Commonwealth of Kentucky
Before the Public Service Commission

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PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR APPROVAL OF THE TRANSFER OF CONTROL OF ALLTEL KENTUCKY, INC. AND KENTUCKY ALLTEL, INC.	))))	Case No. 2005-00534

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Initial Request for Information to Alltel Kentucky, Inc. ("AKI"); Kentucky Alltel, Inc. ("KAI"); Alltel Communications, Inc.; Alltel Holding Corp.; Valor Communications Group; and Alltel Holding Corporate Services, Inc. [hereinafter jointly referred to as the "Joint Applicants"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional

information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the Joint Applicants have objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer;

and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,
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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of this Initial Request for Information were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct of the same, first class postage prepaid, to the following:

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This 3rd day of March, 2006.

Assistant Attorney General

Attorney General's Initial Request for Information
to the Joint Applicants
Case Number 2005-00534

1. Please provide the names of the personnel who will comprise the executive management of the Merged Wireline Business ("MWB"), and describe the financial, technical and managerial abilities they possess enabling them to engage in the telecommunications industry.

   a. Please provide the total employee count of Alltel and Valor immediately prior to the contemplated transaction, and provide an estimated employee count following the transaction, extending to 12 months following the date of the contemplated transaction.

   b. Please state whether the duties of any employee regarding the MWB's financial, technical or managerial functions will be outsourced, and if "yes", specifically identify the nature of the job responsibilities to be outsourced and the name of the person or entity who/which will assume the responsibilities.

   c. State whether any Alltel employees residing in Kentucky will be laid off or otherwise terminated as a result of the contemplated transaction, and if so, provide, with as much accuracy as possible, the number of employees to be so affected.

   d. Please provide the total number of employees working in any Alltel customer service center, regardless of location, dedicated to addressing inquiries and other needs of customers located in Kentucky. Please provide the total number of such employees both as of the date of your response to this request ~~before~~ and after the contemplated transaction.

   e. Please provide a copy of any existing agreement, whether a collective bargaining or otherwise, between Alltel and its union employees.

2. Please identify all of the Joint Applicants' subsidiaries and affiliates that will exist following the contemplated transaction, and state with specificity whether each one will be subject to regulation by:
   a. the Kentucky Public Service Commission;
   b. any other state utility commission, and if so, the name of the commission(s);

c. the Federal Communications Commission; and
d. any other state or federal agency.

3. Please state what benefits the Joint Applicants hope to reach as a result of the contemplated transaction.

   a. Will the transaction in any way facilitate the Joint Applicants' ability to charge for priority delivery of its content?

4. Did, or will, the Joint Applicants have to seek approval from the Federal Communications Commission regarding the contemplated transaction? If so, please submit copies of any and all filings and responses from the FCC in this regard.

   a. If so, did or will the FCC seek as a condition to the transaction, enforcement over issues pertaining to "net neutrality" (for purposes of this document and this discovery request, the term in quotation marks is defined as the concept that owners of telephonic and/or cable networks should not be able to dictate how a consumer uses the internet, or discriminate against any internet content, regardless of the source).

   b. Do any of the Joint Applicants currently employ multi-tiered pricing schemes for internet usage? If not, do any of them deliver internet traffic on a best-efforts basis? Do or will any of them (including the MWB) anticipate employing the use of multi-tiered pricing schemes following the contemplated transaction?

   c. Do any Joint Applicants anticipate charging internet content providers a fee based on volume sent over the Joint Applicants' network(s)?

5. Please provide copies of any and all documents the Joint Applicants haves filed with the Securities and Exchange Commission regarding the contemplated transaction.

6. Please provide copies of any and all documents the Joint Applicants have filed with any and all other regulatory bodies, whether state or federal, regarding the contemplated transaction.

7. Please provide copies of any and all reports and other documents identifying synergies expected to result from the contemplated transaction.

    a. Identify any synergies affecting the Joint Applicants' Kentucky-based operations;
    b. State whether any synergy savings will be shared with the Joint Applicants' customers, and if so, how much.

