

ORIGINAL



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May 25, 2005

Ms. Blanca S. Bayó, Director  
Division of the Commission Clerk  
& Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

RECEIVED-FPSC  
05 MAY 25 PM 4:37  
COMMISSION  
CLERK

Re: Docket No. 050374 - TL

Dear Ms. Bayó:

Enclosed for filing on behalf of Sprint-Florida, Incorporated are the original and 7 copies of Sprint's Petition for Approval of Storm Cost Recovery Surcharge and Stipulation and Sprint's Request for Confidential Classification.

Copies are being served on the parties in this docket pursuant to the attached certificate of service.

Please acknowledge receipt of this filing by stamping and initialing a copy of this letter and returning same to my assistant. If you have any questions, please do not hesitate to call me at 850/599-1560.

Sincerely,

Susan S. Masterton

Enclosure

MAP's forwarded to CMP + BCL

DOCUMENT NUMBER-DATE  
05110 MAY 25 05  
FPSC-COMMISSION CLERK

**CERTIFICATE OF SERVICE  
DOCKET NO. \_\_\_\_\_**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by hand delivery this 25<sup>th</sup> day of May, 2005 to the following:

Florida Public Service Commission  
Beth Keating  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Florida Public Service Commission  
Beth Salak  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

Office of Public Counsel  
Charles J. Beck / Patty Christiansen  
111 West Madison Street, #812  
Tallahassee, FL 32399-1400



Susan S. Masterton

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition by Sprint-Florida, Incorporated )  
pursuant to s. 364.051(4), F.S., for Recovery of )  
Costs associated with Hurricanes )  
Charley, Frances, Jeanne, and Ivan )  
\_\_\_\_\_ )

Docket No. 050374 -TL

Filed: May 25, 2005

**SPRINT-FLORIDA INCORPORATED'S PETITION FOR APPROVAL OF  
STORM COST RECOVERY SURCHARGE AND STIPULATION**

Sprint-Florida, Incorporated ("Sprint"), by and through its undersigned counsel and pursuant to section 28-106.301, Florida Administrative Code, and section 364.051, Florida Statutes, hereby files this petition for approval of a storm cost recovery surcharge to allow Sprint to recover extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne and Ivan. These hurricanes struck Florida in mid-August and late September 2004 causing billions of dollars of damage and causing millions of Florida customers, including approximately 691,000 Sprint customers, to lose telephone service. Sprint has incurred at least \$148 million in costs to repair damage to its facilities and to ensure that service was restored to its customers as expeditiously as possible. Sprint also requests that the Commission accept and approve the Stipulation between Sprint and the Office of the Public Counsel (OPC) attached to this Petition as Attachment A and in doing so, avoid the need to conduct an evidentiary hearing regarding the facts on which Sprint's Petition is based. In this Petition, Sprint is seeking recovery from basic service customers of only the incremental, intrastate amount of \$30,319,521 of the total \$148 million in total storm-related costs.

DOCUMENT NUMBER-DATE

05110 MAY 25 05

FPSC-COMMISSION CLERK

As set forth more fully herein, Sprint proposes to recover its extraordinary hurricane-related costs from all of its retail access lines, including both basic and non-basic lines. In this Petition, Sprint is only seeking Commission approval of a surcharge to be assessed on all basic service access lines on a monthly basis in the amount of 93 cents for 24 months. Because this surcharge represents an increase in the rate for basic local exchange services, Sprint is requesting the Commission's approval pursuant to s. 364.051(4), Florida Statutes. As information, Sprint will recover the balance of the incremental, intrastate costs from the remaining retail customers through an identical surcharge (including derived equivalents) through the non-basic price adjustment provisions of Section 364.051(5). The timing of this non-basic cost recovery will coincide with any approval of basic rate increases pursuant to this Petition.

