 1-1 displays the material investment and labor associated with the provision of the proposed PVC component. The annual cost is determined by applying company specific factors for maintenance and income taxes. Depreciation is based on straight-line depreciation of the net material investment over the estimated life of the investment. Return is calculated at 11.25% and applied to the average investment amount over the estimated location life. The annual cost is divided by 12 to produce the monthly direct cost floor. The proposed rates are set above the direct cost floor at a level that ensures recovery of an appropriate amount of overhead costs.

The nonrecurring charge is also displayed on Exhibit 1-1 and is designed to recover the upfront installation and engineering labor cost associated with the provision of the requested service arrangement.

The forecasted demand for each rate element is based on customer requests for this service and is displayed in Exhibit 1-2.

## ***2.0 Conclusion***

The Sprint local telephone companies are submitting the accompanying tariff revisions in response to customer requests for the proposed services, and in accordance with the Commission's Rules governing the provision of interstate access services. The rates and charges proposed in this filing are demonstrated to be fully cost-based and reasonable, and are supported, where required, by exhibits detailing cost and rate development, along with a showing of prospective demand.

**Company: Sprint Local Telephone Companies - Ohio**

**Rate Element: Frame Relay - Permanent Virtual Connection (PVC) - 384 Kbps**

**A. Investment**

1. Circuit Equipment Investment	\$	182.02
2. Outside Plant Investment	\$	-
3. Total Investment Cost (Line 1 + Line 2)	\$	182.02
4. Net Salvage Value - Material	\$	-
5. Net Installed Cost (Line 3 - Line 4)	\$	182.02

**B. Annual Cost**

		% Total Investment
6. Depreciation	\$ 16.55	9.09%
7. Other Direct Expense	\$ 14.56	8.00%
8. Maintenance	\$ 3.95	2.17%
9. Return	\$ 12.37	6.79%
10. Federal and State Tax	\$ 7.61	4.18%
11. Total Annual Cost (Line 6 thru Line 10)	\$ 55.03	30.23%

**C. Customer Installation Cost**

	Hours	Labor Rate	
12. Engineering Labor	0.00	\$ -	\$ -
13. Installation Labor	0.17	\$ 53.80	\$ 8.96
14. Total Labor (Line 12 + Line 13)			\$ 8.96

**D. Pricing**

**15. Proposed Nonrecurring Charge \$ 25.00**

**16. Monthly Direct Cost PRICE FLOOR \$ 4.59**

**17. PROPOSED MONTHLY RATE: \$ 75.00**

<u>Direct Cost/ Unit Invest</u>	<u>Direct Cost/ Rate</u>
0.3023	0.0611

Interstate Access Rate Development

Forecasted Demand

**Company: Sprint Local Telephone Companies - Ohio**

**Rate Element: Frame Relay - Permanent Virtual Connection**

	<u>Year 1</u>	<u>Year 2</u>
<b>384 kbps CIR</b>	3	6