

Exhibit No.:
Issue: Pension
Witness: David G. Winter, CPA, CIA
Sponsoring Party: MoPSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: IO-2006-0086
Date Testimony Prepared: January 12, 2006

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

DAVID G. WINTER, CPA, CIA

FILED²
MAR 07 2006
Missouri Public
Service Commission

SPRINT NEXTEL CORPORATION

CASE NO. IO-2006-0086

*Jefferson City, Missouri
January 2006*

Exhibit No. 11 NP
Case No(s). IO-2006-0086
Date 2-17-06 Rptr nr

**** Denotes Highly Confidential Information ****

NP

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Application of Sprint Nextel Corporation for)
Approval of the Transfer of Control of Sprint)
Missouri, Inc., Sprint Long Distance, Inc. and) Case No. IO-2006-0086
Sprint Payphone Services, Inc. From Sprint Nextel)
Corporation to LTD Holding Company)

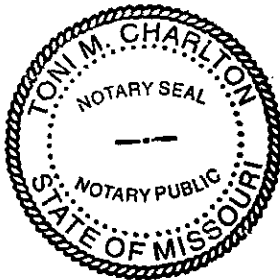
AFFIDAVIT OF DAVID G. WINTER, CPA, CIA

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David G. Winter, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 4 pages to be presented in the above case; that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


David G. Winter, CPA, CIA

Subscribed and sworn to before me this 12th day of January 2006.




Notary Public

TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

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DAVID G. WINTER
SPRINT NEXTEL CORPORTATION
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1 through 18 of CWA witness Debbie Goldman's "Response to Staff Testimony" (Response).
2 Specifically, I will be addressing Ms. Goldman's statements regarding Sprint Missouri's
3 pension liabilities, excess pension fund assets and the allocation of the pension fund assets
4 and liabilities to LTD.

5 **PROJECTED LIABILITIES**
6

7 Q On page 17, lines 6 through 7, Ms. Goldman states "The Commission must
8 ensure that sufficient pension assets are transferred to cover *projected liabilities* of LTD
9 employees and retirees". (emphasis added) Do you agree with this statement?

10 A. No. It appears that Ms. Goldman is referring to the "Projected Benefit
11 Obligation" (PBO) as opposed to the "Accumulated Benefit Obligation" (ABO) as defined
12 by the Financial Accounting Standards Board (FAS) 87 – Employers' Accounting for
13 Pensions. The PBO is defined as the actuarial present value, as of a specified date, of the
14 total cost of all employees' vested and nonvested pension benefits that have been attributed
15 by the pension benefit formula to service performed by employees to date. While the ABO is
16 an alternative measure of the pension obligation, it is calculated like the PBO, except that
17 current or past compensation levels instead of future compensation levels are used to
18 determine pension benefits.

19 As noted, the ABO amount represents all benefits earned to date and is a legal
20 obligation under ERISA. The PBO in turn considers all projected additional wage level
21 increases expected to occur between now and retirement. Ms. Goldman's recommendation
22 appears to require "advance" funding for these future benefits and ignores the reality that
23 LTD is permitted to fund these additional benefits over the remaining service life of the
24 employees.

EXCESS PENSION FUND ASSETS AND ALLOCATION OF ASSETS AND LIABILITIES

Q. Ms. Goldman on page 17, lines 10 through 14 of her Response states:

...its appears that the Sprint pension fund assets exceed *projected* liabilities. Sprint states that plan funding exceeds ERISA standard by ** _____ **[sic]. (CWA Exh.22, CW-1). In order to cover the projected liabilities of LTD employees and retirees, the Commission must ensure that the pension fund assets that exceed projected liabilities are divided on LTD and Sprint Nextel's proportional share of projected liabilities. (emphasis added)

What are your concerns regarding this statement?

A. I have two concerns. First, I believe that Ms. Goldman's representations that the pension fund assets exceed projected liabilities by ** _____ ** is in error. The ** _____ ** as shown in Ms. Goldman's exhibit CWA Exh. 22, CW-1 actually represents the "excess funding amounts and interest on those amount over the Employment Retirement Income Security Act of 1974's (ERISA) minimum funding requirements." Simply stated the ** _____ ** is illustrative of the fact that Sprint contributed more than the ERISA minimum contribution for a number of years and represents an ERISA "credit" used in the calculation of the 2005 minimum required contribution. It *does not* represent that the pension assets exceed projected liabilities by ** _____ **. In fact, there are no excess assets based upon a comparison of the actuarial value of the assets versus the current pension liabilities. The actuarial pension liabilities exceed the actuarial value of the assets.

The Staff's second objection is to Ms. Goldman's "proportional share" argument. ERISA incorporates and is tied to the Internal Revenue Code (IRC). Section 414(I) of the IRC specifically addresses the merger, consolidation and transfer of pension fund assets. The premise of this provision of the IRC is that "each participant in the plan

Surrebuttal Testimony
David G. Winter

1 (if the plan is then terminated) would receive a benefit immediately after the merger,
2 consolidation or transfer which is equal to or greater than the benefit the employee would
3 have been entitled to receive immediately before the merger (if the plan had then
4 terminated)”¹. Based on this overriding provision, the assets and liabilities of the Sprint’s
5 current Retirement Pension Plan will be allocated based upon the appropriate actuarial
6 methods, assumptions and calculations necessary to meet the requirements of IRC Section
7 414(I). Therefore, Commission action regarding Ms. Goldman’s “proportional share”
8 recommendation is unnecessary.

