

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) CASE NO.
KENTUCKY ALLTEL, INC. AND FOR) 2005-00534
AUTHORIZATION TO GUARANTEE INDEBTEDNESS)**

**APPLICANTS' RESPONSES TO SUPPLEMENTAL DATA REQUESTS FROM THE
HEARING ON APRIL 25, 2006**

Alltel Kentucky, Inc., Kentucky Alltel, Inc., Alltel Communications, Inc., Alltel Holding Corp., Valor Communications Group, and Alltel Holding Corporate Services, Inc. (collectively referred to herein as "Applicants") provide the following responses to the supplemental data requests that arose during the final hearing on this matter on April 25, 2006:

1. The management compensation information for the Windstream Corporation managers that may be disclosed on future Securities and Exchange Commission filings by Windstream Corporation is filed under confidential seal as Exhibit A. This information is considered highly confidential until such time as it is publicly disclosed.

2. Updated bond rating agency presentation and lender projections/plans provided in response to AG2-5 and CWA 1-60, respectively and again requested by the Attorney General in its April 26, 2006 correspondence are filed under confidential seal as Exhibit B. Also included are subsequent updates to the information received since the time Applicants initially supplemented the requests on March 20, 2006. Contrary to the Attorney General's representation in his letter, Applicants provided the parties at the time of the hearing on April 25, 2006 and confirmed that these data requests previously had been supplemented on March 20, 2006. Applicants are providing again this information under seal as Exhibit B hereto and also have. The original information was granted confidential protection, and Applicants again seek

confidential protection for the updated information which contains highly sensitive projections that are not disclosed publicly.

3. The wireline presentation materials provided in connection with the Duff & Phelps presentation to April 20, 2006 board meeting are filed under confidential seal as Exhibit C. These materials are substantially similar the Duff& Phelps information previously provided to the parties signing the nondisclosure agreement in response to AG 2-95. The Attorney General errs in suggesting that Alltel indicated these materials were part of the March 20, 2006 supplement. Further, as pointed out at the hearing, the board meeting was only two business days prior to the hearing.

4. Attached as Exhibit D is a spreadsheet setting forth the estimated book value and market value of Alltel Kentucky, Inc. and Kentucky Alltel, Inc.

5. Attached as Exhibit E are final orders or stipulations pertaining to Applicants' wireline separation/merger approval proceedings received to date in Florida, Georgia, Mississippi, Missouri, North Carolina, and Pennsylvania. The information provided for Florida is staff's recommendation and is not a final order. The stipulation provided for Pennsylvania is a recommended stipulation reached by several parties to that proceeding at the time that the operating company liens and guarantees were still being requested, and the parties are awaiting a commission decision with respect to the stipulation.

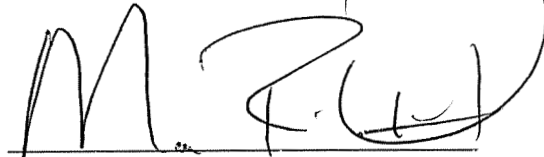
6. With respect to the accomplishment of the pledge by Windstream Corporation of capital stock held by Windstream Corporation in its direct and indirect subsidiaries, Applicants anticipate that the related security documents would be standard and include the following: (a) the execution of a security agreement and filing of Uniform Commercial Code financing statements in respect of the pledged capital stock; (b) delivery of possession of stock certificates pursuant to the security agreement, together with stock powers, to the agent for the lenders; and

(c) the right of the lender agent, upon an event of default and only after obtaining the necessary state commission or other applicable regulatory approvals, to exercise customary remedies including voting rights and selling the stock.

Respectfully submitted,

Alltel Kentucky, Inc.,
Kentucky Alltel, Inc.,
Alltel Communications, Inc.,
Alltel Holding Corp.,
Valor Communications Group, and
Alltel Holding Corporate Services, Inc.

BY:

A handwritten signature in black ink, appearing to read 'M. Overstreet', is written over a horizontal line. The signature is stylized and somewhat cursive.

Mark R. Overstreet
STITES & HARBISON PLLC
Attorney for Applicants
421 West Main Street
P.O. Box 634
Frankfort, Kentucky 40602-0634

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served first class mail, postage prepaid and by electronic transmission except as otherwise noted upon the following:

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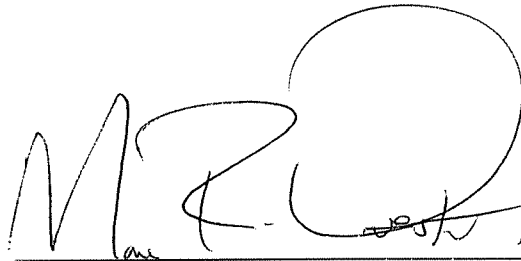
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on this the 5th day of May, 2006.



Mark R. Overstreet

EXHIBIT A

(REDACTED IN ITS ENTIRETY)

EXHIBIT B

(REDACTED IN ITS ENTIRETY)

EXHIBIT C

(REDACTED IN ITS ENTIRETY)

EXHIBIT D

Estimated Market Value

Low: \$ 2,334.00 enterprise value per access line¹
High: \$ 4,370.00 enterprise value per access line¹

	<u>Lines</u>		<u>Low</u>		<u>High</u>
Kentucky Alltel, Inc.	510,399	\$	1,191,271,266	\$	2,230,443,630
Alltel Kentucky, Inc.	26,902	\$	62,789,268	\$	117,561,740

¹ See Amendment No. 1 to Form S-4 by Valor Communications Group, Inc.
page 45, filed in response to CWA I-2.

Net Book Value as of December 31, 2005

Kentucky Alltel, Inc.	\$	715,342,767
Alltel Kentucky, Inc.	\$	17,053,429

EXHIBIT E

Florida

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SEUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION
CLERK

-M-E-M-O-R-A-N-D-U-M-

DATE: May 4, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayo)

FROM: Division of Competitive Markets & Enforcement (M. Watts)
Office of the General Counsel (Scott, Tan)
Division of Economic Regulation (Lester)

[Handwritten signatures and initials: M. Watts, Scott, Tan, Lester, ALM]

RE: Docket No. 050938-TP – Joint application for approval of transfer of control of ALLTEL Florida, Inc., holder of ILEC Certificate No. 10 and PATS Certificate No. 5942, from Alltel Corporation to Valor Communications Group, and for waiver of carrier selection requirements of Rule 25-4.118, F.A.C., due to transfer of long distance customers of ALLTEL Communications, Inc. to Alltel Corporate Holding Services, Inc.

AGENDA: 05/16/06 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\CMP\WP\050938.RCM.DOC

Case Background

On December 22, 2005, ALLTEL Florida, Inc., ACL, Alltel Holding Corp., Valor Communications Group (Valor), and Alltel Holding Corporate Services, Inc. (collectively, Applicants) submitted an application requesting approval by the Florida Public Service Commission (Commission) for the transfer of control of ALLTEL Florida, Inc. from Alltel Corporation to the entity resulting from the merger of Alltel Holding Corp., Valor, and Alltel

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Docket No. 050938-TP

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Holding Corporate Services, Inc., respectively. The Applicants also seek a waiver of the carrier selection requirements in Rule 25-4.118, Florida Administrative Code, to facilitate the orderly transfer of long distance customers of ACI to Alltel Holding Corporate Services, Inc. These actions are part of a plan to move Alltel's wireline incumbent local exchange company (ILEC), pay telephone company (PATS) and intrastate interexchange company (IXC) to a wireline focused entity. On May 1, 2006, the Applicants filed an amended petition to include a request for name changes for the company on its local and pay telephone certificates, and to incorporate additional conditions. The new name for the wireline controlling entity is Windstream Corporation and each subsidiary incorporates Windstream, respectively, into their names. Staff will administratively process the name change requests in accordance with Administrative Procedures Manual 2.07.C.2.a. Thus, there is not an issue in this recommendation regarding the requests for name change.

ALLTEL Florida, Inc. is a local exchange telecommunications company (LEC) that was issued a certificate to provide local service in Florida on May 3, 1956. It also has a certificate to provide pay telephone service, and operates 79 pay telephones within its LEC territory. As of June 30, 2005, ALLTEL Florida, Inc. had 94,212 local access lines in 27 exchanges, or 1% of the total number of local access lines in Florida. ALLTEL Florida, Inc. and its affiliates serve approximately three million local access lines in 15 states.

ALLTEL Communications, Inc. (ACI) is an intrastate interexchange telecommunications company (IXC) registered to provide long distance telecommunications service in Florida since July 24, 1996. As of June 30, 2005, ACI had approximately 81,400 long distance customers in Florida. Approximately 65.5% of those ACI long distance customers are provided local service by ALLTEL Florida, Inc. All of the long distance customers will ultimately transfer from ACI to Alltel Holding Corporate Services, Inc., a subsidiary of Alltel Holding Corp. A request for waiver of the Commission's slamming rules related to this transfer is addressed in Issue 2 of this recommendation.

ALLTEL Florida, Inc. and ACI are currently wholly-owned subsidiaries of Alltel Corporation (Alltel).