In support of this Petition, Sprint states as follows:

**Parties**

1. Sprint is a price-regulated, certificated incumbent local exchange company (ILEC) in Florida as that term is defined in section 364.02(7), Florida Statutes. Sprint provides local services in Florida pursuant to its tariffs on file with the Florida Public Service Commission.

2. The name and address of Petitioner is:

Sprint-Florida, Incorporated  
6450 Sprint Parkway  
Overland Park, Kansas 66251-6100

3. All pleadings, orders, notices and other correspondence with respect to this docket should be addressed to:

Susan S. Masterton, Esq.  
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### **Jurisdiction**

4. The Commission has jurisdiction to grant the relief requested in this Petition pursuant to s. 364.051, F.S. Subsection (4) of s. 364.051, F.S., allows a price regulated ILEC to petition the Commission for an increase in its basic local service rates based on the ILEC's compelling showing of a substantial change in circumstances.<sup>1</sup> Pursuant to the statute, the Commission must render its decision within 120 days of the filing of the Petition.

### **Stipulation of Facts**

5. To facilitate the Commission's consideration of Sprint's petition, Sprint and the OPC have entered into a stipulation regarding the facts concerning the amount of damage sustained by Sprint, the number of customers affected and the amount of costs

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<sup>1</sup> Prior to 2000, the identical language contained in subsection (4) of section 364.051, F.S., was found in subsection (5) of section 364.051, F.S. In 2000, section 364.051, F.S., was renumbered to reflect the current subsection (4).

subject to recovery in order for the Commission to make a determination whether Sprint's Petition meets the criteria set forth in s. 364.051(4), F.S. The stipulation is attached to this Petition as Attachment A and incorporated herein. Sprint requests that the Commission approve this stipulation and accept it as the factual record upon which its determination regarding Sprint's Petition is based. Sprint represents that the OPC has consented to this stipulation being the stipulated factual record upon which this Petition may be determined.

### **Background and Argument**

6. Sprint serves 104 exchanges in its service territory throughout Florida, including exchanges serving the cities of Port Charlotte, Winter Park, Ocala, Tallahassee, Ft. Walton Beach, Naples and Ft. Myers. Sprint provides service to approximately 2.1 million retail residential and business customer lines in its Florida service territory.

7. Sprint was damaged by all four hurricanes over the six-week period beginning on August 13, 2004 and ending on September 25, 2004. In addition, Sprint sustained millions of dollars of damage to the facilities it uses to provide telecommunications services in virtually all of its Florida service territories as a result of the four hurricanes. Also, hundreds of thousands of Sprint customers throughout Sprint's service territory lost service at some point due to the storms.

8. While Sprint sustained millions of dollars of damage to its facilities and incurred millions of dollars of costs to restore service to its customers and repair the damaged facilities, as described above, pursuant to the criteria agreed to by Sprint and the OPC, Sprint's Petition seeks recovery only of those costs that are strictly identified as extraordinary in nature and were not reasonably contemplated to be recovered in existing

rates. Sprint's agreement with the OPC to seek recovery only for narrowly defined extraordinary costs, while absorbing the far greater portion of the storm-related costs Sprint incurred that do not meet this narrow definition, is a conservative compromise for a company whose rates are capped under the price regulation scheme set forth in s. 364.051, F.S.

**Hurricanes constitute a compelling change in circumstances under s. 364.051, F.S.**

9. The four hurricanes that hit Sprint's Florida service territory, and the resulting extraordinary costs incurred by Sprint to repair the damage caused by the hurricanes and to restore service to the customers impacted by the hurricanes, have caused Sprint's circumstances to change substantially. As a carrier of last resort, with the obligation to provide service, Sprint was materially impacted by the high cost of restoring service during and in the aftermath of three Category 3 or greater storms and one Category 2 storm in a period of six weeks.