8. Please provide copies of any and all reports and other documents identifying economies of scale or scope expected to result from the contemplated transaction.

    a. Identify any economies of scope or scale affecting the Joint Applicants' Kentucky-based operations;
    b. State whether any savings related to economies of scale or scope will be shared with the Joint Applicants' customers, and if so, how much.

9. Please state whether the Joint Applicants or any of their subsidiaries or affiliates sustained any damage to their networks and/or other infrastructure resulting from hurricane-related losses in 2005. If so, please provide a description of the damage, state the amount of damage in U.S. dollars, and any financial impact such losses did or may have on any of the Joint Applicants' Kentucky-based holdings.

10. Please state whether any of the MWB's executive management, and members of its proposed board of directors are members, officers, partners, directors of, or have a controlling interest in, any business entity engaged in the telecommunications industry other than the Joint Applicants, and if so, identify them by name and by type of interest.

11. Please state whether the MWB will engage in non-regulated activities in any location. If so, please provide:

    a. the nature of the activity;
    b. the location of the activity;
    c. a breakdown by percentage of the amount of non-regulated activity and regulated activities in which the MWB will engage; and
    d. the amount of revenue derived from non-regulated activities.

12. The Joint Applicants' amended petition states, in numerical paragraph 7, "Separating the Wireline business . . . allows the [MWB] to enhance both strategic flexibility and financial and operational opportunities." Please explain exactly what is meant by this statement and include any quantifications.

13. At the informal conference for this matter held at the Kentucky Public Service Commission on January 4, 2006, the Joint Applicants provided participants with a brochure entitled "Alltel Wireline Spin and Merger with Valor Communications." Referring to page 7 of that document, please state in detail how the contemplated transaction will:

    a. Improve broadband penetration;
    b. Expand service offerings (video);
    c. Expand service offerings (wireless); and
    d. Improve feature penetration.

14. What impact, if any, does the Joint Applicants expect the addition of Valor's debt will have on customers of both Alltel and the MWB following the contemplated transaction?

15. Please identify, in detail, any and all tax savings Alltel expects to result from the contemplated transaction, and provide any relevant quantifications.

16. Please state whether Valor Communications currently has any deferred tax accounts on its balance sheets. If "yes," please identify the account(s), the amount carried therein, and provide a summary of the nature of the balance.

    a. For each deferred tax balance identified above, please state what impact the contemplated transaction will have on the account (e.g., will the contemplated transaction result in a loss of any deferred tax credits?).

17. Please state whether any of the Joint Applicants' employees, officers, directors, consultants, or contractors will receive, directly or indirectly, any bonus, stock option, and/or other remuneration of any type or sort resulting from the contemplated transaction. If so, please identify the person, the method of remuneration, whether directly or indirectly, whether it is deferred, and the amount or dollar value thereof.

18. Do the Joint Applicants agree that there are two categories of costs for the proposed transaction, namely: (1) costs-to-achieve the transaction (e.g., due diligence reports, legal counsel, etc.); and (2) costs-to-achieve cost savings in the post-transaction structure (e.g., systems integration, etc.)? If no, please identify the categories and provide a definition. Regardless of the answer, please provide the following:~~.~~

a. For the costs-to-achieve the transaction, explain how the Joint Applicants determine~~s~~ the costs that are allocated to or the responsibility of their shareholders, and those costs that are allocated to or the responsibility of their ratepayers. Include any allocation methodologies.

b. For the costs-to-achieve cost savings, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their shareholders, and those costs that are allocated to or the responsibility of their ratepayers. Include any allocation methodologies.

c. For the costs-to-achieve the transaction, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their non-regulated operations. Include any allocation methodologies.

d. For the costs-to-achieve cost savings, explain how the Joint Applicants determine~~s~~ the costs that are allocated to or the responsibility of their regulated operations. Include any allocation methodologies.

e. Do the Joint Applicants agree that there are certain costs associated with the contemplated transaction that are attributable solely to the process of obtaining the approval of the transaction (e.g. legal counsel for the regulatory proceedings)?

