

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**KENTUCKY ALLTEL, INC., AND ALLTEL
KENTUCKY, INC.'S INTENT TO TRANSFER
ASSETS TO VALOR COMMUNICATIONS
GROUP, INC.**)
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)
)

CASE NO. 2005-00534

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COMMISSION

**DATA REQUESTS OF INTERVENOR,
COMMUNICATION WORKERS OF AMERICA**

Comes the Intervenor, Communication Workers of America (CWA), and propounds the following data requests to the Applicants:

1. Provide a copy of the most recent annual and quarterly reports of Alltel Communications Corp. and Valor Corp.

2. Provide a copy(ies) of the SEC filings pertaining to the separation of the wireline business and the merger with Valor.

3. Have Alltel and/or Valor shareholders approved the corporate restructuring, and if not, when is such approval anticipated?

4. In regard to Amended and Restated Application for Approval of Transfer and Authorization to Guarantee Indebtedness, please explain:

- a. the impact on the AKI and KAI of the Lenders' requirement that "all affiliates of the Merged Wireline Business, including and AKI and KAI, guarantees the Facilities, Secured Cash Management Agreements and Secured Hedge Agreements associated with the senior secured debt financing of the transactions at issue here (the "Facility Guarantees") (paragraph 42)
- b. the impact on the AKI and KAI of the Lenders' requirement that the "Facility Guarantees are to be secured by perfected first-priority liens on the assets of the respective guarantors, including KAI and AKI, as described in the Commitment Letter (the "Liens") (paragraph 42)
- c. the impact on AKI and KAI of the expectation that "all affiliates of the Merged Wireline Business, including API and AHCS, will also be required to give their Guarantees of all obligations under the Notes (the "Note Guarantees") (paragraph 43)
- d. the impact on AKI and KAI of the fact that the "Guarantees will be contingent liabilities of AKI and KAI." (paragraph 46)

5. In regard to the Commitment Letter, Exhibit 7, page 9, please explain the impact on AKI and KAI of the requirement that “Spinco and merger Partner (on its own behalf and on behalf of each of its subsidiaries) to assume in writing and become jointly and severally liable for all of your obligations” in the Commitment Letter and Fee Letter.

6. In regard to the Summary of Terms and Conditions, Exhibit A of the Commitment Letter, please explain the impact on AKI and KAI of the requirements of the Guarantors (page A-1) and Security (pages A-3-4).

7. In regard to First Amendment to Joint Application and Securities Certificate, paragraph 7, please explain and provide the calculations used to support the statement that “the Guarantees and Liens will provide specific benefits to the Merged Wireline Business by significantly reducing the debt servicing costs of the senior unsecured facility and the Notes.”

8. In regard to the Summary of Terms and Conditions, Exhibit A of the Commitment Letter, please explain:

- a. the requirements of the Financial Covenants of the minimum interest coverage ratio and maximum leverage ratio (page A-6).
- b. whether these Financial Covenants are consistent with a capital structure that will have among the lowest debt leverage in the RLEC industry (Joint Application, paragraph 30).

9. In regard to Schedule of Proposed Debt of New Holding Company, Exhibit 6, please explain for each Existing Wireline Debt to be Assumed by Newco separately listed as Nebraska Notes, Georgia Debentures, and Teleview Notes, and for Exiting Valor Indebtedness to be assumed by Newco, whether these debt instruments currently require Guarantees and Liens. If so, state the conditions of those Guarantees and Liens.

10. For each debt instrument identified in 9 above, please explain whether it will require Guarantees and Liens after the transaction.

11. Please indicate when the companies anticipate the final loan documents will be available and transmitted to the Commission.

12. Please provide copies of all fairness opinions rendered by Alltel's financial advisors regarding the local wireline business separation and Valor merger.

13. Concerning the original acquisition of KAI and AKI by Alltel:

- a) On what date did Alltel, either directly or indirectly, first acquire the assets and/or common stock of AKI and KAI?
- b) What was the acquisition cost record by Alltel for the common stock and/or assets of AKI and KAI?

