

ORIGINAL



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June 16, 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

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06 JUN 16 PM 4:17
COMMISSION
CLERK

Re: Docket No. 050374-TL

Dear Ms. Bayó:

Enclosed for filing on behalf of Sprint-Florida, Incorporated is the redacted version of Sprint's Responses to Staff's Questions and Attachment 1.

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.

CMP _____ Sincerely,

COM _____
CTR _____ *Susan S. Masterton*

ECR _____
Susan S. Masterton

GCL _____
OPC _____ Enclosure

MMS _____

RCA _____

SCR _____

SEC 1

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

**CERTIFICATE OF SERVICE
DOCKET NO. 050374-TL**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by electronic and U.S. Mail this 16th day of June, 2005 to the following:

Florida Public Service Commission
Adam Teitzman/ 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

* Confidential version served by hand delivery only



Susan S. Masterton

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Sprint-Florida, Incorporated's Petition)	Docket No. 050374-TL
For Approval of storm cost Recovery surcharge)	
For extraordinary expenditures related to Hurricanes)	Filed: June 16, 2005
Charley, Frances, Jeanne and Ivan)	
_____)	

SPRINT'S REQUEST FOR TEMPORARY PROTECTIVE ORDER

Pursuant to Rule 25-22.006, Florida Administrative Code, and Section 364.183, Florida Statutes, Sprint-Florida, Incorporated ("Sprint") by and through its undersigned counsel, requests that the Florida Public Service Commission enter a Temporary Protective Order for certain proprietary information, filed with the Commission subject to a Claim of Confidentiality and provided to the Office of the Public Counsel as a party to this docket, exempting the information from s. 119.07(1), F.S. In support Sprint states as follows:

1. On June 8, 2005, Sprint filed under a Claim of Confidentiality certain information requested by Commission staff designated as Highlighted portions on pages 2, 4 and 9-11 of Sprint's Responses to Staff's Questions and highlighted portions on pages 1-5 on Attachment 1.
2. Sprint has served a copy of this information to the Office of the Public Counsel as a party to this docket.
3. Pursuant to section 364.183(1), Florida Statutes, Sprint has claimed this information to be proprietary and confidential. Pursuant to Rule 25-22.006(6)(c), Florida Administrative Code, Sprint is requesting this temporary protective order to protect

DOCUMENT NUMBER: 050374-TL

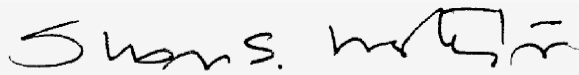
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FLORIDA PUBLIC SERVICE COMMISSION

the confidentiality of the information while it is in the hands of the Office of the Public Counsel, pending a determination as to whether it will be used in a proceeding before the Commission. As required by the rule, Sprint will file a specific request for confidentiality if the information is ultimately to be used in a proceeding before the Commission. Pending further ruling by the Commission regarding the confidential classification of the information, the information should be treated in a confidential manner pursuant to section 364.183, F.S. and Rule 25-22.006, F.A.C.

WHEREFORE, Sprint-Florida, Incorporated moves for entry of a Temporary Protective Order exempting from s. 119.07(1), F.S., the proprietary information described above.

RESPECTFULLY SUBMITTED this 16th day of June 2005.



Susan S. Masterton
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ATTORNEY FOR SPRINT

STAFF QUESTIONS REGARDING SPRINT'S PROPOSED STORM DAMAGE RECOVERY

The Staff of the Florida Public Service Commission, by and through its undersigned attorney, propounds the following questions regarding the Petition for Approval of Storm Cost Recovery Surcharge and Stipulation with Office of Public Counsel, by Sprint-Florida, Incorporated.

1. Referencing page 3 of the Conference Call Follow up response, filed on June 8th, do the amounts included on line 9 represent the average or year end numbers?

Response: The line counts on line 9 are year-end numbers. For the purposes of the calculation of the recovery rate per access line, a mid-year convention is employed which utilizes an average of the line counts. See lines 13 and 15.

