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PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR APPROVAL OF THE TRANSFER OF CONTROL OF ALLTEL KENTUCKY, INC. AND KENTUCKY ALLTEL, INC. AND FOR AUTHORIZATION TO GUARANTEE INDEBTEDNESS	))))))	**CASE NO. 2005-00534**

NOTICE OF SERVICE OF PREVIOUSLY FILED MATERIALS

*****

Kentucky Alltel, Inc., Alltel Kentucky, Inc., Alltel Communications, Inc., Alltel Holding Corp., Valor Communications Group and Alltel Holding Corporate Services, Inc. ("Applicants") notify the parties and Commission as follows:

1. In its May 23, 2006 Order in this matter, the Commission directed the Applicants to file the initial credit ratings of Windstream Corporation with the Commission and serve copies on all parties.

2. By letter dated June 19, 2006 and sent by overnight delivery, Windstream filed the initial credit ratings.

3. Because of an oversight, copies were not served on the parties. By this filing, copies are being served on counsel for all parties.

4. Applicants apologize for the oversight.

Dated:July 7, 2006.

Respectfully submitted,

STITES & HARBISON

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CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served by delivery in by U.S. Mail, Postage Prepaid upon:

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on this the 7th day of July, 2006.

Mark R. Overstreet

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alltel

June 19, 2006

VIA OVERNIGHT MAIL
Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601-8294

RE: P.S.C. Case No. 2006-00534

Dear Ms. O'Donnell:

Enclosed please find copies of the initial credit ratings of Windstream Corporation in accordance with the Commission's Order issued May 23, 2006 in the above captioned proceeding.

Sincerely,

Cesar Caballero

Cesar Caballero

Moody's Investors Service

Global Credit Research
Rating Action
1 JUN 2006

Rating Action: Windstream Corporation

MOODY'S ASSIGNS Ba2 RATING TO WINDSTREAM CORPORATION; OUTLOOK IS STABLE

Approximately $6.8 Billion of Debt Affected

New York, June 01, 2006 -- Moody's Investors Service has assigned a Ba2 corporate family rating, a Ba2 rating for the proposed $2.9 billion in senior secured credit facilities, and a Ba3 rating for the $2.5 billion in senior notes at Windstream Corporation ("Windstream"), an entity to be created following the spinoff of the Alltel wireline operations and the reverse Morris Trust merger with Valor Telecommunications ("Valor"). In addition, Moody's downgraded the ratings of the existing Alltel Georgia Communications to Baa2 and Alltel Communications Holdings of Midwest to Ba2. Valor's corporate family rating was upgraded to Ba2, along with the senior secured credit facilities and the senior notes, reflecting the strong likelihood that the spinoff will be implemented as planned. The upgrade of Valor's senior notes reflects the pari-passu treatment they will receive relative to Windstream's secured credit facilities. Upon the conclusion of the merger, Valor's corporate family and the senior secured facility ratings will be withdrawn. The outlook is stable.

Issuer -

Windstream Corporation

Corporate Family Rating -- Assigned Ba2

$500 million Senior Secured Revolving Credit Facility -- Assigned Ba2

$500 million Senior Secured Term Loan A -- Assigned Ba2

$1,900 million Senior Secured Term Loan B -- Assigned Ba2

$800 million Senior Notes -- Assigned Ba3

$1,703 million Senior Notes due 2016 -- Assigned Ba3

Outlook -- Assigned Stable

Issuer -

Valor Telecommunications Enterprises, LLC:

Corporate Family Rating -- Changed to Ba2 from Ba3

$100 million Senior Secured Revolving Credit Facility -- Changed to Ba2 from Ba3

$780 million Senior Secured Term Loan B -- Changed to Ba2 from Ba3

$400 million Senior Notes due 2015 -- Changed to Ba2 from B1

Outlook -- Changed to Stable from positive

Issuer -

Alltel Communications Holdings of the Midwest, Inc:

$100 million Senior Notes due 2028 -- Changed to Ba2 from A2

Issuer -

Alltel Georgia Communications:

$80 million Senior Notes due 2013 -- Changed to Baa2 from A3

The Ba2 corporate family rating reflects the high debt levels that Windstream will incur, in large part to fund a dividend to Alltel shareholders at the spinoff. It also reflects expected downward pressure on wireline revenue and cash flow growth in the future. Coupled with the significant dividends that Windstream plans to pay in the future, cash flows available for debt reduction are likely to remain below 3.1% in the next two years, and Moody's does not expect debt to decline below 3.3x EBITDA over the ratings horizon. The ratings and the outlook benefit from the stability of the company's operations, and management's track record of delivering on expected results.

Windstream, headquartered in Little Rock, AR, is an ILEC to be formed via merger of Alltel's wireline operations and Valor.