f. Do~~es~~ the Joint Applicants agree that they will obtain certain cost savings post-transaction that do not require the expenditure of costs-to-achieve those savings? (For example, Alltel and Valor both presently prepare their own respective annual reports to shareholders and to utility commissions in various states, and there is an expense associated with the preparation of such a report that will be avoided post-transaction due to the fact that only one report will be prepared.) If no, then is it the Joint Applicants' position that all cost savings associated with this transaction require spending?

g. Do the Joint Applicants consider the reduction of a company's or unit's operating loss a cost savings?

h. Please supply an itemized schedule that shows the cost-to-achieve the transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)

i. For the schedule requested under sub-part h (the prior question), please identify by year for as many years as your projections provide the following:

(1) the assignment of costs to each of the Joint Applicants' shareholders;
(2) the assignment of costs to each of the Joint Applicants' ratepayers; and
(3) the breakdown of the assignment of costs between regulated and non-regulated operations of each of the Joint Applicants.

j. Please supply an itemized schedule that shows the costs-to-achieve the costs savings post-transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)

k. For the schedule requested under sub-part j (the prior question), please identify by year for as many years as your projections provide the following:

(1) the assignment of costs to each of the Joint Applicants' shareholders;
(2) the assignment of costs to each of the Joint Applicants' ratepayers; and
(3) the breakdown of the assignment of costs between regulated and non-regulated operations.

l. Please supply an itemized schedule that shows the cost savings associated with this acquisition for as many years as your projections provide. (This is a request for a schedule that shows the estimated cost savings by year.)

m. For the schedule requested under sub-part l. (the prior question), please identify by year for as many years as your projections provide the following:

(1) the assignment of costs to each of the Joint Applicants' shareholders;
(2) the assignment of costs to each of the Joint Applicants' ratepayers; and
(3) the breakdown of the assignment of costs between regulated and non-regulated operations.

19. For each category of cost savings, did each of the Joint Applicants determine the allocation percentages to separate out the non-regulated cost savings from the regulated costs savings? For example, did the Joint Applicants determine the amount of total staffing cost savings to allocate to regulated operations and the amount to allocate to non-regulated operations?

20. For each category of cost savings, identify the allocation process, including the factors, for allocating costs between regulated and non-regulated operations.

21. For each category of cost savings, identify the corresponding amount of cost savings allocated to non-regulated operations for that category.

22. Please provide a copy of any and all due diligence report(s) conducted.

22. In the course of conducting their due diligence reviews, did the Joint Applicants identify any facts or circumstances that would have a material adverse effect on their customers?

23. Please provide all minutes of any meetings held between the shareholders and the board of directors of any of the Joint Applicants pertaining to the contemplated transaction.

24. Will the contemplated transaction result in any changes in accounting principles for any of the Joint Applicants, the MWB, or any of their subsidiaries or affiliates? If yes, please summarize the change(s).

25. Do the Joint Applicants anticipate any changes in any existing contracts of the Joint Applicants with other vendors (e.g., engineering, information technology, maintenance, etc.)?

26. Do the Joint Applicants anticipate entering any new contracts as a consequence of the contemplated transaction? If so, will any of the entities with whom the Joint Applicants will enter said contract(s) be affiliated in any way with the Joint Applicants, or any of their employees, stockholders, officers, contractors, consultants, or directors?

27. Please reference the amended application at page 1, paragraph 2 wherein it is stated that "As a result of intermodal competition and rapidly changing fundamentals of the wireline business, wireline companies need to adapt their existing business models to more effectively compete..." Explain these principles in detail with specific examples.

28. Please reference the amended application at page 2, paragraph 1. "The need to execute strategies faster in the future will require greater focus and access to adequate human and financial capital." Please explain in detail with specific examples.