2. How was the line loss determined from one year to the next that is demonstrated on line 9, page 3?

Response: The line counts provided were based on Sprint-Florida's current forecast. The forecasts for both years were based on the historical trend of access lines as well as out-of-trend factors such as increased numbers of wireless-only households and businesses, and increasing competition from cable telephony.

3. What discount rate is being used for the numbers shown on the same page 3, line 11?

Response: Sprint's Florida Hurricane cost recovery study utilizes a discount rate of [REDACTED], the same rate that was approved in Sprint's Florida Number Pooling filing.

4. Please explain in detail how the Basic Access Lines number of 82.4% was derived as shown on page 3, line 17. Are the numbers used in this calculation based on year-end or an average amount? Please provide your calculation?

Response: The Basic Access Line number of 82.4% was derived from actual lines in service as of November 2004.

Non-Basic Lines	346,663	17.6%
Basic Lines	<u>1,628,497</u>	<u>82.4%</u>
Total	1,975,160	100.0%

5. How was the number shown on line 9, column J, of page 4 of the Conference Call Follow up determined?

Response: The number shown on line 9, column J, of page 4 of the Conference Call Follow up was determined by summing columns D through I of line 9.

The number is the sum of all the expenses in the study. It excludes the capital premium Asset Restoral Extraordinary Cost, Insurance, and Average Annual Hurricane Expense numbers. Also, this value is based on an interim number during our study process and

excludes the cost of removal and capital contractor premium dollars so the result is understated. This number is on a total basis before being jurisdictionalized.

6. Why is that number more than the amount of \$33,048,890 shown on Exhibit B, page 1 of 2, line 28.

Response: The \$33,048,890 amount reflects consideration of the following elements: Asset Restoral Extraordinary Cost, Insurance, Average Annual Hurricane Expense and the application of the intrastate jurisdictional factor which were not reflected in the number referred to in question number 5.

7. Was Sprint allowed to deduct any storm costs on federal taxes when they were incurred?

Response: Yes. Storm costs were reflected in Sprint's calculation of federal taxable income in the period cost were incurred. Similarly, any proceeds/revenues received from storm cost recovery during 2005, 2006, and 2007 will be taxable income items.

8. Does Sprint's storm cost recovery filing reflect any deferred taxes in its calculations? If not, why not?

Response: Sprint's cost recovery request only includes the extraordinary incremental expense and minimal capital costs associated with the hurricanes. Due to the minimal

amount of capital identified in the study, any deferred tax impact would be insignificant and was therefore not considered in Sprint's cost recovery calculations.

9. Why is the estimated line loss percentage different from 2004-2005 than it is from 2005-2006 on page three of Sprint's June 8, 2005, response?

Response: The estimated line losses for 2004-2005 and 2005-2006 will be different because they are reflective of two different time periods. Sprint's forecasting process was based on the historical trend of access lines as well as out-of-trend factors such as increased numbers of wireless-only households and businesses, and increasing competition from cable telephony.

10. Show how the present value factors on page three of Sprint's June 8, 2005, filing were determined.

Response: The present value factors utilize the following formula.

The Present Worth (P) of a Future Amount (F).

$$(P/F, i\%, N) = 1 / (1 + i)^N$$

$$i = \blacksquare$$

$$N \text{ for 2005 or column E} = .5$$

$$N \text{ for 2006 or column F} = 1.5$$

11. Does the basic access line percentage remain the same when there is line loss? If so, why?

Response: The basic access line percentage of 82.4% is based on the actual line relationship that matches the actual cost for which we are seeking recovery. Potential future change in this relationship would not be appropriate for the recovery of the historic cost we are seeking recovery.

12. Define “ISDN-BRI/PRI VGEs” as used on lines 25 and 28 of page three of Sprint’s June 8, 2005, schedules.

Response:

ISDN Integrated Services Digital Network.