Valor is a Delaware corporation that owns rural LECs in Arkansas, New Mexico, Oklahoma and Texas. It was formed in 2000 with the acquisition of GTE Southwest Corporation. As of June 30, 2005, Valor's subsidiaries had approximately 530,000 local access lines in those states.

As a result of changes in the telecommunications industry, Alltel is separating its Wireline Business from its wireless business and merging the Wireline Business with Valor. The Merged Wireline Business will be known as Windstream. Following this merger, the shareholders of Alltel will own 85% of Windstream, and the shareholders of Valor will own 15%. The principal officers of Windstream will be certain current officers of Alltel. Windstream will adopt a corporate logo that is presently being determined. The corporate offices of Windstream will be located in Little Rock, Arkansas. The Applicants state that the end user customers will continue to receive the same rates and quality of service from the same local operations, so the transfer will appear to customers to be only a name change.

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As of the filing date of this recommendation, the Federal Communications Commission and the regulatory agencies of Mississippi, North Carolina, Georgia, Missouri and Nebraska have approved the merger of Alltel Holding Corp. into Valor, and the Federal Trade Commission has granted early termination in its review of the proposed transaction, which indicates no objections to the merger.

The Commission is vested with jurisdiction over this matter pursuant to Sections 364.01, 364.33, 364.335 and 364.603, Florida Statutes. Accordingly, staff believes the following recommendations are appropriate.

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Date: May 4, 2006

Discussion of Issues

Issue 1: Should the Commission approve the joint application for approval of transfer of control of ALLTEL Florida, Inc., holder of ILEC Certificate No. 10 and PATS Certificate No. 5942, from Alltel Corporation to Windstream Corporation?

Recommendation: Yes, the Commission should approve the transfer of control of ALLTEL Florida, Inc. from Alltel Corporation to Windstream Corporation. (M. Watts/Lester/Scott/Tan)

Staff Analysis:

I. Jurisdiction

A. Section 364.33, Florida Statutes

The Commission has authority under Section 364.33, Florida Statutes, to approve an application for transfer of control. Staff notes that this provision does not provide specific standards which the Commission may follow in making its decision to approve a transfer of control. However, staff believes that Section 364.01, Florida Statutes, implies a public interest standard that the Commission may follow when deciding whether to approve or deny transfers of control, among other transactions.

The legislative intent in Section 364.01, Florida Statutes, is clear: the Commission is to exercise its jurisdiction in order to protect "the public health, safety, and welfare" as it relates to basic local telecommunications services. Based on the clear intent of the Florida Legislature, the Commission should base its decisions on whether to grant applications for transfer of control if it satisfies the public interest. There is little guidance on what constitutes the "public interest." It appears that in most cases that what is in the public interest is left up to the interpretation of the particular administrative body charged with upholding that interest. In developing its recommendation, staff reviewed the management, technical, and financial capability of the proposed merged entity.

II. Staff's Findings

A. Management Capability

As outlined in the Case Background, Alltel is separating its wireless and wireline businesses in two steps. Alltel Holding Corp. was formed to serve as the new parent company of ALLTEL Florida Inc., Alltel Holding Corporate Services, Inc., and its other ILEC subsidiaries. In Attachment A to this recommendation are Alltel Exhibits 1, 2 and 3. Exhibit 1 shows the corporate structure of Alltel before the separation of ACI¹. Exhibit 2 shows the post-separation corporate structure of the wireless and wireline businesses and the merger of the separated wireline business with Valor, and Exhibit 3 shows the corporate structure of Windstream.

¹ Although it will have no customers or active pay telephones after the merger is complete, ACI will retain DXC registration TI498, PATS Certificate No. 5405 and competitive local exchange telecommunications company (CLEC) Certificate No. 5205.

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ALLTEL Florida, Inc. is now a wholly owned subsidiary of Alltel and is authorized by the Commission pursuant to ILEC Certificate No. 10 to provide local exchange telecommunications services, and pursuant to PATS Certificate No. 5942 to provide pay telephone services. Alltel Holding Corporate Services, Inc. is now an indirect wholly owned subsidiary of Alltel and is a registered IXC, Registration No. TK045. ACI will remain under the control of Alltel and will no longer provide telecommunications services in Florida, but will transfer its long distance customers to Alltel Holding Corporate Services, Inc.

Under the control of Windstream, ALLTEL Florida, Inc., will not change or become a new entity. The company will become a subsidiary of Windstream. It will continue operating in Florida and will be led by a management staff that is currently involved in the day-to-day management of the Alltel wireline operations. The Applicants claim that the new company will have the same management capabilities to provide service as it had under the control of Alltel. The Applicants have stated that Windstream will not increase rates for basic local service for three years from the date that the Commission's order approving the amended petition is final, and that it will not use this transaction to petition for a rate increase due to changed circumstances under Section 364.051(4)(a), Florida Statutes. Under Windstream, Alltel Holding Corporate Services, Inc. will likewise maintain the quality of service provided to its long distance customers by ACI. It is Alltel's belief that the establishment of Alltel's wireline business as an independent, stand-alone corporation, separate from its wireless business, will serve the public interest by creating a company whose primary strategic focus will be building upon its wireline capabilities by providing services to residential and business customers in its local franchised territory.

B. Technical Capability

The same networks that currently serve Florida customers will continue to serve them after the merger has been completed. As described in the Case Background, ALLTEL Florida Inc.'s past performance with respect to the Commission's service standards is generally indicative of an acceptable level of service. Also, it appears to staff that Valor's LECs have acceptable performance records in the states in which they provide wireline services. The Applicants have stated that there are no anticipated problems with its technical workforce, represented or otherwise.

Windstream has agreed to initiate a Service Guarantee Plan (SGP) (Attachment B) in its franchised territory, in addition to the Commission's rules regarding customer service. Windstream stated that its quality of service will not decline below ALLTEL Florida Inc.'s current level.

Additionally, Windstream committed to building out its broadband network in Florida to meet the following capabilities:

- 75% addressability by December 31, 2006
- 80% addressability by December 31, 2007
- 85% addressability by December 31, 2008

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Thus, the merger of these entities should not lessen the Applicants' capability to provide quality service to Florida's citizens.

C. Financial Capability

The Applicants state that Windstream will have the requisite financial capability to fully support its operations subsequent to the transfer of control. Windstream will be one of the nation's largest independent local exchange carriers and it has commitments for debt financing from JP Morgan and Merrill Lynch. The Applicants state that Windstream expects to have ample cash flow and will pay an attractive dividend to investors.

The Applicants provided staff with information on expected cash flow, capital expenditures, special dividends, and balance sheet accounts for Windstream. Portions of this information were filed under claim of confidentiality. Staff also reviewed Valor's Registration Statement (SEC Form S-4) filed with the Securities and Exchange Commission regarding the merger. The Registration Statement contains detailed financial information on Windstream and is not confidential.

On a book value basis, Windstream is expected to have an 8.6% equity ratio based on the pro forma combined balance sheet as of December 31, 2005. Compared with other rural local exchange carriers (RLECs), this is a very low equity ratio. Staff estimated the market value equity ratio for Windstream at 50.8% based on the current Valor stock price of \$12 per share. This market value equity ratio is reasonable in comparison with other RLECs. The market value equity ratio represents investors' perception of the market value of the wireline assets.

Staff believes Windstream will have a non-investment grade bond rating, i.e., no higher than BB+. In contrast, Alltel Corporation has an A- rating from Standard and Poor's (S & P) and Valor has a BB- rating from S & P. In its January 18, 2006, report on Alltel Corporation, S & P states:

Debt spun off to the new merged wireline business, which includes debt at the operating subsidiary ALLTEL Georgia Communications Corp. and ALLTEL Communications Holdings of the Midwest, Inc. (formerly Alliant Communications, Inc.), is likely to be lowered to non-investment grade, in line with expectations for the ratings of the new wireline company.

In addition, S & P states that it expects Windstream's dividend policy to be fairly aggressive.

FitchRatings expects a BBB- rating for the new wireline company, with a Rating Watch Negative designation, indicating the possibility of a downgrade. With a non-investment grade bond rating, Windstream may have difficulty issuing long-term debt at reasonable rates in times of distressed financial markets. However, Windstream has commitments from JP Morgan and Merrill Lynch for term loans - a five year loan for \$500 million and a seven year loan for \$2.8 billion. Staff believes these loans indicate a significant banking relationship.

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Staff notes Windstream, like wireline telecommunications networks in general, faces significant competition from wireless companies and cable companies. Windstream has lost access lines due to wireless and broadband substitution, which, in turn, has decreased revenue.

The Applicants provided staff with projected information that they believe shows Windstream will have the necessary cash flow to meet its debt service and dividend requirements and to fund capital expenditures. Staff believes Windstream will have some cushion in meeting its debt service requirements because it can reduce its dividend if necessary.

After meeting with staff on April 26, 2006, Windstream modified its application to include a set of conditions (Attachment C), including financial conditions, which are attached as Exhibit 6 to the Amended Application. Under these conditions, the assets and cash flow of Alltel Florida, Inc. will be protected by the elimination of liens on Florida assets and by restrictions on dividends paid to Windstream. Staff will be provided with credit rating reports and financial information, which staff can use to monitor Windstream's financial condition. Finally, Windstream agreed that its debt covenants will be consistent with the April 12, 2006, Commitment letter from J.P. Morgan and Merrill Lynch. Windstream will have no additional financial covenants other than a maximum leverage ratio and a minimum interest coverage ratio.