29. Provide the name and position of the person(s) who prepared each Exhibit.

30. Please reference the amended application at pages 3 and 4. Please provide a step-by-step approach of the restructuring which details the financial consequences, including but not limited to tax ramifications, benefits to shareholders, and benefits to ratepayers, with regard to each entity affected by the contemplated transaction.

31. Please reference the amended application at page 3, paragraph 6 wherein it is stated that the change in control will produce certain benefits. Please explain in detail with specific examples.

32. Please reference the amended application at page 3, paragraph 7 wherein it is stated that separating the business will "enhance both strategic flexibility and financial and operational opportunities." Please explain in detail with specific examples.

33. Please reference the amended application at page 4, paragraph 7 wherein it is stated that the Merged Wireline Business will increase its focus on providing a "full portfolio of high quality services to its residential and business customers." Please explain in detail with specific examples.

34. Please reference the amended application at page 4, paragraph 8. Please provide a detailed breakdown of the amount for each and every Kentucky company that will guarantee and grant liens of the $5,740,000,000 stated.

35. Please reference the amended application at page 4, paragraph 9. Please identify the 7 states in which Alltel Communications, Inc. operates as a CLEC.

36. Please reference the amended application at page 6, paragraph 15. Please explain in detail with specific examples.

37. Please reference the amended application at page 7, paragraph 17 wherein it states that "All equipment, buildings, systems, software licenses and other assets owned by the Merged Wireline Business in the provision of its services will remain assets of AKI or KAI or will transfer to the Merged Wireline Business or a subsidiary thereof." If any of the specified items are owned in part or whole by the Kentucky companies and are transferred, will the Kentucky companies be duly reimbursed? If not, why not?

38. Please reference the amended application at page 7, paragraph 18 wherein it states that assets or services "will be provided through lease arrangements or service agreements." Please provide a copy of any and all of those arrangements or agreements. Also, please provide a separate chart identifying any and all increases or decreases in costs which the Kentucky companies will experience.

39. Please reference the amended application at page 8, paragraph 20. Insofar as the staffing referenced in this paragraph, will it be the same or different? If the latter, please provide a detailed breakdown of the differences, including the number and type of positions as well as their experience in the industry.

40. Please reference the amended application at page 8, paragraph 21 wherein it states that "the Merged Wireline Business will continue to receive similar centralized management services." Please explain in detail what is meant by "similar" and provide a detailed listing of the known or expected changes to take place.

41. Please reference the amended application at page 9, paragraph 24. The statement is made that the parent company will raise capital for AKI and KAI. What is anticipated with this statement?

42. Please reference the amended application at page 10, paragraph 28. "The establishment of the Merged Wireline Business as part of an independent, stand-alone wireline-centric corporation serves the public interest by allowing Alltel's separated ILECs to focus squarely on building their wireline operations to provide a full range of high quality services to local residential and business customers."

   a. What is meant by wire-line centric?
   b. What impediments exist to prevent the focus but for the establishment of the new structured entity?

43. Please reference the amended application at page 10, paragraph 29 wherein it states that the "separation and merger, other than a change of name, will be virtually transparent to customers." Please explain in detail and provide definitive examples for the meaning of "virtually."

44. Please reference the amended application at page 10, paragraph 30 wherein it states that the "Merged Wireline Business enhances service delivery, product development, and customer interaction." Please explain in detail and provide definitive examples.

45. Please reference the amended application at page 11, paragraph 33, wherein its states the "experience and expertise, combined with new flexibility to pursue wireline-only strategic goals, will ensure that the Merged Wireline Business service quality and standards will remain at the highest levels." Please explain in detail and provide definitive examples.

46. Please reference the amended application at page 16, paragraph 48, wherein it states that "additional financial statements will be filed as soon as they are available."
   a. What additional statements will be filed or are contemplated on being filed?
   b. Specify in regard to the above question as to the known or contemplated date.

47. Please provide a copy of any and all materials, including but not limited to transcripts of presentations, recordings or notes of presentations, or other information, regarding any and all financial analyses concerning the transaction.

48. Please refer to the testimony of Mr. Gardner at page 3 at lines 11 and 12. Explain in detail the "significant benefits to the New Holding Company."