BRI - Basic Rate Interface

PRI – Primary Rate Interface

VGE – Voice Grade Equivalent

13. Elaborate as to what “company official” means on line 32 of page three of Sprint’s June 8, 2005, schedules.

Response: “Company Official” are the lines utilized by Sprint for Sprint personnel to maintain and support Sprint’s ability to provide telephone service. These are non-revenue producing lines that will not be assessed a storm cost recovery charge.

14. Line 15 of Exhibit B, page 2 of 2, attached to Sprint's filing includes expensed generators. Please provide a schedule of purchased generators showing the generator size, price, estimated useful life, and present inventory location. If any were stolen or missing, please make a notation. Also, please explain the reason why they were not capitalized instead of being expensed.

Response: Sprint's Hurricane Cost Recovery study for the line being discussed includes the expense associated with the operation of generators, including generator materials, electrician labor and fuel during the hurricane restoration efforts. This line item includes expense associated with the clean-up and restoration of buildings. It also includes the expense for the repair of damaged line cards. The Hurricane Cost Recovery study does not include the purchase of generators. Sprint's practices would result in the capitalization of purchased generators which have not been included in our storm cost recovery request.

15. Line 15 of Exhibit B, page 2 of 2, attached to Sprint's filing also includes "line card repair and return." Please elaborate on these expenses explain what they are used for.

Response: Line cards are a plug in electronic printed circuit card found in the central office switch, remotes and pair gain devices. This card is utilized by the central office equipment and pair gain devices to connect to the outside plant or the local loop that goes to a customer's residence or business location.

This expense is associated with costs charged by a vendor to repair damaged line cards, primarily due to exposure to water. For example, in the case of the Port Charlotte Switch, a portion of the roof, over the switch, was blown off allowing wind, water, and roof materials to be blown over the switching equipment, including line cards, causing a failure to the switching equipment.

16. A component of the “Assets Destroyed Requiring Asset Replacement” on line 17, page 8 of Sprint’s June 2, 2005, includes Circuit Equipment-DSLAM. Were there any repairs or replacements done to DSLAM equipment? If so, why would these costs be assessed against customers receiving basic service?

Response: Sprint’s cost recovery request does not include the recovery of restoration expense associated with DSLAMs. The exclusion of DSLAM equipment expense is accomplished through the application of the 25% interstate allocation factor.

17. Part of the “Assets Destroyed Requiring Asset Replacement” on line 11, page 8 of Sprint’s June 2, 2005, includes Digital Electronic Switching. At the June 3, 2005 meeting with PSC, Sprint, and OPC, it was explained that due to the prohibitive high cost of insurance, only electronic components could be insured. Please confirm this, and if it is true, why is Sprint seeking recovery for Digital Electronic Switching?”

Response: Digital Electronic Switching is covered by insurance within the limits of the policy. We have accounted for a maximum insurance reimbursement of \$2.5m, on line 19

page 2 of 2 of exhibit B, so it is appropriate for this equipment to be included. By making the insurance reimbursement adjustment, the recovery request is limited to only the unreimbursed loss.

18. Were any costs included for repairs or replacements to lines and/or equipment serving cell phone towers? If so, what is the amount of expense included in the proposed recovery?

Response: Sprint's Hurricane cost recovery request does not include any cost associated with the repair or restoration of cell phone towers. To the extent shared facilities providing services sold to wireless carriers and other Sprint customers were out of service, the facilities were repaired or replaced. In general, repairs were made to damaged facilities without regard to customer type. It is expected that the services sold to wireless carriers would be immaterial as compared to the 1.9 million lines served by Sprint-Florida, Inc.

19. Were any costs included for repairs or replacements to lines and/or equipment that provide service to DSL-only customers who do not subscribe to Sprint basic local service? If so, what is the amount of expense included in the proposed recovery?

Response: No. Sprint Florida does not have any stand-alone DSL customers. Customers who purchase DSL from Sprint must also purchase Sprint's basic local service.

20. According to the 2003 and 2004 FCC ARMIS reports, the Sprint-FL utility pole system was fully depreciated. Please explain your expense request of [REDACTED] for these fully depreciated capital items. (see FCC ARMIS Report 43-01, Dec. 2004).