14. Please provide a copy of the bylaws, articles of incorporation, and corporate charter for the company referred to in the Application as the Merged Wireline Business.

15. Please provide the most recent information regarding the Board of Directors of the Merged Wireline Business.

- a) How many members will be on the Board of Directors?
- b) How will the Board of Directors be structured (for example, the number of inside and independent directors; length of Directors' terms; whether Directors' term will be staggered; and similar information).
- c) Please identify each member of the initial Board of Directors and, if not already provided in the Application, a professional biography.

16. Please provide a copy of the most recent actuarial report(s) for the pension funds that relate to KAI, AKI, and other Alltel employees.

17. Please provide a copy of the most recent actuarial report(s) for the post-retirement benefits other than pensions (OPEBs) that related to KAI, AKI, and other Alltel employees.

18. Concerning the pension funds currently held by Alltel, or any of its subsidiaries, on behalf of employees of the local telephone companies, including AKI and KAI (these will be referred to as "pension funds" in the following questions):

- a) Identify the entities that currently hold all pension funds and other pension-related assets.
- b) Please describe in detail how the pension funds and other pension-related assets will be divided between Alltel and the Merged Wireline Business
- c) Please describe in detail how the liabilities for the payment of pension benefits will be divided between Alltel and the Merged Wireline Business

- d) Identify the entities that will hold all pension funds and other pension-related assets after the separation.
- e) Will the separation of the Merged Wireline Business result in any change in the pension benefits payable to any current retirees of any of the local telephone companies, including AKI and KAI? If so, please describe in detail.
- f) Will the separation of the Merged Wireline Business result in any change in the pension benefits payable to any current employees of any of the local telephone companies, including AKI and KAI. If so, please describe in detail all such changes.

19. Concerning assets associated with the provision of non-pension post-retirement benefits currently held by Alltel, or any of its subsidiaries, on behalf of employees of the local telephone companies, including AKI and KAI (referred to as “funded PRBs” in the following questions):

- a) identify the entities that currently hold all funds or other assets related to funded PRBs
- b) Please describe in detail how the funded PRB funds or other assets will be divided between Alltel and the Merged Wireline Business
- c) Please describe in detail how the liabilities for the payment of funded PRBs will be divided between Alltel and Merged Wireline Business
- d) Identify the entities that will hold all funded PRB funds or other assets after the Merged Wireline Business is separated from Alltel
- e) Will the separation of the Merged Wireline Business from Alltel result in any change in the funded PRBs available to any current retirees of any of the local telephone companies, including AKI and KAI? If so, please describe in detail all such changes.
- f) Will the separation of the Merged Wireline Business from Alltel result in any change in the funded PRBs available to any current employees of any of the local telephone companies, including AKI and KAI? If so, please describe in detail all such changes.

20. If the transaction is approved does the Merged Wireline Business, AKI, or KAI have any plans to change the number and/or types of employees currently working at the Merged Wireline Business or AKI and KAI? If so, please describe in detail all such changes.

21. With regard to the answer above in Request 20, produce copies of all documents which discuss, review or analyze this issue and resulting decisions.

22. If the transaction is approved does the Merged Wireline Business, AKI, or KAI have any plans to change the levels of compensation and/or of employees currently working at the Merged Wireline Business, AKI, or KAI? If so, please describe in detail all such changes.

23. With regard to the answer above in Request 22, produce copies of all documents which discuss, review or analyze this issue and resulting decisions.

24. Will the existing collective bargaining agreement between AKI and/or KAI and the Communications Workers of America be affected in any manner by the proposed transaction. If so, please describe in detail all such changes.

25. With regard to the answer above in Request 24, produce copies of all documents which discuss, review or analyze this issue and resulting decisions.

26. Please explain the impact of the separation and merger on employee levels in Kentucky and anticipated investment and expense levels for the next five years.

