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State of Florida



Public Service Commission

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COMMISSION
CLERK

-M-E-M-O-R-A-N-D-U-M-

DATE: September 21, 2005
TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director
FROM: Kiwanis L. Curry, Regulatory Analyst I, Division of Competitive Markets & *KLC*
 Enforcement
RE: Docket 050551-TP

Please add the attached to the docket file.

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08941 SEP 21 05

FPSC-COMMISSION CLERK

Florida Public Service Commission

Honorable Commission Members;

SEP 15 2005

I urge you to review, in detail, the proposed spin-off of Spint's Local Telecom division into a stand alone company, particularly the arbitrary assignment of exorbitant amounts of debt to the new Local Company. My belief is that the spin-off is being designed to create the maximum benefit to Sprint/Nextel, at the expense of the new Local Company and its rate payers.

A close examination will show the following to be true:

1. Over the past 5 years, Sprint has significantly decreased its annual capital investment in its local telecom division, while dramatically increasing capital expenditures in its other business units.
2. A majority of the assets purchased with the debt assigned to the Local Company are being retained by Sprint/Nextel after the spin-off. In effect, without having to file bankruptcy, Sprint/Nextel is being allowed to discharge a significant portion of its debt obligations to the new Local Company, without giving them ownership of the assets purchased with the debt. For example: the Sprint campus headquarters, wireless licenses, the buildout of the long distance and wireless networks, etc.
3. Although I have not seen the figures regarding the distribution of cash-on-hand, my guess is that the Local Company is receiving a disproportionately low percentage of the cash-on-hand, while being assigned an unjustifiably large amount of debt.
4. After the spin-off, the new Local Company will become a very weak provider of local service. Their ability to provide high quality customer service and enhanced network services will be severely compromised. Their ability to negotiate volume discounts with vendors will be diminished, and the cost to borrow capital will increase significantly since the credit rating agencies have indicated they will rate the new Local Company either junk status, or one step above junk status. Sprint/Nextel has set itself up to enjoy a much higher credit rating. The new Local Company is being set up to become the next Quest, with poor market value, poor service, little opportunity to compete in the market place, and no prospects for the future.

If you allow Sprint/Nextel to discharge the debt of the assets it is keeping by assigning it to the spun-off regulated utility, look for other utilities to try to take advantage of the same loophole. I have already read speculation that Alltel will likely consider doing the same thing. In the long run, approval of the Sprint/Nextel spin-off as currently proposed will be a significant detriment to utility consumers, the economy of your state, and its ratepayers. I urge you to intervene in this matter and ensure the establishment of a financially strong Local Telephone utility.

*A Concerned Sprint Employee
and Rate Payer*