Staff believes these conditions help mitigate concerns regarding Windstream's financial capability. In discussions with staff, Windstream representatives stated their belief that the company will obtain debt at rates that are approximately that of an investment grade company and that the debt covenants will be favorable. Given the conditions discussed above, the Applicants' representations regarding sufficient cash flow, and commitments for debt financing from major banks, staff believes Windstream has the necessary financial capability to support its operations.

III Conclusion

The Commission may choose to:

- 1) approve Windstream's amended petition for transfer of control of Alltel's wireline entities to Valor; or
- 2) deny the company's petition, if the Commission believes the conditions are insufficient, or
- 3) set the matter for hearing, if the Commission believes a further vetting is necessary.

Staff believes that the amended petition has added safeguards that will protect consumers. Further, based upon the past performance of the companies controlled by the Applicants, and staff's management, technical, and financial analysis, staff believes that the transfer of control of ALLTEL Florida, Inc. from Alltel Corporation to Windstream Corporation would be in the public interest. The Applicants appear to have the necessary prerequisites to provide quality telecommunications services to Florida customers at fair prices.

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Of the options listed above, staff recommends that the Commission should approve the joint application for approval of transfer of control of ALLTEL Florida, Inc., holder of ILEC Certificate No. 10 and PATS Certificate No. 5942, from Alltel Corporation to Windstream Corporation.

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Issue 2: Should the Commission approve the waiver of the carrier selection requirements of Rule 25-4.118, Florida Administrative Code, in the transfer of ALLTEL Communications, Inc.'s customers to Alltel Corporate Holding Services, Inc.?

Recommendation: Yes, the Commission should waive the carrier selection requirements of Rule 25-4.118, Florida Administrative Code, in this instance. (M. Watts/Scott/Tan)

Staff Analysis: Pursuant to Rule 25-4.118(1), Florida Administrative Code, a customer's carrier cannot be changed without the customer's authorization. Rule 25-4.118(2), Florida Administrative Code, provides that a carrier shall submit a change request only if one of the following has occurred:

- (a) The provider has a letter of agency (LOA) . . . from the customer requesting the change;
- (b) The provider has received a customer-initiated call for service . . . ;
- (c) A firm that is independent and unaffiliated with the provider . . . has verified the customer's requested change . . .

Pursuant to Rule 25-24.475(3), Florida Administrative Code, Rule 25-4.118, Florida Administrative Code, is incorporated into Chapter 25-24, and applies to IXCs.

Rule 25-24.455(2), Florida Administrative Code, states:

An IXC may petition for a waiver of any provision of this Part. The waiver shall be granted in whole, granted in Part or denied based on the following:

- (a) The factors enumerated in Section 364.337(4), Florida Statutes;
- (b) The extent to which competitive forces may serve the same function as, or obviate the necessity for, the provision sought to be waived;
- (c) Alternative regulatory requirements for the company which may serve the purposes of this part; and
- (d) Whether the waiver is in the public interest.

The authority for Rule 25-4.118, Florida Administrative Code, is found in Section 364.603, Florida Statutes, which is a section the Commission is authorized to waive.

Alltel Corporate Holding Services, Inc. has attested that it will provide for a seamless transition while ensuring that the affected customers understand available choices with the least amount of disruption to the customers. The customers should not experience any interruption of service, rate increase, or switching fees.

In addition, Alltel Corporate Holding Services, Inc. stated in its application that it will be responsible for any outstanding complaints from the affected former ACI customers after the date of the transfer.

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Further, neither ACI nor Alltel Corporate Holding Services, Inc. has any outstanding regulatory assessment fees, penalties or interest associated with its IXC registration.

Staff believes that in this instance it is appropriate to waive the carrier selection requirements of Rule 25-4.118, Florida Administrative Code. If prior authorization is required in this event, customers may fail to respond to a request for authorization, neglect to select another carrier, and lose their long distance services. Furthermore, staff believes that granting this waiver will avoid unnecessary slamming complaints during this transition.

Therefore, staff recommends that the Commission approve the waiver of the carrier selection requirements of Rule 25-4.118, Florida Administrative Code, in the transfer of ALLTEL Communications, Inc.'s customers to Alltel Corporate Holding Services, Inc.

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Issue 3: Should this docket be closed?

Recommendation: The Order issued from this recommendation will become final and effective upon issuance of a Consummating Order, unless a person whose substantial interests are affected by the Commission's decision files a protest that identifies with specificity the issues in dispute, in the form provided by Rule 28-106.201, Florida Administrative Code, within 21 days of the issuance of the Proposed Agency Action Order. If the Commission's Order is not protested this docket should be closed administratively upon issuance of the Consummating Order. (Scott/Tan)

Staff Analysis: Staff recommends that the Commission take action as set forth in the above staff recommendation.

Docket No. 050938-TP
Date: May 4, 2006

Attachment A

PRE-SEPARATION CORPORATE STRUCTURE

EXHIBIT 1

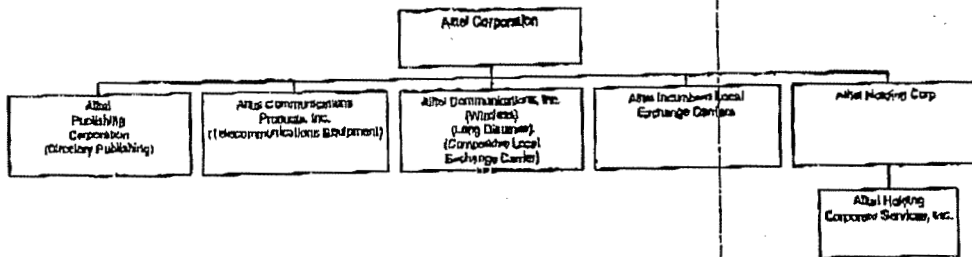


EXHIBIT 1

Docket No. 050938-TP
Date: May 4, 2006

POST-SEPARATION CORPORATE STRUCTURE

EXHIBIT 2

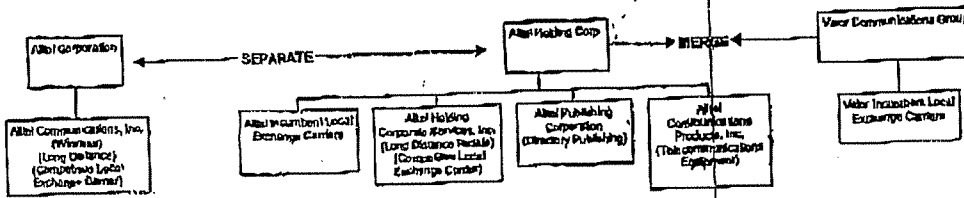


EXHIBIT 2

Docket No. 050938-TP
Date: May 4, 2006

Attachment A

MERGED WIRELINE BUSINESS

EXHIBIT 3

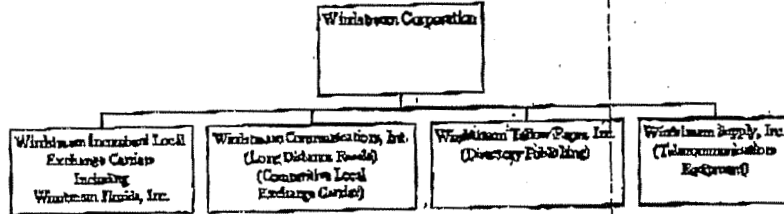


EXHIBIT 3

Docket No. 050938-TP
Date: May 4, 2006

Attachment B

Windstream Service Guarantee Program

Repair of Out of Service Troubles as Reported by Customer

Windstream shall make automatic credits in the amounts specified below for out of service troubles as reported by the customer:

Duration	
24 to 48 hours	\$ 12
> 2 days to 5 days	\$ 16
> 5 days	\$ 40

Sundays or holidays are not covered by the SGP and will be calculated and credited to customers consistent with Rule 25-4.110(6), F.A.C.

Customer Installations

Windstream shall make an automatic credit to the customer in the amount of \$25 for failure to install service on the agreed upon commitment date. Negotiated commitment dates shall not exceed 5 business days. Windstream shall continue to meet Rule 25-4.066, F.A.C.

Answer Time

Windstream shall establish a Community Service Fund (CSF) in the form of a corporate undertaking. Pursuant to the Service Guarantee Program, Windstream shall make credits to the CSF and such funds shall be disposed of in coordination with the Commission staff to promote Windstream's Lifeline service.

90% of all calls to the business and repair offices shall be answered by a live attendant prepared to give immediate assistance within 55 seconds of being transferred to the attendant. Windstream shall maintain 100% accessibility.

The amount of CSF credits shall be determined in accordance with the following parameters:

Less than 90%, but greater or equal to 80%	- \$2,000
Less than 80%, but greater or equal to 70%	- \$5,000
Less than 70%	- \$7,000

Force Majeure

In the event of named tropical or hurricane storms, Windstream may invoke Force Majeure by contacting the Director of the Division of Competitive Markets & Enforcement. Windstream shall at that time be relieved of the requirements of this SGP until Force Majeure is canceled.