Response: While the ARMIS report gives the appearance that the pole account is fully depreciated, it is not fully depreciated because it does not reflect recovery for anticipated future cost of removal. The pole account continues to receive depreciation expense to recover the anticipated future cost of removal.

21. Please provide invoices for trucks and automobiles valued at more than \$20,000 that were destroyed and are included in this settlement, along with statement of insurance coverage and recovery.

Response: None of the vehicles included in Sprints Hurricane Cost Recovery were valued in excess of \$20,000. The five vehicles destroyed totaled \$58k. Sprint is self-insured on vehicles.

22. Please explain why only [REDACTED] was spent on analog pair replacement (the basic service for voice communication), and yet almost [REDACTED] was spent on digital pair replacement (can be used for voice and data communications). To what extent was the analog equipment upgraded to digital and why should the basic voice customers be saddled with the entire amount of this upgrade?

Response: These amounts are associated with the net book value and cost of removal of the destroyed plant, not plant upgrades. Any replacement of plant that was destroyed is capitalized and excluded from this cost recovery filing. As of the year end 2004, the gross investment for analog pair gain was only [REDACTED], while digital pair gain investment was [REDACTED]. As evidenced by Sprint's account balances, we have been replacing the analog equipment with digital equipment just as we have replaced analog switches with digital switches. Circuit digital pair gain equipment is widely used for the provision of voice/basic service. Analog pair gain is not the forward looking technology of choice as borne out by not having any capital additions since 1986.

23 To what extent are the shareholders/bondholders/stakeholders of Sprint-FL sharing in the losses from the 2004 hurricane season?

Response: Sprint's shareholders/bondholders/stakeholders are absorbing the excluded \$104 million of lost opportunity to enhance Sprint's Florida network. Rather, due to extraordinary extreme circumstances, Sprint incurred expenses to replace and repair network elements to merely re-establish conditions prior to the hurricanes. Sprint's shareholders/bondholders/stakeholders, have paid a second time to bring telecommunication services to the same customers. Furthermore, the \$104 million does not include the latent hurricane costs that Sprint has continued to incur since January. These additional expenses are expected to be in the millions of dollars.

24. Should the stipulation agreement be accepted as filed and if the 2004 financial reports were restated to include \$15,000,000 of storm recovery income, what would the restated ROR and ROE for 2004 be?

Response: If the 2004 financials were adjusted as suggested in the question, the intrastate ROR increases from [REDACTED] to [REDACTED] and the ROE increases from [REDACTED] to [REDACTED].

25. Please provide invoices for digital electronic switching valued at more than [REDACTED] that were destroyed and are included in this settlement.

Response: With the understanding that “the more than [REDACTED]” refers to the NBV of [REDACTED] found on page 8 of the conference call document, and with the understanding that validation of this number is requested, Sprint submits the following schedule detailing the specific material and installed cost. This detail represents 15 work orders totaling 73% of the total NBV amount. There are approximately 70 work orders in total. Since actual invoices were processed in past years and would require significant time and effort to produce, Sprint proposes the accompanying schedule be used for validation in the alternative.

See Attachment 1.

26. Please explain why the average storm cost that was deducted from this settlement should not be \$1,025,554 (the total incurred in the seven years you had this type of expense

divided by 7), or \$717,210 (using the past 10 years and ignoring the immaterial amount reported in 1992) rather than the \$598,240 used by the utility?

Response: Sprint utilized all the cost data that was available including years with storm damage and without storm damage. By utilizing all available data, we accurately reflect the annual average cost of storms. Arbitrarily excluding years with minimal or no storm costs inflates the average and does not portray the reality of Sprint's storm cost experience. Sprint's method is designed to accurately reflect average storm cost per year which requires the use of all available data.

