

March 17, 2004

VIA HAND DELIVERY

Mr. Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

Drop Box
RECEIVED

MAR 17 2004

PUBLIC SERVICE
COMMISSION

RE: An Inquiry Into the Development of Deaveraged Rates for
Unbundled Network Elements, Administrative Case No. 382

Dear Mr. Dorman:

Enclosed for filing please find an original and eleven (11) copies of the Response to March 9, 2004 Staff Request and Petition for Confidential Treatment to Exhibit A of the attached Schedule 1. An unredacted copy of Exhibit A is being filed under seal in the enclosed envelope.

Please return a date-stamped copy of the Petition to me. Thank you for your cooperation in this matter. If you have any questions, please do not hesitate to call. ✓

Sincerely,

James H. Newberry, Jr.
James H. Newberry, Jr. (SRC)

Enclosures

Petition (original and 11 copies)

cc: Parties of Record
30318485.1

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

Dreyfus
RECEIVED

In the Matter of:

MAR 17 2004

AN INQUIRY INTO THE DEVELOPMENT)
OF DEAVERAGED RATES FOR)
UNBUNDLED NETWORK ELEMENTS)

PUBLIC SERVICE
COMMISSION
ADM. CASE NO. 382

**RESPONSE TO MARCH 9, 2004 STAFF REQUEST
AND PETITION FOR CONFIDENTIAL TREATMENT**

Pursuant to the March 9, 2004 request by the staff of the Public Service Commission of Kentucky ("Commission"), Kentucky ALLTEL, Inc. ("Kentucky ALLTEL") files this Response and Petition for Confidential Treatment and in support thereof states as follows:

RESPONSE

1. In its November 7, 2003 Order, the Commission required Kentucky ALLTEL to submit within thirty days proposed UNE rates with supporting documentation and proposed rates for UNE combinations. In its December 5, 2003 Order, the Commission extended the filing deadline. On February 5, 2004, Kentucky ALLTEL filed with the Commission, under confidential seal, its complete UNE Cost Study including the supporting inputs and resulting rates.

2. The Commission's Order on February 10, 2004 directed Kentucky ALLTEL to file additional, more detailed support documentation. In compliance with that Order, on March 1, 2004, Kentucky ALLTEL filed such documentation pursuant to a reservation of rights and Petition for Confidential Treatment.

3. At an informal conference on March 9, 2004, Commission staff requested that Kentucky ALLTEL respond to four questions which are set forth Schedule 1 which is attached.

4. Kentucky ALLTEL's filings in this matter are provided under protest and without waiving its lawful rights and objections, as Kentucky ALLTEL maintained and continues to maintain that it is not required and has not chosen to offer unbundled local switching or any UNE combinations that include local switching.

PETITION FOR CONFIDENTIAL TREATMENT

5. Pursuant to K.R.S. §61.878(1)(c)(1) and 807 KAR 5:001, Section 7, Kentucky ALLTEL requests that Exhibit A to the attached Schedule 1 ("Exhibit A") be accorded confidential treatment.

6. Exhibit A was developed internally by ALLTEL Communications, Inc. ("ALLTEL") at its own expense. Exhibit A is treated as highly confidential by ALLTEL and its affiliates. Exhibit A has not been released publicly and is disclosed internally within ALLTEL on a need-to-know basis only.

7. Exhibit A includes specific data which Kentucky ALLTEL is providing only to Commission Staff and only pursuant to this confidentiality agreement or enforceable order according the documentation confidential treatment. The pricing detail is proprietary and at a greater level of detail than that which is released to the public.

8. ALLTEL and its affiliates employ all reasonable measures to protect the confidentiality of Exhibit A and to guard against inadvertent, unauthorized disclosure.

K.R.S. §61.878(1)(c)(1) provides in pertinent part:

The following public records are excluded from the application of ...[the Open Records Act] and shall be subject to inspection only upon order of a court of competent jurisdiction ...

(c)1. ...records confidentially disclosed to an agency or required by an agency to disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records.