49. Please refer to the testimony of Mr. Gardner at page 3 line 19. Explain in detail Mr. Gardner's understanding of the "financing of the transaction" and its impact on the company and its customers in particular.

50. Please refer to the testimony of Mr. Gardner at page 4 at line 23. Please provide copies of the annual reports for the years 1999 through 2004, and 2005 if it becomes available during this proceeding.

51. Please refer to the testimony of Mr. Gardner at page 5 at lines 20 and 21: "No material changes are expected to occur to the Regulated Entities financial statements as a result of the separation and merger." Please explain what is meant by "material" and provide detail about the changes that are contemplated.

52. Please refer to the testimony of Mr. Gardner at page 5 at lines 22 and 23. "Thus, accounting for day-to-day transactions within the Regulated Entities will remain essentially the same." Please explain what is meant by "essentially" and provide detail about the changes that are contemplated.

53. Please refer to the testimony of Mr. Gardner at page 6 at lines 6 and 7. "Except for a name change from Alltel to a new brand, the Regulated Entities will remain essentially unaffected by the separation and merger." Please explain what is meant by "essentially" and provide detail about the changes that are contemplated.

54. Please refer to the testimony of Mr. Gardner at page 6 at lines 7 through 9. "The assets, liabilities, revenues and expenses of the Regulated Entities will remain essentially the same after the separation and merger, ..." Please explain what is meant by "essentially" and provide detail about the changes that are contemplated.

55. Please refer to the testimony of Mr. Gardner at page 6 at lines 9 through 12 wherein he states that the "local operations in Kentucky will continue to be managed and operated as before, except for an improved level of support received from the centralized services from the New Holding Company and singular focus on wireline." Please explain in detail the improved level of support.

56. Please refer to the testimony of Mr. Gardner at page 6 at line 12 and 13. "Thus, the financial results for the Regulated Entities will not be materially affected." Please explain what is meant by "materially affected" and provide details about the changes that are contemplated.

57. Please refer to the testimony of Mr. Gardner at page 6 at lines 20 through 22: "Since the Regulated Entities will not experience any material change in their local Kentucky operations and overall financial condition as a result of the separation and merger..." Please explain what is meant by "material" and provide details about the changes that are contemplated.

58. Please refer to the testimony of Mr. Gardner at page 8 at lines 11 through 12 wherein he states that the New Holding Company will "enhance the network, related products, and services of its wireline subsidiaries, including the Regulated Entities." Explain in detail this enhancement.

59. Please refer to the testimony of Mr. Gardner at page 8 at line 13 wherein he states that the New Holding Company will "fund technology investments." Please explain in detail the funding of technology investments.

60. Please refer to the testimony of Mr. Gardner at page 9 at lines 16 and 17 wherein he states that the New Holding Company will "continue to provide quality products and services, and invest appropriately in the future." Please explain in detail the "appropriate investment" contemplated.

61. Please refer to the testimony of Mr. Gardner at page 10 at lines 15 and 16 wherein he states that "approximately $40 million of possible net savings" have been identified. Is there a mechanism in place whereby those savings will be tracked on an itemized and annual basis or by some other means? If so, please provide details regarding this mechanism.

62. Please refer to the testimony of Mr. Gardner at pages 10 and 11. The witness states that "to the extent that synergies result in a net reduction of overall corporate expense, then those savings or cost reductions would flow through to the subsidiaries (including the Regulated Entities) in the form of reduced corporate allocations."

    a. Is it not true that this "allocation" is an expense which the subsidiary, including the Regulated Entities, would not have to bear which in turn would lower its overall costs of operation?

    b. Why would the customer base not be entitled to a sharing in the lowering of operation costs?

63. Please refer to the testimony of Mr. Gardner at page 11 at lines 7 and 8 wherein he states the New Holding Company has received commitments from Merrill Lynch and J.P. Morgan to fund its debt. Please provide copies of same.