10. Because of the never before experienced magnitude of the successive storms, this combined event was unanticipated in the business operations of Sprint, whether as a price-capped company or in the days of a rate of return regulated company. An event like this is akin to a cataclysmic event like a terrorist attack that would never have been factored into "business-as-usual" operations. Instead it is exactly the type of event and the magnitude of changed circumstances that would have triggered a rate increase request prior to 1995. Four hurricanes of this magnitude in one year are unprecedented. As far as Sprint is aware, no utility has ever been struck by four storms of this magnitude in a single season in a single state.

11. Sprint's intrastate earnings (set forth in Confidential Exhibit C to the attached Stipulation) demonstrate that recovery of the hurricane-related costs as requested in this Petition will not place Sprint in an excess earnings situation as it would be measured under a hypothetical allowed rate-of-return for a local exchange company.

12. Sprint was unique as a telecommunication company in that it was impacted by all four storms and facilities and services to customers in virtually all of its service territory in the state were affected. Compared to the \$37 million of extraordinary intrastate costs Sprint seeks to recover attributable to the 2004 hurricanes, in the preceding 12 years Sprint's storm-related costs totaled less than \$11 million or an average of less than \$1 million annually. The total costs of \$148 million that Sprint incurred in 2004 were over 10 times the costs incurred over the previous 12 years from 15 hurricanes or tropical storms and 2 tornadoes.

13. In addition to the unprecedented nature of the storms, their unique impact on Sprint and the unprecedented amount of damage inflicted on Sprint's facilities and customers, Sprint's rates do not include any reserves to cover extraordinary costs incurred due to storm damage.<sup>2</sup> These factors combine to constitute a compelling and substantial change in circumstances, justifying an increase in Sprint's basic local service rates, pursuant to the statute.

14. Section 364.051, F.S., allows a price-regulated ILEC to request an increase in its basic local service rates based on the ILEC's compelling showing of a substantial change in circumstances from the circumstances that existed when the ILEC first elected

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<sup>2</sup> Sprint's Petition for storm cost recovery has been reduced to reflect the estimated cost recovery from its property insurance coverage. Such recovery is limited because insurance that would provide substantial coverage for the value of all of Sprint's assets is not attainable in a cost-effective manner.



price regulation. Pursuant to the statute, the Commission must act upon such petition within 120 days of its filing.

15. The Commission acknowledged Sprint's election of price regulation pursuant to section 364.051(2), F.S. effective January 2, 1996, in Order No. PSC-96-0320-FOF-TL. The Order notes that Sprint's basic rates are approved at the rates in effect on January 3, 1996. Those rates reflect the rates and rate structure approved by the Commission in rate cases concluded in July 1992 for United Telephone Company of Florida and in February 1991<sup>3</sup> for Central Telephone Company of Florida (Sprint's predecessor incumbent local exchange companies). These rates do not include any provision for a storm reserve.<sup>4</sup>

16. Section 364.051(4), F.S., does not enumerate specific criteria concerning when circumstances have changed substantially, but requires an ILEC requesting a basic service rate increase to make a compelling showing [to the Commission] of changed circumstances. The Commission has not yet been asked to rule on such a Petition, though it has considered issues surrounding the implementation of the provision in a couple of instances.

17. The Commission pointed to section 364.051(4), F.S., as an available remedy for a loss in revenues in a proceeding involving the elimination of the interLATA access subsidy received by GT Com (f/k/a St. Joseph Telephone and Telegraph Company). The Commission stated that "If GTC believes that the termination of the subsidy payment to GTC amounts to a changed circumstance that justifies a rate increase, GTC may seek

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<sup>3</sup> Certain rates were further revised in January 1993 pursuant to a stipulation with the OPC in settlement of a petition for a rate increase by Central Telephone Company.