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Attachment C

ALLTEL Spin Off

1. Financial Conditions associated with the merger/spin-off transaction:

- a. The liens and guarantees for Florida must be eliminated.
- b. Dividends to parent restricted to 90% of Florida net income (net income is calculated as operating revenue minus operating expenses plus/minus non-operating income/expense minus fixed charges minus income taxes). Upstream loans/advances to parent, temporary cash investments, or any other method cannot be used to circumvent the 90% dividend requirement.
- c. Must file all credit rating reports with the PSC until as long as the company remains the carrier of last resort.
- d. Within 30 days after the close of the transactions, Alltel Florida shall file with the PSC all the final terms and conditions of this financing as described in the application including, but not limited to the following: the aggregate principal amount to be sold or borrowed, price information, estimated expenses, loan or indenture agreement concerning each issuance.
- e. Covenants will be consistent with those found in Exhibit A to the April 12, 2006, Commitment letter. There will be no additional Financial Covenants other than the Maximum Leverage Ratio (debt/EBITDA, no more restrictive than 4.5X) and a Minimum Interest Coverage Ratio (EBITDA/interest expense, no more restrictive than 2.75X).

2. Rates:

- a. No basic local telecommunications services rates increased for 3 years.
- b. Transaction will not be a changed circumstance under 364.051 (4)(a), F.S., in order to increase rates.

3. Quality of Service:

- a. SGP in addition to rules regarding customer service.
- b. Items as presented in the proposed SGP.
- c. Commitment that quality of service will not decline below its current level.

4. Broadband:

- a. 75% addressability by December 31, 2006
- b. 80% addressability by December 31, 2007
- c. 85% addressability by December 31, 2008

Clarify that the SGP applies to residential customers and the amounts would be as follows:

24 to 48 hours	\$12
>2 days to 5 days	\$16
> 5 days	\$40

Georgia

COMMISSIONERS:
STAN WISE, CHAIRMAN
ROBERT B. BAKER, JR.
DAVID L. BURGESS
H. DOUG EVERETT
ANGELA E. SPEIR



RECEIVED

APR 19 2006

DEBORAH K. FLANNAGAN
EXECUTIVE DIRECTOR

EXECUTIVE SECRETARY
O.P.S.C.

REECE McALISTER
EXECUTIVE SECRETARY

Georgia Public Service Commission

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Docket No. 22267-U

DOCKET# 22267

DOCUMENT# 91475

IN RE: Docket No. 22267-U, Application of for Approval of the Transfer of Control of Alltel and Request for Approval of Financing Authority

ALLTEL Communications Corporation ("Alltel"), ALLTEL Georgia Inc., Georgia ALLTEL Telecom, Inc., Georgia Telephone Corporation, standard Telephone Company, Accucomm Telecommunications, Inc. (collectively, "the ILECs", "Companies") together with Alltel Communications, Inc., Alltel Holding Corp., Valor communications Group ("Valor"), and Alltel Holding Corporation Services, Inc. (collectively, "Applicants", "Merged Wireline Business") filed a request with the Georgia Public Service Commission ("Commission") on December 22, 2005 for Transfer of Control of Alltel and for the transfer of Alltel long distance customers. This filing was made under the previous Alltel Docket Number 10396-U. Subsequently, the Applicants filed an amended application under this docket to include a Request for Approval of Financing authority under O.C.G.A. § 46-2-28 and Commission Rule 515-4-1-.01, *et. seq.*, part and parcel to the Alltel Corporation wireline/wireless separation and a subsequent Valor/wireline merger described in the initial filing.

This matter was presented by the Staff to the Commission for its consideration at the regularly scheduled Communications Committee Meeting on April 13, 2003. In Administrative Session on April 18, 2006, the Commission voted to approve the above-referenced application and upon full consideration of

the issues identified in the application makes the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1.

The Commission finds that the ILECs are entities duly organized and existing under Georgia law operating as Alltel Communications with corporate offices in Alpharetta, Georgia. The ILECs are public utilities providing local exchange and other telecommunications services in various service areas assigned by the Commission.

2.

The Commission further finds that the Companies are wholly-owned subsidiaries of Alltel Corporation. Alltel also owns and operates significant wireless operations. Alltel plans to separate its wireline business from its wireless business and to convey its wireline business assets, including the stock of the Company, to a new holding company. It will first transfer ownership of its ILECs and its other subsidiaries to a subsidiary named Alltel Holding Corp. Alltel Holding Corp. will then merge into Valor Communications Group, Inc., a holding company with its own local exchange operating company subsidiaries in various parts of the southwestern United States, resulting in the formation of the Merged Wireline Business. Following the merger, Alltel shareholders will own 85% of the Merged Wireline Business and Valor shareholders will own 15%. The Merged Wireline Business will serve approximately 3.4 million access lines in 16 states, including approximately 600,000 access lines in Georgia.

3.

The Commission further finds that after the effective date of this transaction the Merged Wireline Business will be renamed. However, it will continue to offer the same telecommunications services as are currently being offered. Customers will continue to receive their existing service at the same rates, terms, and with the same quality of service. Each ILEC will continue to operate under Alternative Regulation as previously approved by the Commission.

4.

The Commission further finds that this transaction is expected to position the Merged Wireline Business to better compete in the marketplace and provide telecommunication services to its Georgia customers at competitive rates. The

transaction is also expected to create new growth opportunities for the Merged Wireline Business and enable it to take advantage of strategic, operational and financial opportunities.

5.

The Commission further finds that although Alternative Regulation has removed the operating companies from traditional rate filing requirements, there remains a requirement for the Commission to address requests concerning reorganization and subsequent long-term financing needs. The Merged Wireline Business' capital structure will include a mix of debt and equity that will maintain an appropriate cost of capital. The debt financing of the surviving entity has been committed by JP Morgan and Merrill Lynch. The debt to equity ratio of the parent company is expected to provide sufficient leverage to produce specific benefits and be among the lowest in the rural ILEC industry.

6.

The Commission further finds that JP Morgan and Merrill Lynch ("Lenders") have delivered a Commitment Letter to provide the Merged Wireline Business with a senior secured credit facility in an amount up to \$4.2 billion ("Facilities"). The transactions will also require the Merged Wireline Business to issue unsecured notes in an amount no less than \$1.54 billion ("Notes"). To the extent that the Notes exceed \$1.54 billion, the borrowings available under the Facilities will be reduced by a corresponding amount. The terms of the Notes will be determined based on market conditions in a private placement or public offering to be conducted prior to the closing of the transactions.

7.

The Commission further finds that, the terms and conditions of the Facilities associated with the senior secured debt financing and the unsecured notes are identified in the Commitment Letter. The terms of both secured and unsecured notes will be set by market conditions at competitive rates at the time of the offering. There will be no requirement for any guarantees by the ILECs or other operating entities, nor for any liens on the properties and assets of the affiliates.

8.

The Commission further finds that Valor currently has \$400 million in Senior Notes that will be assumed by the Merged Wireline Business to the extent that holders of these notes do not require the surviving entity to repurchase the notes pursuant to certain rights that will be triggered by the transactions. To the extent that the Valor Senior Notes remain outstanding, the amount of the borrowings available under the \$4.2 billion Facility will be correspondingly reduced by the dollar amount of such outstanding notes. To the extent that any Valor Senior

Notes are tendered by their holders pursuant to the rights triggered by the transactions, borrowings will be made under the Facilities in amounts required to repurchase such tendered Valor Senior Notes.

9.

The Commission further finds that the Facilities and Notes will be serviced by the consolidated cash flows of the holding company of the Merged Wireline Business. Retail or wholesale rate adjustments will not be made as a result of these transactions. None of the payments of these notes will be directly payable by the Georgia ILECs, but rather by the Merged Wireline Business in conjunction with its reorganization and recapitalization, of which the ILECs are a part.

CONCLUSIONS OF LAW

The Commission concludes that it has jurisdiction over this matter pursuant to O.C.G.A Sections 46-5-41 and 46-2-28. The Commission also concludes that based on the foregoing Findings of Fact that the proposed transactions are for lawful corporate purposes; are compatible with the public interests; are necessary, appropriate and consistent with the Company's service to the public as a utility; will not impair the Company's ability to perform its public service; and are reasonably necessary and appropriate to provide adequate funds for such corporate purposes. The financial transaction is reasonable and falls within the spirit and intent of the above Code Section.

The Commission, in acting upon this request is making no judgement or decision upon the propriety, necessity, or reasonableness of any of the capital expenditures being proposed. The action taken by the Commission does not address issues relating to whether the loan(s) may be included in the Company's capital structure in computing future revenue requirements of the regulated entities or whether the investments made with the proceeds of such loan(s) may be included in rate base. These and other like issues are not being addressed in this proceeding and have no effect upon the Commission's ability to address these issues in any later proceeding.

WHEREFORE, it is

ORDERED, that for the purposes set forth in the application and in this Order, the Applicants are hereby authorized to complete that necessary to accomplish this transfer of control, to execute the Facilities and/or Notes necessary and to execute the documents to complete the separation of Alltel's wireline and wireless businesses. The Applicants are further authorized to prospectively conduct business and to provide telecommunications services, as set forth above under the Merged Wireline Business.