64. Please refer to the testimony of Mr. Gardner at page 11 at line 15. Please provide a copy of the solvency opinion from Duff & Phelps. If it is not yet available, please state the anticipated date of receipt, and please provide a copy when it does become available.

65. Please refer to the testimony of Mr. Gardner at page 13 at lines 19 through 22. "While there are many factors that are used to determine a debt rating, these comparisons suggest that the New Holding Company debt is likely to receive a debt rating somewhere between BB- and BB+, or slightly below investment grade." Should the Commission agree to a transaction which would result in a lower than investment grade rating of a Holding Company, a company whose debt is secured by the entire holdings of the regulated company subject to the Commission's jurisdiction?

66. Please refer to the testimony of Mr. Gardner at page 14, lines 1 through 6. The witness states that the subsidiaries of the New Holding Company, including its Regulated Entities, would not be responsible for "servicing the debt" of the new Alltel (currently the pre-merger Alltel Corporation) issued to the New Holding Company for the benefit of the lenders to fund the transaction. However, the witness then states that all of the subsidiaries of the New Holding Company are required to guarantee the debt and grant liens on their assets in favor of the lenders. Are these statements contradictory; i.e., Alltel would not be financially responsible for the new debt but a lender would have the legal right to seek control over Alltel in the event of a default under the loan?

67. Please state whether, in any of the other states in which Joint Applicants operate, their subsidiaries and affiliates (including those of the New Holding Company) in those states will be required to guarantee the debt of the New Holding Company and grant liens in favor of the lenders?

    a. If there are any subsidiaries and affiliates that will not have this requirement, or have any different obligations, whether financial or otherwise, why not? Explain in detail.

    b. If your answer to subpart a., above is "yes", explain why the subsidiaries or affiliates operating in other states do not face the same requirement that the subsidiaries or affiliates operating in Kentucky face.

c. Are any of the terms to which the Kentucky-based subsidiaries or affiliates of Joint Applicants have agreed, or will agree, different in any way from the terms agreed to by subsidiaries or affiliates based in other states? If so, explain in detail.

68. Please refer to the testimony of Mr. Gardner at page 12 lines 9 through 12. Please provide a reconciliation of the approximate $7.7 billion asset amount with the $11.2 billion total enterprise value which includes an equity value of $5.7 billion and debt of $5.5 billion.

69. In the event the New Holding Company defaults to a lender, will Alltel be financially liable for the new debt owed to the lender?

70. Please refer to the testimony of Mr. Gardner at page 17 at lines 1 through 7. The witness states that the interest rate reduction "translates to an annual estimated savings of approximately $25 to $50 million," and then lists a number of areas where the savings or money can be applied. Did the Regulated Entities consider a rate reduction for its customers? If not, why not?

71. Please refer to the testimony of Mr. Gardner at page 17 at lines 10 through 13. Please describe with detail the relationship, including all contractual terms, conditions, and services, between the New Holding Company and the operating subsidiaries relating to centralized services, cash management and similar matters.

72. Please refer to the testimony of Mr. Gardner at page 19 at lines 7 through 9. He states that "some of the shared Alltel Corporation assets will be transferred to the New Holding Company."

a. Please provide a detailed schedule showing the assets and their worth.

b. Also, if Alltel Corporation has a vested financial interest in the item, will it be duly compensated for the transfer?

73. Please refer to the testimony of Mr. Gardner to the question presented on page 20.

a. At page 20, line 7, please explain what is meant by "no material impact to the Regulated Entities financial statements", and explain what impact will/might occur.

b. At page 20, line 13, please explain what "other services" the Regulated Entities will receive.

c. At page 20, lines 14 through 16, please explain what the witness means when he states that the changes to costs "are expected to be minimal."

d. At page 20, lines 23 and 24, please explain in detail what the witness means when he says the concentration of effort will "yield significant benefits."

e. At page 21, lines 1 through 3, please explain in detail what is meant by "the merger of the New Holding Company with Valor significantly improves the economics for the corporate support services through increased scale and scope." In the explanation, please itemize all items and assign a value, whether actual, estimated or projected.