27. Please state whether the separation and merger will result in any changes in pensions and/or other benefit programs for existing Alltel employees generally and for AKI and KAI employees in particular. If yes, please explain in detail.

28. Please provide the total number of employees of KAI and AKI at the end of each of the years beginning December 31, 2000 and ending December 31, 2005.

29. Please provide the total number of access lines served by KAI and AKI at the end of each of the years beginning December 31, 2000 and ending December 31, 2005.

30. Please provide the total annual maintenance expenses spent by KAI and AKI for local exchange services for each of the years from the beginning of 2000 to year-end 2005.

31. Please provide the total capital construction amount expended by KAI and AKI for local exchange services for each of the years from the beginning of 2000 to year-end 2005.

32. Please provide total annual expenditures paid by KAI and AKI to outside contractors and/or vendors for maintenance expense for the years 2000-2005.

33. Please provide the total annual expenditures paid by KAI and AKI to outside contractors and/or vendors for personnel-related expenses for maintenance for the years 2000-2005.

34. Please provide total annual expenditures paid by KAI and AKI to outside contractors and/or vendors for construction expense for the years 2000-2005.

35. Please provide the total annual expenditures paid by KAI and AKI to outside contractors and/or vendors for personnel-related expenses for construction for the years 2000-2005.

36. Please provide a matrix showing KAI and AKI service quality performance for the most recent 36 months in each of the following categories:

- a. Customer Trouble Reports per 100 Lines
- b. Out-Of-Service Trouble Clearing Time Within 24 Hours
- c. Percentage of Primary Service Orders Completed Within 5 Days
- d. Percentage of Non-Primary Service Orders Completed Within 20 Days
- e. Percentage of Installation Appointments Met
- f. Percentage of Calls to Repair Service Answered in 20 Seconds
- g. Percentage of Calls to the Business Office Answered in 20 Seconds
- h. Percentage of Calls With Dial Tone Within 3 Seconds

37. Please provide copies of all service quality reports filed with the Kentucky PSC during the past 36 months.

38. Please provide a list of central offices that are DSL capable and those that are not DSL capable in the service areas of KAI and AKI. Please provide the number of residential and business DSL subscribers in the service areas of KAI and AKI. Please indicate the total number of residential and business customers and lines in the service areas of KAI and AKI.

39. Please identify the number of wire centers and the counties in which those wire centers are located for KAI and AKI.

40. Please provide the annual report of KAI and AKI submitted to the PSC and the FCC for the years ending 2000, 2001, 2002, 2003, 2004, and if available, 2005 including the income statements, balance sheets, and cash flow statements, and year-end total access lines.

41. Provide a statement of long-term debt for KAI and AKI at year-end 2005 showing:

- a. A listing of all debt issues outstanding, including cost rate, balance and maturity date of each issue.

b. A calculation of the embedded cost of long-term debt.

42. Do KAI and AKI issue their own long-term debt, or is all of its long-term debt outstanding from the parent (or affiliates)? If they issue their own long-term debt, do they have their own credit rating? If so, please provide.

43. Please identify and describe KAI and AKI's sources of short-term borrowings?

44. Please provide a Cash Flow statement for 2003, 2004, and 2005 for KAI and AKI. (If 2005 is not available, provide the most recent 12 months).

45. Please describe KAI and AKI's dividend payment policy, i.e. the criteria used by management to determine the dividend amounts that KAI and AKI pay to the parent. Explain how this will change after the formation of the Merged Wireline Business.

46. Provide all presentations made by Alltel management to securities analysts and credit rating agencies regarding the Valor merger and/or the corporate wireline spin off.

47. Provide all credit rating reports issued by Standard & Poor's, Moody's and Fitch concerning Alltel or any Alltel subsidiary since January 1, 2005.

48. Provide any securities analyst reports that discuss or assess the Alltel wireline corporate spin off.

49. Please provide any due diligence studies, reports, memos or presentations prepared by consultants or financial advisors for Alltel Corp. concerning the wireline corporate spin off.