9 Q. Does this conclude your surrebuttal testimony?

10 A. Yes, it does.

¹ IRC Section 414(I)((1))

**CASE PARTICIPATION
DAVID G. WINTER**

Date Filed	Issue	Case Number	Exhibit	Case Name
1982	Depreciation	TR82199	Direct, Rebuttal	Southwestern Bell Telephone
9/10/1984	Accounting Issues	ER84168 & EO85177	Direct	Union Electric Company
3/22/1985	Accounting Issues	ER85128 & EO85185	Direct	Kansas City Power & Light Company
4/1/1985	Accounting Issues	ER85128 & EO85185	Rebuttal	Kansas City Power & Light Company
4/1/1985	Accounting Issues	ER85128 & EO85185	Surrebuttal	Kansas City Power & Light Company
5/20/1994	Cash Working Capital, Pensions	ER94174	Direct	The Empire District Electric Company
1994	System Wide Margin Rate	GA94127	Rebuttal	Tartan Energy Company, LLC
6/13/1994	Cash Working Capital, Pensions	ER94174	Supplemental Direct	The Empire District Electric Company
9/8/1994	Payroll, Pensions, Amortizations	WR94297	Direct	Capital City Water Company
10/13/1994	Payroll, Pensions, Amortizations	WR94297	Rebuttal	Capital City Water Company
10/27/1994	Payroll, Pensions, Amortizations	WR94297	Surrebuttal	Capital City Water Company
5/19/1995	System Wide Margin Rate	GA95216	Rebuttal	Missouri Public Service
5/19/1995	System Wide Margin Rate	GA95231	Rebuttal	Missouri Gas Company
1996	Effects of Merger	GM9661	Rebuttal	Tartan Energy/Southern Missouri Gas
1/18/1996	Revenues, Policy	TR96123	Direct	Steelville Telephone Company
1997	Accounting Issues	ER9743	Direct	The Empire District Electric Company
11/1/1996	Revenue Requirement	ER9782	Direct	The Empire District Electric Company
2/13/1997	True-up Revenue, Test Year, Municipal Franchise Taxes, Bad Debts	ER9781	Direct	The Empire District Electric Company
5/22/1997	Revenue Requirement, Adjustments to Staff's True-up Audit	ER9781	Supplemental True-up	The Empire District Electric Company
1997	Cost Recovery Mechanism	TO97217	Stipulation	Primary Toll Carrier Plan
2/17/1998	All Accounting Issues, Revenue Requirements	TO98216	Direct	Northeast Missouri Rural Telephone Company
7/20/1998	Revenue Requirements	TR98343	Direct	Mid-Missouri Telephone Company
1998	Accounting Issues, Revenue Requirements	TR98344	Stipulation	Fidelity & Bourbeuse Telephone Company
8/10/1998	All Accounting Issues, Revenue Requirements	TR98345	Direct	Lathrop Telephone Company
1998	All Accounting Issues, Revenue	TR98346	Direct	Citizen's Telephone

Date Filed	Issue	Case Number	Exhibit	Case Name
	Requirements			Company
1998	All Accounting Issues, Revenue Requirements	TR98347	Direct	McDonald County Telephone Company
1998	All Accounting Issues, Revenue Requirements	TR98348	Direct	Oregon Farmers Mutual
1998	All Accounting Issues, Revenue Requirements	TR98349	Direct	Rock Port Telephone Company
8/6/1998	Special Amortization, Revenue Requirements	TC98350	Direct	Miller Telephone Company
1998	All Accounting Issues, Revenue Requirements	TR98372	Direct	Le-Ru Telephone Company
8/10/1998	Revenue Requirement	TR98373	Direct	Seneca Telephone Company
8/10/1998	Revenue Requirements	TR98347	Direct	McDonald County Telephone Company
8/10/1998	Revenue Requirements	TR98345	Direct	Lathrop Telephone Company
8/10/1998	Revenue Requirement	TR98373	Direct	Goodman Telephone Company
1/25/1999	Section 272	TO99227	Rebuttal	Southwestern Bell Telephone Company
5/13/1999	IntraLATA Dialing Parity Plans Costs	TO99254	Surrebuttal	Primary Toll Carrier Plan and IntraLATA Dialing Parity
6/25/1999	Depreciation Expense, Water Treatment Plant Costs, Property and Income Taxes, Depreciation Reserve, Rate Base,	WR99326	Direct	United Water Missouri, Inc.
12/22/1999	Rates Based on Spectra's Cost of Service, Price Cap Regulation, Transactions Costs, Taxes, Accumulated Deferred Income, Acquisition Adjustment	TM2000182	Rebuttal	GTE Midwest Incorporated and Spectra Communications Group LLC
8/15/2002	Membership Fees, Earnings Review, Universal Service Fund, Tax Implications, Accumulated Deferred Income Taxes, Acquisition Premium and Increment Acquisition Costs, Merger Background, Detriment Standard, Summary	TM2002465	Rebuttal	Northeast Missouri Rural Telephone Company & Modern Telecommunications Company
2002	Taxes, USF, Earnings Investments	TM2002232	Stipulation	CenturyTel/Verizon
2004	Jurisdictional Separations, Corporate Allocation, Cost of Removal and Salvage, Current Income Tax, Deferred Income Tax	IR20040272	Stipulation	Fidelity Telephone Company