<sup>4</sup> Storm reserves generally were initiated subsequent to Hurricane Andrew, which hit South Florida in August 1992.

relief pursuant to Section 364.051(5), Florida Statutes.” (*In re: Petition of BellSouth Telecommunications, Inc. to remove interLATA access subsidy received by St. Joseph Telephone & Telegraph Company*, Order No. PSC-98-1169-FOF-TL issued August 28, 1998 in Docket No. 970808-TL, at page 12) The GT Com decision was upheld by the Florida Supreme Court in *GT Com v. Garcia*, 791 So. 2d 452 (Fla. 2000), in which the Supreme Court echoed the Commission’s finding that section 364.051(5), F.S. allowed GTC to apply for a rate increase if it demonstrated that its circumstances had changed due to the elimination of the interLATA subsidy. (at page 460)

18. The Commission further elucidated the requirements of section 364.051(4), F.S., in response to a request for a declaratory ruling by GTC concerning the meaning and implementation of the provision. See, *In re: Petition for declaratory statement by GTC, Inc. d/b/a GT Com regarding section 364.051, F.S.*, Docket No. 990316-TL, Order No. PSC-99-1194-FOF-TL, issued June 9, 1999. In that decision the Commission rejected a declaratory statement proceeding as the proper mechanism for ruling on a request for a rate increase based on changed circumstances. (at page 3)

19. A 120.57(1), F.S., proceeding is the proper mechanism for resolving disputed issues of material fact and adjudicating a claim based on them. While the Commission appeared to contemplate a section 120.57(1), F.S. proceeding in the GTC case discussed above, in this case Sprint and the OPC have stipulated to the material facts applicable to Sprint’s petition, so that there are no disputed issues of material facts to be resolved. Therefore, section 120.57(2), F.S., which sets forth the procedure for resolving disputed issues which involve the proper interpretation of applicable law and the proper application of that law to the facts, but do not involve disputes concerning the material

facts, is the appropriate procedural mechanism for resolving Sprint's Petition. The Stipulation attached to this Petition as Attachment A includes the parties' stipulation to a procedure consistent with section 120.57(2), F.S. and the parties are asking for the Commission's approval of that procedure.

### **Sprint's cost recovery proposal**

20. If Sprint's Petition is approved, Sprint proposes to recover its extraordinary storm-related costs through a surcharge on retail customer bills. Sprint will recover the \$36,773,727 in extraordinary intrastate direct hurricane-related costs (described in detail in the Stipulation attached as Attachment A) on a pro rata basis from retail customers in an amount not to exceed 93 cents per access line for a two-year (i.e., 24 month) period.

21. Since 82.4% of Sprint's access lines are basic services customers, 82.4% of any approved extraordinary intrastate hurricane-related costs, or \$30,319,521 will be recovered from those customers on a per access line basis. While not the subject of this Petition, Sprint represents that it intends to recover the non-basic portion of the extraordinary intrastate hurricane-related costs through a surcharge per access line, or access line equivalent, up to the intrastate amount of \$6,454,206, as permitted by s. 364.051(5), F.S. So, Sprint's retail customers will receive a 93 cent charge per access line (or access line equivalent).

### **Conclusion**

22. The four hurricanes that hit Florida in 2004 were unprecedented and unforeseen. Sprint was uniquely impacted by all four of the storms and sustained damages to its facilities and loss of services to its customers throughout its service territory in Florida. Sprint's rates do not include a storm cost reserve. The costs Sprint

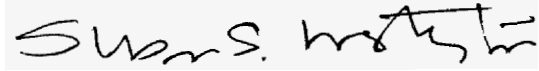
incurred as a result of the impact of the storms constitutes a compelling showing of a substantial change in circumstances as set forth in s. 364.051(4), F.S, since they were not and could not have been anticipated in the rates and rate structure approved by the Commission when Sprint elected price-regulation in January 1996.

23. Sprint recognizes that this Petition, itself, is unprecedented, in that the Commission previously has not been requested to approve a petition for a rate increase pursuant to s. 364.051(4), F.S. But, Sprint believes that the nature of the storms and the magnitude of the damages and costs Sprint incurred as a result of the storms, constitute a clear case of a substantial change in circumstances as contemplated by the statute, justifying Sprint's request for relief.