74. Please refer to the testimony of Mr. Gardner at page 21 at lines 16 through 20. If the New Holding Company and Alltel Corporation ultimately decide to "negotiate agreements for continued receipt and provision of any services which both parties determine should be continued", will these agreements be filed with the Commission?

75. Please refer to the testimony of Mr. Gardner at page 22 at lines 4 through 6. Please explain in detail what he means when he says ". . . the Regulated Entities are not appreciably affected through the allocations, because the allocations will not appreciably change." The explanation should provide more specificity insofar as a quantification.

76. Please refer to the testimony of Mr. Powell at page 7 at lines 18 through 20. "The Merged Wireline Business will increase its focus on providing a full portfolio of high quality services to its residential and business customers." Please explain and elaborate on this statement with definitive examples as they are known at this time.

77. Please refer to the testimony of Mr. Powell at page 7 at lines 18 through 22 wherein he states that the resulting Merged Wireline Business will ". . . increase its focus on providing a full portfolio of high-quality services to

its residential and business customers. Through its subsidiaries, the new wireline-focused company will continue to meet the needs of local exchange and long distance customers throughout its service areas." Please explain and elaborate on this statement with definitive examples as they are known at this time.

78. Please refer to the testimony of Mr. Powell at page 9 at lines16 through 19. Will any of the assets owned by Kentucky ILEC's be transferred? If so, will compensation be made to the Kentucky ILEC for the transfer? Please provide an itemized list of all such assets to be transferred together with their estimated value, as this information is known at this time.

79. Please refer to the testimony of Mr. Powell at page 12 at lines 4 through 7. Please explain in detail what similar centralized management services the Merged Wireline Business will receive after the transfer and compare the explanation with those services which the joint applicants currently receive.

80. Please refer to the testimony of Mr. Powell at page 14 at lines 9 through 11. "Furthermore, the senior executive team of the Merged Wireline Business will be comprised of many of the same Alltel executives that have guided Alltel's local operations in the past." What changes are known or anticipated to the senior management team?

81. Will the transaction have any ramifications for any agreements with competing local exchange carriers? If so, please explain in detail.

82. Will the transfer have any ramifications upon the jurisdiction or authority of the Kentucky Public Service Commission over the Joint Applicants?

83. Please refer to the testimony of Mr. Powell at page 15 at lines 6 through 10. "The establishment of the Merged Wireless Business as part of an independent, stand-alone wireline-centric corporation serves the public interest by allowing Alltel's separated ILECs to focus squarely on building their local wireline operations to provide a full range of high quality services to local residential and business customers." Is this not being done currently? If yes, how will it be improved? If not, why not?

84. Please refer to the testimony of Mr. Powell at page 15 at lines 13 through 15. "As I noted previously, the separation and merger, other than a change of name, will be virtually transparent to customers, and service quality and the customer experience will remain high priorities." What

does the witness mean when he says "virtually" transparent? Please be specific in your explanation and provide definitive details.

85. On February 16, 2006, the Joint Applicants filed with the Kentucky Public Service Commission a "Petition for Confidential Treatment." By way of electronic mail received in the Attorney General's Office on March 2, 2006, counsel for Joint Applicants stated he was withdrawing said Petition, and attached thereto a .pdf document entitled "Former Confidential Exhibit 1."

    a. Please state the reason(s) why the Joint Applicants previously held out the material referenced above as being confidential, and explain in detail why the Joint Applicants decided to make such information public.

    b. Please explain whether Joint Applicants will change their standards regarding what treatment they deem to be confidential going forward in instant case, and if so, please explain what those standards will be.