ORDERED FURTHER, that any proceeds resulting from the financing transaction described in the Application shall be used for the purposes described in the Application, and it is

ORDERED FURTHER, that jurisdiction over this matter is expressly retained for the purpose of entering such Order or Orders, as this Commission may deem just and proper, and it is

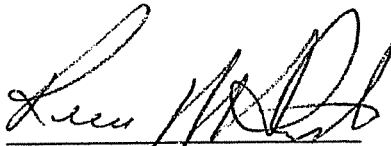
ORDERED FURTHER, that the books and records of the Merged Wireline Business, the Alltel ILECs and other operating companies in Georgia will continue to be open to the Staff of the Georgia Public Service Commission and/or its representatives, and it is

ORDERED FURTHER, that this approval in no way assumes future regulatory approval by this Commission of any rate or tariff matter concerning the Alternatively Regulated local exchange telephone companies of the Merged Wireline Business, and it is

ORDERED FURTHER, that the authority granted herein is contingent upon the approval of any other regulatory body having jurisdiction over said matter; and it is

ORDERED FURTHER, that a motion for reconsideration, rehearing or oral argument or any other motion shall not stay the effectiveness of this Order unless expressly so Ordered by the Commission.

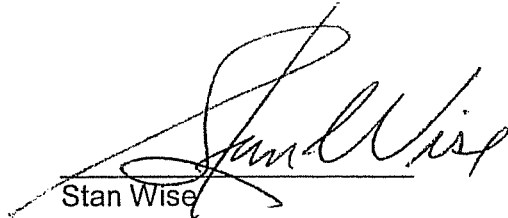
The above by action of the Commission in Administrative Session on April 18, 2006.



Reece McAlister
Executive Secretary

4-19-06

DATE



Stan Wise
Chairman

4-19-06

DATE

Mississippi

BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION

ALLTEL CORPORATION

2005-UA-0722 .

IN RE: JOINT APPLICATION OF ALLTEL CORPORATION, ALLTEL MISSISSIPPI, INC., ALLTEL COMMUNICATIONS, INC., ALLTEL HOLDING CORP., VALOR COMMUNICATIONS GROUP, INC. AND ALLTEL HOLDING CORPORATE SERVICES, INC. FOR APPROVAL OF THE TRANSFER OF CONTROL OF ALLTEL MISSISSIPPI, INC. AND THE TRANSFER OF CERTAIN ASSETS OF ALLTEL COMMUNICATIONS, INC., INCLUDING ITS LONG DISTANCE CUSTOMER BASE AND CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY TO OPERATE AS A RESELLER OF INTEREXCHANGE TELECOMMUNICATIONS SERVICES THROUGHOUT MISSISSIPPI

ORDER

HAVING COME ON for consideration of the Application for Approval of Transfer ("Application") filed with the Mississippi Public Service Commission on December 21, 2005, seeking approval for transfer of control of ALLTEL Mississippi, Inc. (ALLTEL Mississippi) and the transfer of long distance resale customers of ALLTEL Communications, Inc. ("ALLTEL Communications") (the ILEC and long distance resale businesses collectively, "the Wireline Business") from ALLTEL Corporation ("ALLTEL") to the entity resulting from the merger of ALLTEL Holding Corp. and Valor Communications Group, Inc. ("Valor"), and ALLTEL Holding Corporate Services, Inc., respectively. The Commission, being fully apprised in the premises and having considered the documents, pre-filed testimony, and record before it, as authorized by law and the Commission's Public Utilities Rules of Practice and Procedure, and upon recommendation of the Public Utilities Staff finds as follows:

1. The Commission has jurisdiction to enter this Order, and entry hereof is in the public interest.
2. Due and proper notice of the Application was given as required by law and by the Commission's Public Utilities Rules of Practice and Procedure.
3. There were no intervenors nor protestants of record in this matter before the Commission.
4. ALLTEL is the holding company for ALLTEL Mississippi and ALLTEL Communications. ALLTEL is not an operating entity and therefore is not certificated as a public utility.
5. ALLTEL Mississippi is a Mississippi corporation certificated by this Commission to provide local exchange services and is a wholly-owned subsidiary of ALLTEL, with corporate offices located at One Allied Drive, Little Rock, Arkansas. ALLTEL Mississippi received its certification in Docket No. U-4426.
6. ALLTEL Communications, Inc. is a Delaware corporation certificated by this Commission as a long distance reseller and is a wholly-owned subsidiary of ALLTEL. ALLTEL Communications received its certification in Docket No. 96-UA-136.
7. ALLTEL Mississippi and ALLTEL Communications, together with ALLTEL's other subsidiaries, currently provide wireless, long distance, internet, broadband, directory publishing, telecommunications equipment and local communications services in numerous states.

8. ALLTEL Holding Corp., a Delaware corporation, is a newly-formed subsidiary of ALLTEL. Upon the separation of ALLTEL's Wireline Business from its wireless businesses, ALLTEL Holding Corp. will become the owner of the Wireline Business and then merge into Valor. ALLTEL Holding Corp. is not seeking authority to become a regulated telecommunications carrier or public utility.

9. ALLTEL Holding Corporate Services, Inc., a Delaware corporation, is a newly-formed subsidiary of ALLTEL seeking authority to become the owner of ALLTEL Communications' current long distance resale business and Certificate of Public Convenience and Necessity issued in Docket No. 96-UA-136.

10. Valor is a Delaware corporation and is the owner of local exchange operating companies in four (4) other states.

11. ALLTEL is separating its Wireline Business from its wireless business and merging the Wireline Business with Valor.

12. ALLTEL will first transfer ownership of ALLTEL Mississippi and ALLTEL's other incumbent local exchange company subsidiaries to ALLTEL Holding Corp.

Likewise, certain assets of ALLTEL Communications' long distance resale business, its customer base and Certificate of Public Convenience and Necessity, will be transferred to ALLTEL Holding Corporate Services, Inc., which will become a wholly-owned subsidiary of ALLTEL Holding Corp. The ownership of ALLTEL Holding Corp. then will be transferred from ALLTEL to ALLTEL's shareholders, thereby establishing ALLTEL Holding Corp. (with its subsidiary, ALLTEL Holding Corporate Services, Inc.) as a stand-alone holding company.

13. In the final step of this process, ALLTEL Holding Corp. will merge into Valor, a holding company with its own local exchange company subsidiaries, resulting in the "Merged Wireline Business". Following this merger, the shareholders of ALLTEL will own 85% of the Merged Wireline Business, and the shareholders of Valor will own 15%.

14. At the conclusion of this merger, the Merged Wireline Business will adopt a name and corporate logo that is presently being determined.

15. A copy of the Agreement and Plan of Merger ("Merger Agreement") between ALLTEL, ALLTEL Holding Corp. and Valor was attached as Exhibit "1" to the Application.

16. Financial information regarding the Merged Wireline Business was filed with the Application as Exhibit 7. Based upon the information provided in the Application and exhibits thereto, the Merged Wireless Business will have the necessary financial security as it does today.

17. Information regarding the officers, directors, and management of ALLTEL and Valor was filed with the Application as Exhibit "6." The Merged Wireline Business will continue to be managed by capable, experienced executives and employees, many of whom are transferring from ALLTEL to the Merged Wireline Business. The Merged Wireline Business will continue to receive certain centralized management services and will be staffed by many of the same experienced and knowledgeable persons currently providing these services.

18. This merger involves the transfer of ALLTEL Communications' long distance customer base and Certificate of Public Convenience and Necessity to operate as a reseller of long distance services throughout the State of Mississippi (granted in Docket No. 96-UA-136) to ALLTEL Holding Corporate Services, Inc.

19. Applicants have also requested the Commission's approval with respect to the change of control of the Wireline Business as described above. Separating the Wireline Business into an independent, stand-alone corporate structure and merging with Valor should allow the Merged Wireline Business to enhance both strategic flexibility and financial and operational opportunities.

20. ALLTEL Corporation, ALLTEL Holding Corp. and Valor Communications Group, Inc. are qualified to consummate this separation and merger.

21. The separation of ALLTEL's wireline and wireless interests and merger of its Wireline Business with Valor is in the public interest. This transfer of control should allow increased operational focus and customer attention.

22. The proposed merger is in the best interest of the public, is being proposed in good faith, meets the public convenience and necessity, and satisfies the requirements of Section 77-3-23 of the Mississippi Code of 1972, as amended, and Rule 8 of the Commission's Public Utilities Rules of Practice and Procedure.

Accordingly, this Commission having jurisdiction of the parties and the subject matter, and after having considered the Application and the documents in support thereof, and upon recommendation of the Public Utilities Staff, finds that the relief sought should be granted.

IT IS, THEREFORE, ORDERED that:

1. The transactions as set forth and proposed in the Application and exhibits thereto and as identified hereinafter are thereby approved.