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FitchRatings
KNOW YOUR RISK

FITCH RATES WINDSTREAM COMMUNICATIONS 'BB+'

Fitch Ratings-Chicago-02 June 2006: Fitch has assigned an issuer default rating (IDR) of 'BB+' to Windstream Communications (Windstream). In addition, Fitch has assigned a 'BBB-' rating to its proposed credit facility, of which $2.4 billion is expected to be outstanding, and a 'BB+' rating to its proposed $2.5 billion of senior unsecured notes. The Rating Outlook is Stable.

At the completion of the transaction, Fitch expects to assign a 'BBB-' rating to Valor's existing $400 million in senior notes (co-issued by Valor Telecommunications Enterprises, LLC and Valor Telecommunications Enterprises Finance Corp.). In addition, Fitch has removed from Rating Watch Negative and affirmed with a Stable Outlook the 'BBB-' ratings assigned to Alltel Georgia Communications senior debt and downgraded its IDR to 'BB+' from 'A'. The rating assigned to Alltel Communications Midwest (Aliant) has been downgraded to 'BB+' from 'BBB-' and removed from Rating Watch Negative. A 'BB+' IDR has been assigned to Alltel Communications Midwest and its Rating Outlook is Stable.

The ratings of Alltel New York and Alltel Pennsylvania have been affirmed at 'BBB-' and removed from Rating Watch Negative. The ratings will be withdrawn following their retirement at the time of the transaction.

Following the merger of Alltel Wireline with Valor, which is expected to take place in mid-July of 2006, the surviving corporation (which is Valor) will be renamed Windstream Communications. Alltel Corp. will remain a separate business focused on providing wireless services. Generally, Wireline-related assets will be spun off with the Alltel Wireline, including the directory business, the competitive local exchange carrier (CLEC) operation, the Internet access business, and certain other support businesses. The long-distance operations will be retained by the wireline business, other than the fiber backbone supporting those operations and the revenues attributable to the wireless business' use of the fiber backbone. To bring about the spin-off, Alltel Wireline will issue common stock and distribute approximately $1.7 billion of notes (the exchange notes) to Alltel Corp. Alltel Wireline will also assume $181 million of local exchange subsidiary debt (net of $81 million to be refinanced after the merger) issued by Alltel Georgia and Alltel Communications Midwest (Aliant). Alltel Wireline will then pay a special dividend of $2.275 billion to Alltel. Alltel Wireline's merger with Valor will take place immediately after Alltel distributes the common stock of Alltel Wireline to its shareholders. Following the merger, Alltel shareholders will own 85% of the company and Valor shareholders 15%. Valor's shareholders still need to approve the transaction, and the shareholder meeting is expected to take place on June 27, 2006.

Windstream is expected to have up to $3.3 billion in available credit facilities, including a $500 million five-year revolving facility and up to $2.8 billion in term credit facilities. The company also plans to issue $800 million in senior notes. The credit facilities and notes will be used to pay the $2.275 billion dividend, to refinance the $783 million outstanding on Valor's bank facility and to refinance a potential offer for Valor's $400 million in outstanding senior notes. Windstream will assume and guarantee equally and ratably with the credit facilities $400 million of outstanding Valor debt securities if they are not tendered to Windstream, and the availability of $400 million on the term credit facility will be terminated.

Following the spin-off and merger, Windstream will be the second largest rural local exchange carrier and the sixth largest local exchange carrier in the U.S. The company will have at closing approximately 3.4 million access lines in 16 states, with about two-thirds of its access lines concentrated in the states of Georgia, Kentucky, Texas, Ohio and Nebraska. Annual revenues are expected to approximate $3.4 billion.

Fitch's rating incorporates expectations for Windstream to generate strong operating cash flows and to have access to ample liquidity. Fitch expects Windstream to pay out approximately 70% of its net free cash flow as dividends to common shareholders. The remaining free cash flows are expected to be used to maintain a relatively stable leverage ratio, with debt to EBITDA in the 3.2 times (x) to 3.3x range. Liquidity is also supported by the company's $500 million revolving credit facility, which will be in place until July 2011. Debt maturities in the next several years are expected to be nominal.

Fitch believes that the company's rural footprint provides it with modestly lower exposure to competition than the urban-based regional Bell operating companies (RBOCs). The company indicated that it will have approximately 25 access lines per square mile, which compares favorably to the non-rural carrier average of 128 access lines per square mile.