50. Provide all presentations to the Alltel Corp. Board of Directors concerning the wireline corporate spin off and/or Valor merger.

51. Has Alltel sought to obtain indicative rating for the planned debt of the Merged Wireline Business? If so, please provide any such credit rating reports.

52. Exhibit 5 provides Pro Forma financial statements for the Merged Wireline Business. This includes the income statement and balance sheet. Please also provide a *pro forma* Statement of Cash Flow for the Merged Wireline Business.

53. With regard to Exhibit 5 financial statements, provide a listing and description of all adjustments to the 2004 actuals used in deriving the pro forma statements. State the reason for each adjustment.

56. Please provide the complete basis for the \$5,360.6 million in goodwill shown on Exhibit 5. How is this amount determined?

57. Provide the detailed financial projections (five years or for whatever period is available) for the Merged Wireline Business. Please include in this response a listing and description of all business assumptions used in deriving these projections.

58. With respect to the Dec. 8, 2005 Distribution Agreement, please explain the basis of the \$3.965 billion of "Spinco Financing." Specifically, how was this amount determined?

59. With respect to the Dec. 8, 2005 Distribution Agreement, please explain why the amount for \$3.965 billion of "Spinco Financing" is appropriate?

60. With respect to the Dec. 8, 2005 Distribution Agreement, particularly the amount of \$3.965 billion of "Spinco Financing," please provide all memos, emails or other documents reviewed, written, or developed by the Company or its affiliates concerning the establishment or evaluation of this amount and any additional debt issuance related to the proposed transaction. Such materials should relate to, but not be limited to, the financial risk associated with such debt issuance, plans for the use of these funds, and any justification for the use of those funds.

61. What is the anticipated or planned amount of the Special Dividend to be paid to Alltel Corporation, and how was this amount determined.

62. Please provide all memos, emails or other documents reviewed, written, or developed by the Company or its affiliates concerning the establishment or evaluation of the amount listed in the answer to 61, above.

63. Please describe the planned structure of the \$3.966 billion Spinco Financing, to include the term structure of the debt, the type of debt instruments to be used, and anticipated interest rate.

64. Please identify the sources of short-term debt that will be utilized by the merged Wireline Business.

65. Please define, explain, and quantify “attractive dividend to investors” as employed in paragraph 25 of the Amended and Restated Application.

66. Please describe the capital structure plans and objectives, including debt/equity target percentages, and the basis for those plans and objectives. As part of the answer, identify what the Applicants believe to be an appropriate capital structure.

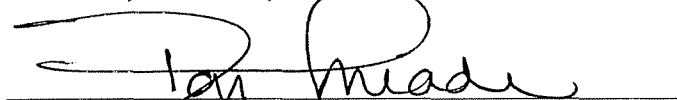
67. Please describe in detail the debt financing commitments for the merged Wireline Business by JP Morgan and Merrill Lynch. Provide documentation for these commitments. Please explain the role that JP Morgan and Merrill Lynch will play in anticipated debt financing.

68. Please provide the complete documentation support for the statement that the planned capital structure for the merged Wireline Business results in among the lowest debt leverage in the RLEC industry.(Amended and Restated Application, para. 26)

69. Please provide a listing of all regulatory agencies that must approve the separation and merger, the case number in each regulatory proceeding, and expected date of approval in each case.

Respectfully submitted,

PRIDDY, CUTLER, MILLER & MEADE

A handwritten signature in black ink, appearing to read "Don Meade", is written over a horizontal line.

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CERTIFICATE OF SERVICE AND FILING

I hereby certify that an original and 10 copies of the above Interrogatories were filed this 2nd day of March, 2006, by mailing same to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Blvd., Frankfort, KY 40601; and a copy of same served by first class mail, postage prepaid, on the following:

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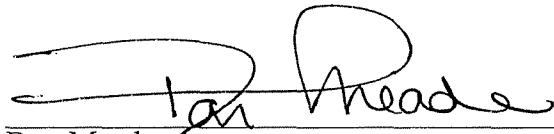
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