(a) The transfer of ownership of ALLTEL Mississippi to ALLTEL Holding Corp. is hereby approved ;

(b) The transfer to ALLTEL Holding Corporate Services, Inc. of certain assets of ALLTEL Communications, Inc.'s long distance resale business, its customer base, and its Certificate of Public Convenience and Necessity granted in Docket No. 96-UA-136 are hereby approved; and

(c) The merger of ALLTEL Holding Corp. into Valor is hereby approved.

2. Upon completion of the proposed corporate merger, and the adoption of a name for the Merged Wireline Business, the parties shall so inform the Commission in writing that such has been accomplished and provide the corporate name.

3. This Order shall be deemed issued on the day it is served upon the parties herein by the Executive Secretary of this Commission who shall note the service date in the file of this Docket.

Chairman Nielson Cochran voted Aye; Commissioner Bo Robinson voted Aye
Dated this the 15th day of March, 2006.



MISSISSIPPI PUBLIC SERVICE COMMISSION

Nielson Cochran

NIELSEN COCHRAN, Chairman

Bo Robinson

BO ROBINSON, Commissioner

ATTEST: A true copy.

Brian U. Ray

BRIAN U. RAY
Executive Secretary

Effective this the 15th day of March, 2006.

Missouri

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 25th day of
April, 2006.

In the Matter of the Application for Approval)
of the Transfer of Control of Alltel Missouri, Inc.,)
and the Transfer of Alltel Communications, Inc.,)
Interexchange Service Customer Base)

Case No. TM-2006-0272

ORDER APPROVING STIPULATION AND AGREEMENT

Issue Date: April 25, 2006

Effective Date: May 5, 2006

Syllabus: This order approves the stipulation and agreement submitted by the parties.

On December 22, 2005, Alltel Missouri, Inc., Alltel Communications, Inc., Alltel Holding Corp., Alltel Holding Corporate Services, Inc., and Valor Communications Group, Inc., submitted a joint application seeking Commission approval of a plan to transfer control of Alltel Missouri, Inc., to Alltel Holding Corp. The application also seeks approval to transfer Alltel Communications, Inc.'s interexchange service customer base to Alltel Holding Corporate Services, Inc. These two transactions are part of an overall transaction wherein Alltel Corporation is separating its wireline business from its wireless business and merging the wireline business with Valor Communications Group, Inc.

The Commission invited intervenors to apply by February 2, 2006. None applied. On April 13, 2006, the joint applicants, the Staff of the Missouri Public Service Commission,

and the Office of the Public Counsel filed a Unanimous Stipulation and Agreement. A copy of the stipulation and agreement is attached to this order as Attachment A.

The joint applicants ask the Commission to approve their plan to spin off the wireline incumbent local exchange and interexchange services to become part of an independent, stand-alone operation. Alltel Missouri, Inc., Alltel Communications, Inc., and Alltel Holding Corp. are currently subsidiaries of Alltel Corporation. First, Alltel Corporation will transfer control of Alltel Missouri, Inc., and Alltel's other incumbent local exchange company subsidiaries to Alltel Holding Corp. The customer base of Alltel Communications, Inc.'s interexchange businesses will be transferred to Alltel Holding Corporate Services, Inc., which will become a wholly-owned subsidiary of Alltel Holding Corp. The ownership of Alltel Holding Corp. will then be transferred from Alltel Corporation to its shareholders, thereby establishing Alltel Holding Corp., with its subsidiary Alltel Holding Corporate Services, Inc., as a stand-alone holding company. Finally, Alltel Holding Corp. will merge with Valor Communications Group, a holding company with its own local exchange company subsidiaries operating in the states of Texas, New Mexico, Oklahoma and Arkansas, resulting in the "merged wireline business." Diagrams of the pre-separation and post-separation corporate structures and the merged wireline business are attached to the application as Exhibits 1, 2 and 3.

On January 23, 2006, the joint applicants filed a First Supplement to their application seeking approval for Alltel Missouri, Inc., to give its Guarantees and Liens to secure debt financing of the transactions proposed in this process. The joint applicants now advise that Alltel Missouri, Inc., will not be required to execute such Guarantees and Liens, therefore, approval for their execution is no longer required or sought by the applicants.

The joint application sought a waiver of the application of 4 CSR 240-3.535(1)(A), the rule requiring an application for authority to acquire stock of a public utility to include a statement of the offer to purchase the stock or a copy of any agreement entered with shareholders to purchase stock. The joint applicants allege good cause for the waiver because the transfer of ownership of Alltel Missouri, Inc., to Alltel Holding Corp. will occur by intercompany transfer and there will be no "purchase" of stock as contemplated by Rule 3.535(A). The parties stipulate and agree that a waiver of that rule should be granted, for good cause, for the reasons set forth here and in the stipulation.

The stipulation and agreement provides that the existing certificates of service authority held by Alltel Missouri, Inc., Alltel Communications, Inc., and Alltel Holding Corporate Services, Inc., should remain in effect as of the date of closing of the transfer of control described in the application.

The parties to the stipulation and agreement agree that the Commission should approve the joint application and allow the spin-off to proceed, subject, however, to several conditions specified in the stipulation and agreement. The parties to the stipulation and agreement agree that, subject to the agreed upon conditions, the transaction proposed in the joint application is not detrimental to the public interest.

The Staff filed Suggestions in Support of Stipulation and Agreement on April 18, 2006, addressing, primarily, the financial conditions to place upon the companies to ensure that Missouri customers continue to receive safe and adequate service at just and reasonable rates after the close of this transaction. Staff states the conditions it proposed and agreed to by the joint applicants in the stipulation and agreement ensure that the transaction contemplated by the joint applicants is not detrimental to the public interest.

The Commission has the legal authority to accept a stipulation and agreement as offered by the parties as a resolution of the issues raised in this case.¹ Furthermore, Section 536.090, RSMo Supp. 2005, provides that when accepting a stipulation and agreement, the Commission does not need to make either findings of fact or conclusions of law. The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence.² Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the stipulation and agreement.

Based on the agreement of the parties, the Commission believes that the parties have reached a just and reasonable settlement.

IT IS ORDERED THAT:

1. The Unanimous Stipulation and Agreement filed on April 13, 2006, is approved as a resolution of all issues in this case (See Attachment A).
2. All signatory parties are ordered to comply with the terms of the Stipulation and Agreement.
3. The transaction described in the Application for Approval of Transfer of Control of Alltel Missouri, Inc., and Transfer of Alltel Communications, Inc. Interexchange Service Customer Base, filed on December 22, 2005, is not detrimental to the public interest and is approved, subject to the terms and conditions of the Stipulation and Agreement.

¹Section 536.060, RSMo Supp. 2005.

² *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

4. Nothing in this order shall be considered a finding by the Commission of the value of these transactions for ratemaking purposes. The Commission reserves the right to consider the ratemaking treatment to be afforded these financing transactions, and their results in cost of capital, in any later proceeding.

5. This order shall become effective on May 5, 2006.

6. This case shall be closed on May 6, 2006.

BY THE COMMISSION



Colleen M. Dale
Secretary

(SEAL)

Davis, Chm., Murray, Gaw, Clayton and Appling, CC., concur

Reed, Regulatory Law Judge

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application for)
Approval of the Transfer of Control of)
Alltel Missouri, Inc. and the Transfer of) **Case No. TM-2006-0272**
Alltel Communications, Inc. Interexchange)
Service Customer Base.)

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW Alltel Missouri, Inc., Alltel Communications, Inc., Alltel Holding Corp., Alltel Holding Corporate Services, Inc. and Valor Communications Group, Inc. ("Valor") (hereafter referred to collectively as "Applicants"), the Staff of the Missouri Public Service Commission ("Staff") and the Office of the Public Counsel ("OPC") (collectively referred to as "Signatory Parties"), by and through their respective counsel, and pursuant to 4 CSR 240-2.115, submit the following Stipulation and Agreement which, if approved by the Missouri Public Service Commission ("Commission"), will dispose of all issues in this proceeding:

PROCEDURAL HISTORY

On December 22, 2005, Applicants jointly filed their Application with the Commission initiating the above-captioned proceeding. The Applicants seek approval of the Commission for the transfer of control of Alltel Missouri, Inc.¹ from Alltel Corporation to Alltel Holding Corp. Applicants also have requested authority to transfer the resale interexchange service customer base of Alltel Communications, Inc.² to Alltel Holding Corporate Services, Inc. ("AHCSF"). These two transfers are components of the

¹ The Missouri incumbent local exchange carrier holding a certificate under Case No. TA-88-44.

² This entity is authorized to provide interexchange telecommunications services under Case No. TA-97-41 and to provide additional interexchange telecommunications services under Case No. TA-99-53.

overall transaction outlined in the Application, whereby Alltel Corporation is separating its incumbent local exchange and interexchange services businesses (the "wireline business") from its wireless business, and merging the wireline business with Valor. Contemporaneous with the filing of the subject Application, AHCSI filed a separate application with the Commission for a certificate of service authority to provide interexchange telecommunications services, pursuant to 4 CSR 240-3.510, and that matter was assigned Case No. XA-2006-0271.³ On January 23, 2006, Applicants filed their First Supplement to Application, wherein the Applicants sought approval of the Commission for Alltel Missouri, Inc. to execute the Guarantees and Liens described therein; however, Applicants have advised the Staff and OPC that Alltel Missouri, Inc. no longer will be required to execute such Guarantees and Liens and, accordingly, approval of the Commission for the execution of the Guarantees and Liens is no longer required or sought herein.