WHEREFORE, Sprint first asks the Commission to expeditiously enter a procedural order approving the Stipulation entered into between Sprint and the Office of the Public Counsel and approving the procedural schedule proposed by Sprint and the OPC, which provides for initial briefs to be filed on July 1, 2005.

In addition, Sprint asks to the Commission ultimately to grant Sprint's Petition and allow Sprint to impose a storm cost recovery surcharge as described above.

Respectfully submitted this 25th day of May 2005.



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ATTORNEYS FOR SPRINT-  
FLORIDA, INCORPORATED

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition by Sprint-Florida, Incorporated )  
pursuant to s. 364.051(4), F.S., for Recovery of )  
Costs associated with Hurricanes )  
Charley, Frances, Jeanne, and Ivan )  
\_\_\_\_\_ )

**STIPULATION**

Sprint-Florida, Incorporated (“Sprint”) and the Office of the Public Counsel (OPC), pursuant to s. 120.57(4), F.S., enter into this Stipulation regarding the amount of costs incurred by Sprint in Florida on account of hurricanes Charley, Francis, Jeanne and Ivan. The parties do not agree on the issue of whether Sprint’s incurring of these costs meets the threshold for recovery under section 364.051(4), Florida Statutes. However, this Stipulation is intended to: (1) narrow the disputed issues in this proceeding by agreeing to the amount of relevant costs incurred by Sprint to the extent that the Commission may find that the criteria in section 364.051(4), F.S. are otherwise met; and (2) establish a framework for briefing the threshold issue. To this end, the parties have entered into this Stipulation of the factual record and procedure upon which this matter shall be considered.

WHEREAS the parties are receptive to a compromise concerning the amount of relevant costs which Sprint will seek to recover from customers in this proceeding, recognizing that the parties disagree as to whether such costs meet the threshold for recovery at all under section 364.051(4), Florida Statutes, and

WHEREAS to avoid the time, expense and uncertainty associated with adversarial litigation regarding establishing the amount of hurricane-related costs

incurred the Parties entered into negotiations designed to reach an agreement on those issues, and

WHEREAS, for the purposes of this Stipulation the Parties have agreed to certain categories of hurricane-related costs that should be excluded from recovery;

NOW THEREFORE, Sprint and OPC agree and stipulate to the following:

1. During the six-week period of August 13, 2004 to September 25, 2004 one Category 2 and three Category 3 or above Hurricanes struck Florida causing billions of dollars of damage and affecting the provision of telecommunications and utility services to millions of Florida residents. (See map attached as Exhibit A)

2. Sprint serves 104 exchanges in its service territory throughout Florida, including exchanges serving the cities of Port Charlotte, Winter Park, Ocala, Tallahassee, Ft. Walton Beach, Naples and Ft. Myers. Sprint provides service to approximately 2.1 million retail residential and business customer lines in its Florida service territory.

3. On August 13, 2004, Hurricane Charley came ashore at Charlotte Harbor as a Category 4 storm, with maximum wind speeds up to 145 miles per hour.

4. Hurricane Charley inflicted damage on Sprint's facilities in Sprint's Winter Garden, Winter Park, Naples, Ft. Myers, and Avon Park districts, at its peak, rendering out of service 282,000 Sprint customers and 651 Sprint network elements (or 40% of Sprint's network elements in the exchanges within these districts).

5. On September 5, 2004, Hurricane Frances came ashore at Sewell's Point as a Category 2 storm, with maximum wind speeds up to 105 miles per hour.

6. Hurricane Frances inflicted damage on Sprint's facilities in Sprint's Ft. Walton Beach, Tallahassee, Ocala, Winter Garden, Winter Park, Naples, Ft. Myers and Avon

Park districts, at its peak rendering out of service 200,000 Sprint customers and 521 Sprint network elements (or 19% of Sprint's network elements in the exchanges within these districts).