Concerns regarding Windstream include its dependence on voice service revenues. Fitch expects the company will continue to experience pressure on its cash flow from competition for its core voice services from technology substitution, including from wireless and cable operators. Cable operators are expected to materially increase their potential addressable market for voice services in Windstream's operating territory in 2006 and 2007, which could cause an acceleration of access line losses. Windstream is expected to mitigate this pressure through the growth in revenue from new services, including the continued deployment of high speed data services, and by bundling its voice services with data, wireless and video services. The company currently has an agreement with Echostar Communications to offer its DISH network satellite television service and expects to enter into agreements to sell wireless services. In addition, the company will attempt to mitigate pressure on cash flow through cost controls and the realization of synergies arising from the combination of Alltel Wireline's business with Valor.

Fitch believes that Windstream's expected dividend payout ratio is somewhat high for the industry as a whole, but in line with its expected low-growth profile and other rural carriers. The company is expected to have moderate financial flexibility and Fitch expects the company to initially reduce debt with excess cash flows. In the intermediate to longer term, Fitch believes the company has an interest in participating in the consolidation of the rural wireline market, subject to a rigorous set of criteria. As a mature business, capital expenditures are expected to be relatively flat. The company has no current plans to deploy a wireline-based video network, but will monitor developments in this area. Such a deployment could lead to an increase in capital spending.

Fitch's Stable Rating Outlook reflects expectations for relatively flat leverage as produced by moderate declines in EBITDA and debt. On a pro forma basis, and including a projected $40 million in net synergies, Windstream's gross debt-to-operating EBITDA was 3.2 times (x) in 2005. In Fitch's view, leverage is expected to remain relatively stable for the foreseeable future, assuming the continued loss of access lines, partly offset by the company's growth initiatives. Factors causing Fitch to revise the Rating Outlook to Negative would include an acceleration in the rate of EBITDA erosion arising from greater than anticipated access line losses and/or cost pressures, and an increase in cash flowing to equity holders through dividends or stock repurchases in the absence of improvements in operating cash flows.

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STANDARD & POOR'S

CORPORATE RATINGS

Windstream Corp. Assigned 'BB+' Corporate Credit Rating With Negative Outlook

Credit Rating:
BB+/Negative/—

Primary Credit Analyst:
Susan Madison
New York
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RatingsDirect Publication Date
June 6, 2006

Rationale

On June 6, 2006, Standard & Poor's Rating Services assigned its 'BB+' corporate credit rating to Little Rock, Ark.-based Windstream Corp., a company to be formed through the merger of Valor Communications Group Inc. with the wireline business to be spun off from ALLTEL Corp. The transaction is expected to close in July. The outlook is negative.

At the same time, Windstream's proposed $3.3 billion senior secured credit facility was rated 'BBB-', one notch above the corporate credit rating, and assigned a recovery rating of '1', indicating expectations for full (100%) recovery of principal in the event of a payment default. A 'BB-'rating was assigned to the company's proposed offering of $2.5 billion of unsecured notes, comprised of $1.7 billion of debt for debt exchange notes to be issued to ALLTEL, and $800 million of notes that will be issued by Windstream in a subsequent offering. The unsecured notes are rated two notches below the corporate credit rating because of the significant amount of priority obligations, largely the bank facility. Proceeds from the transactions will be used to pay a $2.3 billion dividend to ALLTEL, refinance existing debt, and pay transaction fees. Debt outstanding at March 31, 2006, pro forma for the proposed transactions, totaled $5.5 billion.

Meanwhile, the ratings on Valor Communications remain on CreditWatch, where they were placed with positive implications Dec. 9, 2005, following the announcement of the proposed merger. Upon completion of the merger in early July, Windstream will repay borrowings under Valor's existing credit facility (which totaled $781 million at March 31, 2006) and assume approximately $400 million of Valor's senior unsecured notes on a pari passu basis with Windstream's senior secured credit facility. The rating on these notes will be raised to 'BBB-', the same as the senior secured credit facility, and a '1' recovery rating will be assigned.

Windstream will also assume approximately $180 million of existing debt issued by two ALLTEL Corp entities. The rating on debt totaling $80 million, issued by ALLTEL Georgia Communications Corp., will be lowered to 'BBB', two notches above the corporate credit rating on Windstream, reflecting the issue's superior position in the capital structure and the substantial level of overcollateralization. The rating on $100 million of debt issued by Alltel Communications Holdings of the Midwest Inc. (formerly Aliant Communications) will be lowered to 'BBB-', one notch above the corporate credit rating on Windstream, since the collateral securing this debt is also pledged on an equal and ratable basis to the senior secured credit facility.

Ratings on Windstream reflect an aggressive shareholder-oriented financial policy with a commitment to a substantial common dividend that limits potential debt reduction, accelerating competition for voice and data services from cable operators — which could lead to significant pricing and margin pressure — flat to declining revenues from its mature local telephone business, and risks related to its transition to a stand-alone business. Tempering factors include the company's position as the dominant provider of local and long distance telecommunications services in secondary and tertiary markets, which provides some limited insulation from competition, growth potential from data and Internet services, its solid operating margin, and moderate capital requirements.