9. Public disclosure of the Exhibit A would provide entities offering local exchange or other telecommunications services an unfair competitive advantage by affording them access to Kentucky ALLTEL's valuable pricing information which they could then use to plan unwarranted market entry or competitive strategies to the detriment of Kentucky ALLTEL. Exhibit A is generally considered confidential and proprietary in the telecommunications industry.
10. Exhibit A is also protected from disclosure pursuant to K.R.S. §61.878(1)(c)(2)(c) as a confidential and proprietary record disclosed to the Commission in conjunction with the regulation of a commercial enterprise.
11. Kentucky ALLTEL and its affiliates have taken all reasonable steps to prevent the dissemination of the confidential information in Exhibit A outside of Kentucky ALLTEL, its parent corporation and affiliates.
12. Nondisclosure of the information in Exhibit A would not be detrimental to the policy objectives of the Kentucky Open Records Act and instead would actually serve the public interest by promoting fair competition.

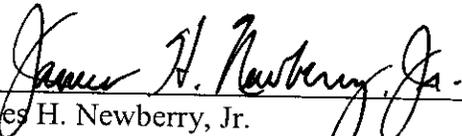
13. One unredacted copy of Exhibit A is being filed herewith under seal. A redacted copy is attached to Schedule 1 for public filing. Due to the highly confidential nature of the documentation, Kentucky ALLTEL requests that the documentation be considered proprietary and confidential and not be duplicated.

WHEREFORE, Kentucky ALLTEL respectfully requests that the Commission grant this Response and Petition for Confidential Treatment; afford Exhibit A confidential treatment and place same in the confidential files of the Commission; prohibit any party including Commission Staff from duplicating the documentation; and grant Kentucky ALLTEL all other relief to which it may be entitled including the right to withdraw its filing or cure any deficiencies in this Petition prior to any disclosure of Exhibit A.

Dated: March 17, 2004.

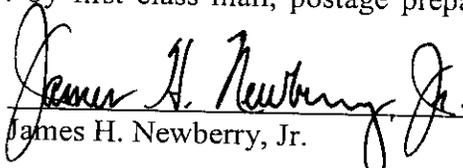
Respectfully submitted,

KENTUCKY ALLTEL, INC.

By: 
James H. Newberry, Jr.
Attorney for Kentucky ALLTEL, Inc.
Wyatt, Tarrant & Combs, LLP
250 West Main Street, Suite 1600
Lexington, KY 40507
(859) 288.7621

CERTIFICATE OF SERVICE

I hereby certify that a notice with respect to the foregoing Response and Petition has been sent this 17th day of March, 2004 by first class mail, postage prepaid to the parties on the attached service list.


James H. Newberry, Jr.