86. In the application and accompanying testimonies, the Joint Applicants make certain assertions. In the event the Kentucky Public Service Commission approves the Joint Applicants' application, would the Joint Applicants agree and adhere to the following commitments (note: this question should not be construed as the Attorney General's acquiescence to the contemplated transaction):

    a. Both the surviving wireless company, and the Merged Wireline Business, regardless of their respective locations, shall provide specific company contacts and work with the Attorney General's Office, Commonwealth of Kentucky, on any and all complaints which the Attorney General may receive. Furthermore, specific protocol and timeframes shall be established by both parties to resolve complaints or disputes expeditiously.

    b. The Joint Applicants will provide copies of all applications, notices, final approval orders, or other regulatory notifications received from the SEC, the Federal Communications Commission, and any and all other regulatory bodies including but not limited to state utility commissions having jurisdiction over any of the Joint Applicants, as well as from any and all regulatory bodies, both federal and state, that will have jurisdiction over the Merged

Wireline Business, to the extent that these documents have not already been provided in this case.

c. Within 30 days of the date of the final order in this case, the Joint Applicants will file a report with the Kentucky Public Service Commission detailing their actual expenditure levels for economic development activities and civic and charitable activities for the past three calendar years. The report will also include the current budgets for the same activities for the years 2006 through 2007, and will include estimates or projections for any such sums the Merged Wireline Business will expend. Further, Joint Applicants will provide the Attorney General with a copy of such report.

d. The contemplated transaction will not impair, impede, nor prohibit the ability and capabilities of the Kentucky ILECS, Alltel's wireless operations, and the Merged Wireline Business from meeting their obligations to provide adequate, efficient and reasonable service to their Kentucky customers.

e. The contemplated transaction will not detract from the benefits that customers of the Joint Applicants currently receive.

f. The contemplated transaction will not result in higher rates or higher charges of any type or sort for the Joint Applicants' Kentucky-based customers.

g. The Joint Applicants agree to seek approval from the Kentucky Public Service Commission prior to transferring any asset currently based in Kentucky having an original book value in excess of $5 million.

h. Costs for the contemplated transaction shall not be pushed down to Kentucky ILECs, nor in any manner to any of the Joint Applicants' ratepayers.

i. No change in control payments will be allocated to the Joint Applicants' Kentucky ratepayers.

j. Any costs associated with early termination of any of Joint Applicants' Kentucky-based staff will not be levied against their Kentucky ratepayers.

k. Any additional administrative costs incurred in order to comply with the financial and accounting standards of any other regulatory body, whether federal or state, will not be borne by Kentucky ratepayers.

l. The Joint Applicants commit to maintaining a sound and constructive relationship with those labor organizations that may represent certain of their employees; to remain neutral respecting an individual's right to choose whether or not to be a member of a trade union; to continue to recognize the unions that currently have collective bargaining agreements with the Joint Applicants (as well as those unions that could or may have agreements with the Merged Wireline Business), and to honor those agreements.

m. The Joint Applicants agree to filing with the Commission and the Attorney General copies of their annual reports to their respective shareholders.

n. Before implementing any management practice, the Joint Applicants commit to taking into full consideration the related impacts on levels of customer service and customer satisfaction, including any negative impacts resulting from any workforce reductions.

o. The Joint Applicants agree that the contemplated transaction will not cause any material change in their financial condition. Further, the Joint Applicants will remain essentially unaffected by the contemplated transaction.

p. In the event of a default by the New Holding Company and a subsequent attempt by the Lenders to collect on the guarantees and liens, the Lenders would have to seek approval from the Kentucky Public Service Commission before attempting to recoup any losses.

q. The existence of the guarantees will not affect the relationship between the New Holding Company and the operating subsidiaries relating to centralized services, cash management or similar matters.

r. The distribution of any Alltel Corporation assets that provide service to both wireline and wireless business, and related transactions, will not have a substantial or long-term effect on the New Holding Company.

s. Any changes in the centralized services provided to the Regulated Entities by the New Holding Company will not cause any additional costs to the Regulated Entities.

t. At the end of the transitional period, the New Holding Company and Alltel Corporation will discontinue the transitional operations and associated agreements and begin utilizing their own respective operating platforms and assets, or if in their best interest, negotiate agreements for continued receipt and provision of any services which both parties determine should be continued.