On December 28, 2005, the Commission issued its Order Directing Filing requesting the Staff to address certain issues raised in the Application. Subsequently, on January 19, 2006, the Commission issued an Order Setting Date to Submit Requests to Intervene and Prehearing Conference. On January 27, 2006, the Staff filed its Response to Order Directing Filing and Status Report (herein referred to as "Staff Response"). No applications to intervene were filed in this proceeding and, in accordance with the Commission's January 19 Order, a Prehearing Conference was held on February 8, 2006. On February 16, 2006, the Signatory Parties filed a proposed procedural schedule, which was adopted by the Commission's Order issued on February 17, 2006. On February 16,

³ By its Order Approving Interexchange and Nonswitched Local Exchange Certificate of Service Authority issued February 24, 2006, effective March 6, 2006, in Case No. XA-2006-0271, the Commission granted AHCSI its requested service authority and classified the company and its services as competitive.

2006, the Applicants filed the Direct Testimony of Jeffery Gardner and Gregg L. Richey. Rebuttal Testimony of Staff Witnesses William L. Voight, Mick S. Johnson and Matthew J. Barnes was filed on March 8, 2006. The Office of the Public Counsel's Response to Application also was filed on March 8, 2006.

As a result of meetings and discussions between the Applicants, the Staff and OPC concerning the above-described transactions, the Signatory Parties respectfully offer the following stipulations and agreements to resolve all issues that are the subject of this proceeding.

1. DESCRIPTION OF THE TRANSACTIONS

Currently, Alltel Missouri, Inc., Alltel Communications, Inc., Alltel Holding Corp. and Alltel Holding Corporate Services, Inc. are all subsidiaries of Alltel Corporation. Alltel Missouri, Inc., is a Missouri corporation; all of the other applicants are Delaware corporations.

Alltel Missouri, Inc. and Alltel Communications, Inc., together with Alltel's other subsidiaries, currently provide wireless, long distance, internet, broadband, directory publishing, telecommunications equipment and local communications services in numerous states. As of June 30, 2005, Alltel Missouri, Inc. and its ILEC affiliates served approximately 3.0 million local access lines in fifteen states, including 69,224 access lines in this state. Alltel Communications, Inc. currently provides long distance service in 49 states. Valor Communications Group, Inc. is a Delaware corporation and is the owner of local exchange operating companies that, as of June 30, 2005, provide local exchange service to approximately 530,000 access lines in four states.

As fully set forth in the Application, First Supplement to Application, the Staff Response and the Prefiled Testimony, the overall transaction involves a series of finite transactions, including:

- a. Transfer of stock of Alltel Missouri, Inc. from Alltel Corporation to Alltel Holding Corp.;
- b. Transfer of interexchange service customer base (assets) of Alltel Communications, Inc. to Alltel Holding Corporate Services, Inc.⁴;
- c. Transfer of ownership of Alltel Holding Corp. from Alltel Corporation to Alltel Corporation's shareholders; and
- d. Merger between Alltel Holding Corp. and Valor Communications Group (creating the "New Holding Company").

At the conclusion of the overall transaction, the existing incumbent local exchange service provider (now known as Alltel Missouri, Inc.) will have the "New Holding Company" as its new corporate parent.⁵ The same will be true for the newly certificated interexchange carrier Alltel Holding Corporate Services, Inc.⁶ At that time, Alltel Missouri, Inc. and Alltel Holding Corporate Services, Inc. will change their names to differentiate themselves from their former corporate parent. To make this document as clear as possible, the corporate entities now known as Alltel Missouri, Inc. and Alltel Holding Corporate Services, Inc. are referred to as "Alltel Missouri, Inc." and "Alltel Holding Corporate Services, Inc. (or AHCSI)" in this document.

⁴ Alltel Communications, Inc. also has a certificate of service authority to provide basic local telecommunications services in Missouri ("CLEC business") pursuant to the Commission's Report and Order issued in Case No. TA-99-298. However, the CLEC business is not a part of, nor impacted by, the subject Application.

⁵ On April 10, 2006, company officials announced that Windstream Corporation will be the name of the "New Holding Company."

⁶ The new name of AHCSI is Windstream Communications, Inc.

2. STIPULATIONS AS TO JURISDICTION AND CERTAIN WAIVER OF RULES

A. Jurisdiction

The Signatory Parties stipulate that the Commission has jurisdiction to review the following components of the transaction, as requested by the Applicants herein:

- a. Transfer of stock of Alltel Missouri, Inc. to Alltel Holding Corp., founded upon Section 392.300.2, RSMo. 2000 and Commission Rule 4 CSR 240-3.535; and
- b. Transfer of interexchange service customer base (assets) of Alltel Communications, Inc. to Alltel Holding Corporate Services, Inc., founded upon Section 392.300.1, RSMo. 2000 and Commission Rule 4 CSR 240-3.520.

The Signatory Parties stipulate and agree that the Commission does not have jurisdiction over the following components of the transaction:

- a. Transfer of ownership of Alltel Holding Corp. from Alltel Corporation to Alltel Corporation's shareholders (Section 392.300.2; *In the Matter of the Merger of SBC Communications, Inc. and Ameritech Corporation*, Case No. TM-99-76, 7 Mo.P.S.C.3d 529 (Oct. 1998)); nor
- b. Merger between Alltel Holding Corp. and Valor Communications Group (*Id.*).

B. Waiver of 4 CSR 240-3.535(1)(A)

The Signatory Parties stipulate that the request for the waiver of Rule 3.535(1)(A) is for good cause pursuant to 4 CSR 240-3.015 and that the waiver should be granted. This rule requires an application for authority to acquire the stock of a public utility include a statement of the offer to purchase the stock of the public utility or a copy of any agreement entered with shareholders to purchase stock. Because the transfer of ownership of Alltel Missouri, Inc. from Alltel Corporation to Alltel Holding Corp. will

occur by an inter-company transfer, there will be no "purchase" of stock as contemplated in Rule 3.535(A). Instead, the transfer of stock will occur pursuant to the terms of a Distribution Agreement. Alltel Corporation has filed the Distribution Agreement with the Securities and Exchange Commission ("SEC") and copies of the document have been provided to the Staff and OPC.

3. APPLICANTS' FILING REQUIREMENTS FOR THE TRANSACTION

Upon or before the closing of the transfer of control and the transfer of the resale interexchange customer base described in the Application, Alltel Missouri, Inc. and Alltel Holding Corporate Services, Inc. shall file with the Commission all necessary name changes in accordance with Commission Rules 4 CSR 240-2.060(5) and 4 CSR 240-3.545(20) to effectuate the transition and the adoption of the underlying tariffs.

4. CONTINUATION OF OPERATIONS

The Signatory Parties stipulate that Alltel Missouri, Inc. has the requisite managerial, technical and financial capability to provide adequate service and that after the transfer of control as described herein, Applicants have provided sufficient representations and the record contains sufficient evidence to demonstrate that it will continue to provide service of the same or greater quality, and the Signatory Parties further stipulate that after the change in ownership of its stock, Alltel Missouri, Inc. will continue to possess the necessary technical, financial and managerial resources and abilities to provide quality telecommunications services, including basic local telecommunications services.

The Signatory Parties also stipulate that Alltel Holding Corporate Services, Inc. has the requisite managerial, technical and financial capability to continue providing the

interexchange and non-switched local services of the same or greater quality that Alltel Communications, Inc. does today.

A. Continuance of Certificates

The Signatory Parties stipulate that all certificates of service authority held by Alltel Missouri, Inc.; Alltel Communications, Inc.; and Alltel Holding Corporate Services, Inc. should remain fully effective as of the date of closing of the transfer of control described in the Application.

B Tariffs

The Signatory Parties stipulate that Alltel Missouri, Inc.'s and Alltel Communications, Inc.'s tariffs, reflecting the rates, rules, regulations, terms and conditions, and the services they offer, shall remain fully effective on the date of closing of the transfer of control and transfer of the interexchange service customer base described in the Application and shall continue in effect until changed or modified as provided by law. Upon or prior to the closing of the transfer of control and transfer of the interexchange service customer base described in the Application, Alltel Missouri, Inc. and Alltel Holding Corporate Services, Inc. will make all necessary tariff submittals and adoptions to effectuate the transition. Said tariffs shall contain all rates, terms, and conditions of all retail, wholesale, business, and residential services, now provided to all existing and new customers except as otherwise expressly authorized by law.

C. Price Cap Status

The Signatory Parties stipulate that upon the closing of the transfer of control described in the Application, Alltel Missouri, Inc. will continue in the same manner as a price cap company pursuant to Section 392.245 RSMo. (Supp. 2005) and pursuant to the

Commission's October 4, 2005 *Order Acknowledging Election to be Price Cap Regulated and Closing Case* in Case No. IO-2006-0112. Section 392.245(8) RSMo. (Supp. 2005) permits price cap companies to rebalance exchange rates under specific conditions, and Alltel Missouri, Inc. may seek to rebalance its exchange rates under this statute, but no Signatory Party by agreeing to this Stipulation and Agreement waives its right to challenge such rebalancing before the Commission. The Company shall provide OPC with copies of all documents relating to a cost study associated with such rebalancing that are provided to the Commission Staff, at the same time those documents are made available to the Staff.