27. Please reconcile the following chart:

Response: The difference in the amount recovered and amount requested is due to rounding associated with the \$0.93. The actual calculated value equals \$0.928225 which cannot be billed to a customer or paid by a customer. In light of the more than \$104 million in cost's absorbed by Sprint this seems like a reasonable approach.

Lines	\$1,360,998
Monthly Charge	\$0.93
Months	12

Annual Charge Yr1	\$15,188,738
Annual Charge Yr2	\$15,188,738

Amount Recovered	\$30,377,475
Amount Requested	\$30,319,521

Over Recovery	\$57,954
	=====

Sprint-Florida
Response to Staff Question 25

A	C	D	E	F
Row	Description	Orig Cost and Cost of Removal		NBV Included in Cost Recovery Request
		[REDACTED]	(1)	[REDACTED]
9				
10	Total	[REDACTED]		[REDACTED] (2)

(1) Source: Detail listing from CPR

(2) The [REDACTED] represents a portion of the NBV & COR total of [REDACTED] for Switching

CC Description	BAY	CKT	DESCRIPTION	ACCT	QTY	INSTALLED COST	INSTALL WA	RETIRED WA
								39181832
							39108050	39181828
							24250905	39181506
							24250905	39181506
							39097275	39181506
							24200391	39181843
							48200330	39181843
							24200391	39181843
							44270329	39181842
							44270329	39181842
							39026147	39181833
							50219011	39181193
							39096545	39183209
							39116156	39181492
							44280372	39181330
							24242126	39181330
							47250006	39182193
							39112110	39184151
							39159743	39184151
							44220191	39184151
							44280148	39184151
							44280148	39184151
							44280148	39184151
							44220195	39184151
							44280148	39184151
							44280148	39184151

LOC Description	BAY	CKT	DESCRIPTION	ACCT	QTY	INSTALLED COST	INSTALL WA	RETIRED WA
							44280148	39184151
							44280148	39184151
							44280148	39184151
							44280148	39184151
							50301818	39184151
							44280148	39184151
							44280148	39184151
							44280148	39184151
							44280148	39184151
							44280148	39184151
							44280148	39184151
							44280148	39184151
							44280148	39184151
							44280148	39184151
							44210186	39181640
							44210186	39181640
							44210186	39181640
							44210186	39181640
							44210186	39181640
							44210186	39181640
							50354873	39181640
							50354873	39181640
							50354873	39181640
							44210186	39181640
							50284948	39181640
							50354873	39181640
							39100158	39181640
							44210186	39181640
							44210186	39181640
							50284948	39181640
							50354873	39181640
							44220084	39181640
							44220084	39181640
							44210186	39181640
							44210186	39181640
							44220084	39181640

Retired Switching Plant

Top 15 WA

LOC Description	BAY	CKT .	DESCRIPTION	ACCT	QTY	INSTALLED COST	INSTALL WA	RETIRED WA
							44210186	39181640
							44210186	39181640
							50354873	39181640
							44220084	39181640
							39112110	39181640
							44210186	39181640
							50135586	39181640
							44210186	39181640
							44220084	39181640
							44210186	39181640
							44210186	39181640
							44210186	39181640
							44220084	39181640
							44250067	39181640
							44220084	39181640
							44220084	39181640
							44210186	39181640
							44210186	39181640
							44210186	39181640
							44220195	39181640
							44210186	39181640
							44210186	39181640
							44210186	39181640
							44220084	39181640
							44210186	39181640
							44210186	39181640
							44220084	39181640
							44210186	39181640
							44220084	39181640
							44210186	39181640
							44220084	39181640
							44210186	39181640
							39112110	39184151
							50135586	39184151
							39159743	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151

Retired Switching Plant

Top 15 WA

_OC Description	BAY	CKT .	DESCRIPTION	ACCT	QTY	INSTALLED COST	INSTALL WA	RETIRED WA
							44210126	39184151
							44210126	39184151
							24252136	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151
							39109729	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151
							44210126	39184151
							44280246	39181840
							24221836	39181840
44280246	39181840							
44250270	39181841							
44250270	39181841							