



ALLTEL Florida Inc.  
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August 20, 1998

Ms. Blanca Bayo, Director  
 Division of Records and Reporting  
 Room 110, Eastley Building  
 Florida Public Service Commission  
 2540 Shumard Oak Blvd.  
 Tallahassee, Florida 32399-0850

Dear Ms. Bayo:

Enclosed please find ALLTEL's Executive Summary (hard copy and on diskette, in Word Perfect 6.0) that accompanied the cost information filed in the public libraries in Special Project 980000A-SF. Please note ALLTEL does not have Word Perfect 6.1 as requested. If you have any questions concerning the information please give me a call at 904-364-2517.

Sincerely,

Harriet Eudy  
 Regulatory Manager

HE/sh

Enclosures

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FLORIDA PUBLIC SERVICE COMMISSION

ALLTEL Florida, Inc.  
EXECUTIVE SUMMARY

980000A-SP: Undocketed Special Project : Fair and Reasonable Rates

Background

Section 2(2)(a) of Chapter 98-277, requires the commission to provide a report to the Legislature of its conclusions as to the fair and reasonable Florida residential basic local telecommunications service rate considering affordability, the value of service, comparable residential basic local telecommunications rates in other states, and **the cost of providing residential basic local telecommunications services in this state, including the proportionate share of joint and common costs.** To aid the commission in its review of "costs", Section 2(2)(b) required local exchange carriers to provide to the Commission by August 1, 1998, cost data and analysis that support the cost of providing basic local telecommunications service in their service territory, **as prescribed by the commission** for purposes of recommending the fair and reasonable rate.

Fair and Reasonable Rate Cost Information

In response to these directives, all Local Exchange Companies [LECs] in Florida received data requests from the Florida Public Service Commission, requesting certain cost information. The data requests involved two different cost models and methodologies. One model, a Total Service Long Run Incremental Cost [TSLRIC] study is commonly used by the larger LECs in Florida like BellSouth, Sprint/United and GTEFL and will be used as the basis for determining their costs of providing residential basic local telecommunications service. Smaller LECs, like ALLTEL Florida, have never been required to prepare TSLRIC studies to determine the cost of their services and do not have such studies available. However, small LECs do perform cost studies using the second model that is based on embedded costs. ALLTEL Florida provided a 1997 Part 36 Separations Cost Study as prescribed by the Commission in response to this data request and includes a copy with this Executive Summary for public review and inspection. The underlying assumptions used in the study were those prescribed by the Commission and do not necessarily reflect those assumptions that ALLTEL has used in its own embedded cost model. The two embedded cost methodologies produce different cost results. ALLTEL's embedded cost model was filed in Docket No. 980696-TL [Determination of Cost of Basic Local Telecommunications Service, Pursuant to Section 364.025, Florida Statutes]

Other Information Attached

Attached, also, to this Executive Summary is a copy [labeled Attachment 1] of certain financial information which we have been requested by the staff of the Florida Public Service Commission, to include for public review and inspection. This data is not related to the cost information discussed above and has no relevance to the issue of cost of fair and reasonable rates.