7. On September 16, 2004, Hurricane Ivan came ashore at Gulf Shores, Alabama as a Category 3 storm, with maximum wind speeds up to 130 miles per hour.

8. Hurricane Ivan inflicted damage on Sprint's facilities in Sprint's Ft. Walton Beach and Tallahassee districts, at its peak rendering out of service 46,000 Sprint customers and 292 of Sprint's network elements (or 42% of Sprint's network elements in the exchanges within these districts).

9. On September 25, 2004, Hurricane Jeanne came ashore at Hutchinson Island as a Category 3 storm, with maximum wind speeds up to 120 miles per hour.

10. Hurricane Jeanne inflicted damage on Sprint's facilities in the Tallahassee, Ocala, Winter Garden, Winter Park, Naples, Ft. Myers and Avon Park districts, at its peak rendering out of service 161,000 Sprint customers and 414 Sprint network elements (or 19% of Sprint's network elements in the exchanges within these districts).

11. In the 12 years prior to 2004, Sprint's total company storm-related costs in Florida totaled less than \$11 million (including approximately \$4 million in capital costs). These costs were the result of 15 named tropical storms and 2 tornadoes.

12. Network elements made operational after one storm were again damaged by a subsequent storm. The cumulative equivalent impact on Sprint of these four storms resulted in rendering 1,878 (or 67%) of Sprint's network elements and 691,000 Sprint customers out of service.



13. The total costs of repairing Sprint's system and restoring service has reached \$148 million through January 2005.

14. The 1886 hurricane season was the busiest on record for the continental United States. Seven hurricanes were recorded to have hit the U.S.: one Category 2 hurricane into Texas and Louisiana in June, two Category 2 hurricanes into northwest Florida in June, one Category 1 hurricane into northwest Florida in July, one Category 4 hurricane into Texas in August, one Category 1 hurricane into Texas in September, and one Category 3 hurricane into Louisiana in October.

15. The next busiest hurricane season for the United States was 1985 with six hurricanes making landfall.

16. On August 22, 1893, four hurricanes occurred simultaneously: Storm no. 3 approaching Nova Scotia, Canada; Storm No. 4 between Bermuda and the Bahamas; Storm No. 6 northeast of the Lesser Antilles; and Storm No. 7 west of the Cape Verde Islands. Storm No. 4 would end up making a direct hit on New York City as a Category 1 hurricane two days later and Storm No. 6 ended up hitting Georgia and South Carolina as a Category 3 hurricane (the "Sea Islands Hurricane") and killing 1,000 to 2,000 people.

17. The only other known date with four hurricanes occurring at the same time was September 25, 1998, when hurricanes Georges, Ivan, Jeanne and Karl were in existence. Of those four hurricanes, only Georges made landfall in Florida.

18. FPSC Order No. 24178 (Final Order Granting Rate Increase to Central Telephone Company of Florida issued February 28, 1991), Order No. PSC- 93-0005-AS-TL (Order Approving Settlement and Implementing Revised Rates for Central Telephone Company of Florida issued January 4, 1993) and Order No. PSC-92-0708-FOF-TL (Final

Order Reducing Revenue Requirement of United Telephone Company of Florida issued July 24, 1992) do not include any provision for a reserve to recover costs due to storm damage.

19. For the sole purpose of this Stipulation, and without prejudice to the right and ability of any party to assert how and whether any costs associated with future storms should be recovered, the parties adopt and agree to the following:

- a. Sprint will exclude the following costs from any recoverable amount: normal capital project costs; regular time labor (salary and hourly); budgeted overtime labor; contractor budget levels; capitalized material; capitalized building repairs, generators, fuel, line card repair and return; overheads; revenue credits and other uncollectibles and lost revenue.
- b. Sprint will also exclude from any recoverable amount estimated insurance recoveries, less deductibles, and an amount representing average annual storm expense credits.
- c. In addition, Sprint will include only extraordinary capital reconstruction costs, so that the recovery amount includes only capital costs to the extent the cost of reconstruction exceeds the normal material and labor cost of construction, the costs attributable to extraordinary contractor premium rates, and excluding the normal cost of removal expense applicable to retired assets due to 2004 hurricane damage.