Windstream is a rural local exchange carrier providing voice and data communication services to about 3.4 million access lines located in 16 states in the midwestern and southeastern U.S. and parts of New York and Pennsylvania. The company's small competitive local exchange business is not a material rating consideration.

The rural nature of much of the company's service territory, characterized by low teledensity (25 access lines per square mile compared to the nonrural carrier average of 128 access lines per square mile) provides limited near-term protection against the deployment of voice over Internet protocol service by cable operators and others. Given that 80% of Windstream's access lines currently overlap with cable modems, the portion of its territory insulated from competition is relatively small. Additionally, approximately 34% of the company's access lines are located in markets served by large cable operators such as Time Warner Cable, Cox Communications Inc., Comcast Communications Inc., and Insight Midwest LLC, , all of which have either deployed or plan to deploy cable telephony in their markets over the next year. Once cable telephony competition is established, access-line losses could rapidly accelerate, pressuring both pricing and margins in Windstream's core local telephone business

Windstream experienced pro forma access-line losses of approximately 4% in 2005 because of limited cable deployment in some markets, wireless substitution, and loss of second lines. As a result, revenues for the first quarter of 2006 declined slightly on an annual basis due to lower local service and access revenues. Some of the revenue decline related to access-line losses was offset by growth in Internet, data, and long distance services. Digital subscriber line (DSL) customers totaled about 502,000 at the end of the first quarter, representing a penetration rate of about 21% of addressable lines. Going forward, DSL is an important driver for growth. Increasing broadband penetration levels and expanding the percentage of addressable lines to about 80% from the current level of 70% will be a primary focus for Windstream. The company has no extensive plans to upgrade its network to video capability, but began reselling DISH satellite TV service to most of its markets as part of a discounted bundle in the fourth quarter of 2005.

Given concerns about increasing competition in the wireline sector, we view Windstream's intention to implement a large common dividend as an aggressive financial policy. While the company generates substantial free operating cash flow due to a solid EBITDA margin of approximately 50%, the planned dividend will consume over 70% of this cash, leaving about $150 million to $200 million available for debt repayment or investment in the business. This level of discretionary cash flow also assumes that capital expenditures remain fairly low at about $375 million annually, which equates to a fairly modest 11% of total revenues. Debt to EBITDA at March 31, 2006, pro forma for the proposed transactions, is aggressive at about 3.4 times.

Liquidity

Liquidity is adequate with an expected cash balance of $55 million to $60 million at the time of the spin-off, and availability under a $500 million revolving credit facility that will be undrawn. In addition, the company expects to generate $150 million to 200 million in discretionary cash flow after funding the substantial common dividend. Under covenants contained in the company's senior credit facilities, debt to EBITDA cannot exceed 4.5x and interest coverage must exceed 2.75x. Maturities are minimal until 2011, when the company's $500 million revolver, $500 million term loan A, and $400 million term loan C mature.

Recovery analysis

The senior secured credit facilities, which consist of a $500 million revolving credit facility, a $500 million term loan A, a $1.9 billion term loan B, and $400 million term loan C, are rated 'BBB-', one notch above the corporate credit rating, with recovery ratings of '1', indicating expectations for a full (100%) recovery of principal in the event of a payment default. *(For the complete recovery analysis, see "Recovery Report: Windstream Corp.'s $3.3 Billion Senior Secured Credit Facilities," to be published on RatingsDirect immediately following the release of this report.)*

Outlook

The outlook is negative. Cable telephony deployment is expected to be a competitive challenge in the near term and could result in pricing pressure and subsequent weakening of cash flow margins. Such a trend could lead to a downgrade if there is no change in the company's financial policy to reduce or eliminate the dividend. Any potential longer-term revision of the outlook to stable would only occur if the company is able to reduce leverage while maintaining a good competitive position against cable telephony competition. However, consideration of a stable outlook is likely to have a longer-term horizon since it may take at least one to two years to determine if Windstream has successfully met the cable telephony challenge.

Ratings List

Windstream Corp.	
Ratings Assigned	
Corporate credit rating	BB+/Negative/—
Proposed $500 mil sr secd credit fac	BBB-
Recovery rating	1
Proposed $500 million term loan A	BBB-
Recovery rating	1
Proposed $1.9 billion term loan B	BBB-
Recovery rating	1
Proposed $400 million term loan C	BBB-
Recovery rating	1
Proposed $1.7 billion unsecured notes	BB-
Proposed $800 million unsecured notes	BB-

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation area, select Find a Rating, then Credit Ratings Search.

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