

Sprint Local Telephone Companies

Tariff F.C.C. No. 3

Transmittal No. 253

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 adds rates offering frame relay customers the option of ordering a PVC with a committed information rate of 512 kbps in Sprint LTC's Southeast jurisdiction (South Carolina, Tennessee and Virginia). In addition, this filing introduces a promotional offering waiving the nonrecurring charges when a customer installs a new Sprint Custom Access SolutionsSM arrangement under a three year minimum service period from March 5, 2005 through May 31, 2005.

1.0 Frame Relay Service

Sprint LTC currently offers Frame Relay Service (FRS) in the states of South Carolina, Tennessee and Virginia. 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 512 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 Sprint Custom Access SolutionsSM Promotion

In order to stimulate the sale of Sprint Custom Access SolutionsSM (SCAS) arrangements, Sprint LTC is introducing a limited time promotional offering whereby the nonrecurring charges associated with SCAS will be waived for customers who install a new SCAS arrangement under a three year minimum service period. To be eligible for the promotional offering, customers must place the order for SCAS from March 5, 2005 through May 31, 2005. In the event the customer terminates its SCAS arrangement prior to the expiration date of the three year minimum service period, any nonrecurring charges waived under this promotion will be included in the calculation of the customer's termination liability charges.

3.0 Conclusion

The Sprint local telephone companies are submitting the accompanying tariff revisions 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 - Southeast (South Carolina, Tennessee, Virginia)

Rate Element: Permanent Virtual Connection (PVC) - 512.0 kbps Committed Information Rate (CIR)

A. Investment

| | | |
|--|----|--------|
| 1. Circuit Equipment Investment | \$ | 294.23 |
| 2. Outside Plant Investment | \$ | - |
| 3. Total Investment Cost (Line 1 + Line 2) | \$ | 294.23 |
| 4. Net Salvage Value - Material | \$ | - |
| 5. Net Installed Cost (Line 3 - Line 4) | \$ | 294.23 |

B. Annual Cost

| | | <u>% Total Investment</u> |
|---|----------|-------------------------------|
| 6. Depreciation | \$ 27.76 | 9.43% |
| 7. Other Direct Expense | \$ 12.38 | 4.21% |
| 8. Maintenance | \$ 4.38 | 1.49% |
| 9. Return | \$ 19.88 | 6.76% |
| 10. Federal and State Tax | 4.31% | 0.01% |
| 11. Total Annual Cost (Line 6 thru Line 11) | \$ 64.44 | 21.90% |

C. Customer Installation Cost

| | <u>Hours</u> | <u>Labor Rate</u> | |
|-------------------------------------|--------------|-------------------|---------|
| 12. Engineering Labor | 0.00 | \$ 54.73 | \$ - |
| 13. Installation Labor | 0.17 | \$ 43.44 | \$ 7.24 |
| 14. Total Labor (Line 13 + Line 14) | | | \$ 7.24 |

D. Pricing

| | | | |
|-----|------------------------------|-------------|---------|
| 15. | Proposed Nonrecurring Charge | \$ | 10.00 |
| 16. | Monthly Direct Cost | PRICE FLOOR | \$ 5.37 |
| 17. | PROPOSED MONTHLY RATE: | \$ | 15.00 |

| | |
|-------------------------------------|------------------------------|
| <u>Direct Cost/ Unit Invest</u> | <u>Direct Cost/ Rate</u> |
| 0.2190 | 0.3580 |

Forecasted Demand

Company: *Sprint Local Telephone Companies - Southeast (South Carolina, Tennessee, Virginia)*

Rate Element: *Permanent Virtual Connection (PVC) - 512.0 kbps Committed Information Rate (CIR)*

Year 1 Demand

2

Year 2 Demand

4