20. The parties acknowledge and accept that their agreement to exclude certain charges is reasonable under the circumstances. The Parties further agree that the

willingness of each of them to enter this Stipulation is contingent upon the approval of this Stipulation in its entirety.

21. The parties agree that the total amount of relevant costs related to hurricanes Charley, Francis, Jeanne and Ivan is \$44.3 million, of which \$36.8 million is attributable to the intrastate jurisdiction. These costs represent incremental costs to Sprint associated with storm recovery. A summary of these costs is set forth in Exhibit B to this Stipulation.

22. The adjustments agreed to by the Parties as set forth herein have reduced the amount for which Sprint may seek recovery by \$103 million, from \$148 million to \$44.3 million, of which \$36.8 million represents intrastate costs. These adjustments are set forth in Exhibit B to this Stipulation.

23. Sprint-Florida, Incorporated's Achieved Intrastate Return on Equity 1999-2004, calculated on an intrastate book basis, is shown in Confidential Exhibit C.

24. For the purposes of this stipulation, the parties agree that 82.4% of Sprint's access lines serve basic services customers.

25. The Parties agree that this Joint Stipulation constitutes the factual record for the purposes of Sprint's petition for storm-cost recovery pursuant to s. 364.051(4), Florida Statutes. Based on this stipulation of the record, the parties stipulate that the applicable procedure for this docket, therefore, is based on section 120.57(2), Florida Statutes, related to issues not involving disputed material facts.

26. The parties stipulate that the procedure under section 120.57(2), Florida Statutes, established for this docket should provide for initial briefs to be due by July 1, 2005 and reply briefs to be due two weeks after the filing of the initial briefs, with the

staff recommendation and Agenda to follow. The parties do not stipulate to a waiver of the 120 day time-frame provided in section 364.051(4), Florida Statutes.

27. No party to this Stipulation will request, support or seek to impose a change in the application of any provision hereof, including without limitation, the relevant cost amount set forth in paragraph 21 above. By stipulating to the relevant cost, OPC does not agree that Sprint is entitled to recover that cost through additional customer charges, and OPC shall be free to advocate that Sprint is entitled to no surcharge or alternatively a lesser surcharge than that cost. Subject to the approval of the Florida Public Service Commission as set forth in paragraph 28, all parties waive any right to request further administrative or judicial proceedings regarding the establishment or implementation of this Stipulation.

28. This Stipulation is contingent upon approval in its entirety by the Florida Public Service Commission. If this Stipulation is not accepted and approved without modification by an order not subject to further proceedings or judicial review, then this Stipulation shall be considered null and void and of no further force and effect.

29. It is understood and explicitly agreed that the Parties have entered into this Stipulation for purposes of settlement and that their participation shall not prejudice the right and ability of any party to take any position in any other proceeding in any venue.

30. This Stipulation, dated as of May 25, 2005, may be executed in counterpart originals and a facsimile of an original signature will be deemed an original.

The Parties evidence their acceptance and agreement with the provisions of this Stipulation by their signatures.