SERVICE LIST

William Adkinson Sprint Communications Company, L.P. Southeast Division 3100 Cumberland Circle Atlanta, GA 30339	Sylvia Anderson AT&T 414 Union Street Suite 1830 Nashville, TN 37219	Gene Baldrate - Regulatory Affairs Mark Romito - Gov't Relations Cincinnati Bell Telephone 201 East Fourth Street P.O. Box 2301 Cincinnati, OH 45201-2301
Honorable Susan J. Berlin Secretary/Treasurer MCI WorldCom 6 Concourse Parkway Suite 3200 Atlanta, GA 30329	Honorable Ann Louise Cheuvront Assistant Attorney General 1024 Capital Center Drive Frankfort, KY 40601	Honorable Joshua L. Bobeck Honorable Russell L. Blau Swindler, Berlin, Shereff & Friedman 3000 K. Street, N.W., Suite 300 Washington, D.C. 20007
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Honorable Norton Cutler Attorney-at-Law BlueStar Networks, Inc. 5 Corporate Centre 801 Crescent Centre Drive Suite 600 Franklin, TN 37067	Honorable C. Kent Hartfield Attorney-at-Law Middleton & Reutlinger 2500 Brown & Williamson Tower Louisville, KY 40202	Honorable John N. Hughes Attorney-at-Law 124 West Todd Street Frankfort, KY 40601
Honorable Richard D. Gary Hunton & Williams Riverfront Plaza, East Tower 951 East Byrd Street Richmond, VA 23219	Honorable Jeremy Marcus Attorney-at-Law Blumenfeld & Cohen Suite 300 1625 Massachusetts Avenue, N.W. Washington, D.C. 20036	Honorable Brent E. McMahan VP - Regulatory & Gov.'t Affairs Network Telephone Corporation 815 S. Palafox Street Pensacola, FL 32501
Rob McMillin New Edge Network, Inc. d/b/a New Edge Networks 3000 Columbia House Blvd. Suite 106 Vancouver, WA 98661	Honorable Holland N. McTyeire, V Attorney-at-Law Greenebaum Doll & McDonald, PLLC 3300 National City Tower 101 South Fifth Street Louisville, KY 40202-3197	Honorable Creighton E. Mershon Attorney-at-Law BellSouth Telecommunications, Inc. 601 West Chestnut Street, 4NE P.O. Box 32410 Louisville, KY 40232
Honorable Richard M. Sullivan Attorney-at-Law Conliffe, Sandmann & Sullivan 2000 Waterfront Plaza 325 West Main Street Louisville, KY 40202	Jeffrey E. Yost Jackson & Kelly 175 East Main Street P.O. Box 2150 Lexington, KY 40588	John Spilman Directory - Regulatory Affairs Broadslate Networks, Inc. 675 Peter Jefferson Parkway Suite 310 Charlottesville, VA 22911

Jonathon N. Amlung, Esq.
1000 Republic Bank Building
429 W. Muhammad Ali Blvd.
Louisville, KY 40202
30321897.1

SCHEDULE 1

Kentucky ALLTEL, Inc. Action Items per March 9, 2004 Informal Conference

Q1. Did the Labor rates used in the model take into account the new union contract rates?

Response:

Yes, the labor rates were updated to reflect the loaded labor costs for Kentucky ALLTEL after the new union contract rates were implemented.

However, the model uses average ALLTEL ILEC labor rates instead of those specific to Kentucky ALLTEL. Using Kentucky ALLTEL specific labor rates would increase nonrecurring charges by 6-11% for those functions performed in Kentucky. Recurring UNE rates would not be affected, although the higher labor rates would support higher EF&I ratios.

Q2. Does ALLTEL Corp. or Kentucky ALLTEL, Inc. execute the contracts with switch vendors, etc.? Provide more information on price outs for line cards, switches, etc. (which we believe is in the backup).

Response:

ALLTEL executes vendor contracts at the corporate level in order to maximize buying power and insure optimum vendor discounts. Nortel's price list, including vendor discounts, is attached as Exhibit A to this response. These already include the discounts specific to ALLTEL. Price list for the Calix DLC pricing model is provided in the last section of Exhibit A. This price list reflects the current list prices, which were increased after the cost study was processed.

Q3. D.4 of the write-up refers to a 90% retained copper for future distribution, get explanation.

Response:

Digital Line Concentrators (DLCs) are generally fed by copper cable in the existing network design. In the rebuilt network, feeder cable is converted to fiber in order to provide sufficient bandwidth to handle high-speed data and other digital services.

Only five to ten percent of the cable pairs in the major copper leads need to be replaced by fiber to connect the DLCs, as explained in the above paragraph. Customers who are within 9,000 feet from the central office or DLC will still be fed by copper cable for most loop types (DS1 and below). The remaining 90% of the copper cables will be re-configured to provide service to these customers.

Q4. Does the model reflect different NID rates for 3-line NID, 6-line NID, etc.?

Response: The model develops costs for 2-line and 6-line NIDs only. These are at different rates based on the material cost differential between the two. Rates are not established for any other NID sizes. Input to the model does not identify multi-line systems where larger network interface devices would be used.

EXHIBIT A

(Confidential)