Office of the Public Counsel  
111 W. Madison Street, Room 812  
Tallahassee, FL 32399-1400

By: Charles J. Beck  
Charles J. Beck | 5/25/05  
Harold McLean

Sprint-Florida, Incorporated  
1313 Blair Stone Road  
Tallahassee, FL 32301

By: Susan S. Masterton  
Charles J. Rehwinkel  
Susan S. Masterton

**Sprint- Florida  
Hurricane Cost Recovery  
April 22, 2005**

A	B	C	D	E
Row #	Description	Calculation	Cost	Extraordinary Cost
7	Hurricane Related Cost 8/04 - 1/05			
8	Wages & Benefits Capital & Expense		67,741,129	
9	External Contractors Capital & Expense		53,184,538	
10	Material Capital & Expense		13,559,768	
11	Buildings, Generators, Fuel, Line Card Repair & Return		4,704,476	
12	Overhead Capital & Expense		8,828,796	
13	Total Cost	SUM(D8:D12)	148,018,707	
14				
15	Exclusions			
16	Wages & Benefits Assoc. Regular Time & Budget OT		58,006,092	
17	Contractor Capital Cost Assoc. w/Normal Const.		16,522,821	
18	Contractor Expense Budget		12,714,043	
19	Material Capital Cost		4,336,597	
20	Bldg, Gen, Fuel, Line Card Rep & Ret - Capital Cost		190,452	
21	Overhead Capital & Expense		8,828,796	
22	Insurance		2,500,000	
23	Average Annual Storm Expense		598,240	
24	Total Exclusions	SUM(D16:D23)	103,697,042	
25				
26	Total Less Total Exclusions	D13-D24		44,321,665
27	Intrastate Jurisdictional Factor			74.6%
28	Intrastate Cost	E26 * E27		33,048,980
29				
30	Carrying Cost and Taxes			3,724,748
31				
32	Total Extraordinary Cost	E28+E30		36,773,728
33				
34	Percent Basic Access Lines			82.4%
35				
36	Total Basic Extraordinary Cost For Recovery	E32*E34		30,319,521
37				
38	PV of Basic ACL's for Two Year Recovery			1,360,998
39				
40	Monthly Cost Per Access Line	E36/E38/24		\$ 0.93
41				

**Sprint-Florida  
Hurricane Cost Recovery  
April 22, 2005**

A	B	C	D
Row #	Description	Source	Extraordinary Cost
7			
8			
9	Overtime & Benefits - Exp. Over Budgeted OT	Overtime & Contractor Spc Stdy	9,735,037
10			
11	Contractor - Exp. Over Budget	Overtime & Contractor Spc Stdy	20,192,470
12			
13	Material Expense	Material	4,551,126
14			
15	Buildings, Generators, Fuel, Line Card Repair & Return	Miscellaneous	4,514,024
16			
17	Asset Restoral Extraordinary Cost	Spc Stdy	8,427,247
18			
19	Insurance	Estimate	(2,500,000)
20			
21	Avg Annual Hurricane Expense	Ann Storm Exp Spc Stdy	<u>(598,240)</u>
22			
23	Total	SUM(D9:D22)	44,321,664
24			
25	Intrastate Jurisdictional Factor	Weighted Factor	74.6%
26			
27	Intrastate Portion	Ln 23 * Ln 25	33,048,980
28			
29	Carrying Cost & Taxes	Carrying Cost Stdy	<u>3,724,748</u>
30			
31	Total	Ln27 + Ln29	36,773,727
32			
33	Basic ACL Factor	ACL	82.4%
34			
35	Total Basic For Recovery	Ln31 * Ln33	<b>30,319,521</b>
36			
37	PV of Basic ACL's for Two Year Recovery	ACL	1,360,998
38			
39	Per ACL Cost	Ln35/Ln37/24	<b>\$ 0.93</b>
40			

1 **Sprint-Florida, Incorporated's Achieved Intrastate Return on Equity 1999-2004<sup>1</sup>**

2  
3  
4  
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8  
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10  
11

	<b>A</b>	<b>B</b>
1999		
2000		
2001		
2002		
2003		
2004		<sup>2</sup>

Rev. Value 100 Basis pts. ROE \$ [REDACTED]

<sup>1</sup> 12 month rolling ROE calculated on an intrastate book basis.

<sup>2</sup> This number includes the hurricane-related costs that are the subject of Sprint's Petition, but does not include the revenue recovery that is requested in the Petition.