D. Conditions

Applicants agree to the following conditions for the transaction:

a. Transparency

1. On the day after its separation from Alltel Corporation, Alltel Missouri, Inc. will continue to offer the same full range of products and services to existing customers that it offered the day prior to separation, at the same prices, and under the same terms and conditions, subject to the ability of any regulated telecommunications company to modify or discontinue its offerings through the appropriate processes. On the day after its separation from Alltel Corporation, Alltel Holding Corporate Services, Inc. will continue to offer the same full range of interexchange and non-switched local products and services to existing Alltel Communications, Inc. customers that Alltel Communications, Inc. offered the day prior to separation, at the same prices, and under the same terms and conditions, subject to the ability of any regulated telecommunications company to modify or discontinue its offerings through the appropriate processes.

2. New and existing long distance customers of Alltel Holding Corporate Services, Inc. will be provided services pursuant to Alltel Communications, Inc.'s Commission-approved MoPSC No. 1 tariff, adopted by AHCSI. After Separation, Alltel Missouri, Inc. customers subscribed to an interexchange carrier other than Alltel Communications, Inc. (either interLATA or interLATA) will remain customers of their selected long distance provider. Alltel Missouri, Inc. customers not subscribed to an interexchange carrier (commonly referred to as no-PIC) will be unaffected by the transaction. The transaction will have no impact on customers' ability to reach interexchange carriers on a dial-around basis.

3. Alltel Missouri, Inc. customers subscribed to Alltel Communications, Inc. as their presubscribed interexchange carrier on the day of closing will become customers of the newly certificated AHCSI at closing. Customers will not be assessed any charges for the transfer.

4. Alltel Missouri, Inc. basic local telecommunications service customers will remain customers of Alltel Missouri, Inc. after the Transfer.

5. All Exchange Access services offered by Alltel Missouri, Inc. will continue to be offered by Alltel Missouri, Inc. after the Transfer.

6. The transfer of the interexchange service customer base from Alltel Communications, Inc. to AHCSI will be completed in accordance with FCC and Missouri rules, including 4 CSR 240-33.150(4) [Changes in Subscriber Carrier Selections as a Result of Merger or Consolidation or the Sale, Assignment, Lease or Transfer of Assets] and 4 CSR 240-33.150(6)(B) [Procedures for Lifting Preferred Carrier Freezes]. Transfer of these customers will not take place until all required customer notices have been

provided, and the notices will include an opportunity for customers to choose another long distance carrier if they do not desire service from AHCSI. AHCSI hereby agrees to file its customer notice of the transfer to the case file of this case at least four weeks in advance of sending such notice to customers. The notice shall state that the customer may make one change in long distance carriers during the 30 days after the transfer of customers to AHCSI at no cost to the customer. Interested parties will have ten days to object to the form of the notice.

7. Upon actual transfer of the customers from Alltel Communications, Inc. to AHCSI, Alltel Missouri, Inc. hereby agrees that it will waive residential PIC change charges for 30 days to allow residential consumers a one-time opportunity to subscribe to a long distance provider other than AHCSI without incurring a PIC change charge. AHCSI and Alltel Missouri, Inc hereby agree that AHCSI will not introduce a Missouri instate access recovery fee or a like fee with the same purpose for a period of two years after the separation of Alltel Missouri, Inc. from Alltel Corporation.

b. Interconnection Agreements

This transaction will have no impact on the terms of any existing interconnection agreements or Alltel Missouri, Inc.'s obligations under state and federal laws regarding interconnection. The requirements of Section 252 shall be applicable to Alltel Missouri, Inc. and any open issues pertaining to a request to Alltel Missouri, Inc. for interconnection service shall continue uninterrupted pursuant to Section 252(b)(1).

c. Service Quality

1. Alltel Missouri, Inc. commits that it will continue to employ sufficient technical and managerial resources to thoroughly and adequately meet the Commission's

Quality of Service objectives. Alltel Missouri, Inc. will continue to fund technology investments through capital expenditures. Alltel Missouri, Inc. further commits that it will continue to employ sufficient employees to thoroughly and adequately respond to all Commission requests pertaining to service related issues.

2. A. Alltel Missouri, Inc hereby agrees that if Alltel Missouri, Inc.'s state-wide quality of service quarterly results reach a surveillance level for any category, then the company shall submit quality of service results on a monthly basis rather than a quarterly basis. Monthly reports shall continue until the company's quality of service results for all categories are no longer in a surveillance level for a given quarter. This condition shall apply for the company's first four quarterly reports submitted to the Commission following the Transfer. In addition, Alltel Missouri, Inc. will provide a copy of its quarterly quality of service reports (and monthly reports, if they become necessary) on a highly confidential basis to the Office of Public Counsel.

B. Although Alltel Missouri, Inc.'s quality of service quarterly results are above surveillance level, the Staff has identified a recent trend in the increase of held orders. Alltel Missouri, Inc. hereby agrees to investigate this trend and advise the Commission Staff and OPC of the cause and identify what action the Company will take to improve performance on held orders.

d. Finance Conditions

1. The Signatory Parties jointly recommend that, in approving the subject Application, the Commission's Order should make no findings or conclusions regarding the value of this transaction for ratemaking purposes and that the Signatory Parties

reserve their rights to consider the ratemaking treatment to be afforded these transactions and their result in cost of capital in any later proceeding.

2. Within 30 days after the close of the transactions, Alltel Missouri, Inc. shall file with the Commission all then final terms and conditions on this financing as described in the Application including, but not limited to the following: the aggregate principal amount to be sold or borrowed, price information, estimated expenses, loan or indenture agreement concerning each issuance.

3. Alltel Missouri, Inc. shall file with the Commission Staff and the Office of the Public Counsel any credit rating agency reports issued within 30 days after the close of the transaction concerning debt issuances by the New Holding Company associated with this transaction.

4. In the event that at least two out of the three credit rating agencies do not assign an investment grade corporate credit rating to the New Holding Company within 30 days after the close of the transaction, the New Holding Company and Alltel Missouri, Inc. agree to the following safeguards to ensure customers receive safe and adequate service at just and reasonable rates. (Voight Rebuttal Testimony, p. 5).

1) As set forth in Section 4, C (*supra*), Alltel Missouri, Inc. will continue to operate as a price cap company pursuant to Section 392.245, RSMo. (Supp. 2005). Alltel Missouri, Inc. further agrees that it shall not petition the Commission for rate relief pursuant to the provisions of Section 392.246, RSMo. (Supp. 2005) on the basis of financial impacts resulting from the assignment of a non-investment grade corporate credit rating to the New Holding Company.

2) As set forth in Section 4, D, a (transparency) and c (service quality), *supra*, on the day after its separation from Alltel Corporation, Alltel Missouri, Inc. will continue to offer the same full range of products and services to existing customers that it offered the day prior to separation, at the same prices, under the same terms and conditions, subject to the ability of any regulated telecommunications company to modify or discontinue its offerings through the appropriate processes. Alltel Missouri, Inc. commits that it will continue to employ sufficient technical, managerial and financial resources to thoroughly and adequately meet the Commission's Quality of Service objectives and, indeed, has committed to the specific monitoring conditions set forth in Section 4, D, c, 2 herein.

3) Alltel Missouri, Inc. will generate sufficient cash flows to fund technology investments through capital expenditures, and the Alltel Missouri, Inc. commits to continue to invest in new technologies designed to bring the benefits of broadband capabilities to its customers in its service areas. Alltel Missouri, Inc. will expend the appropriate amount of capital expenditures to extend the availability of broadband to at least 50% of its Missouri customer base by December 31, 2006; at least 65% of its Missouri customer base by December 31, 2007 and at least 80% of its Missouri customer base by December 31, 2008.

4) Alltel Missouri, Inc. shall provide to the Commission Staff and the Office of the Public Counsel the information that was provided to bond rating agencies by New Holding Company at the time of transfer. Alltel Missouri, Inc. shall provide information to the Staff showing that, the rating notwithstanding, New Holding Company's primary financial metrics (such as EBITDA interest coverage, debt-to-EBITDA and Total Debt to

Total Capital) presented to major bond rating agencies at the time of the transfer were substantially the same as those contained in the Application filed with the Commission on December 22, 2005, as updated by the prefiled testimony of Jeffery Gardner;

5) Alltel Missouri, Inc. shall provide the Commission Staff and the Office of the Public Counsel, no later than thirty (30) days after creation/receipt, all written correspondence with and reports of the credit rating agency(ies) that have assigned a corporate credit rating to the New Holding Company, until such time as the New Holding Company has two investment grade corporate credit ratings.

6) The New Holding Company currently anticipates that its corporate credit rating will at least be consistent with the average corporate credit rating of the rural local exchange industry, which as of July 5, 2005, had an average Standard and Poor's corporate credit rating of BB .⁷ If the average corporate credit rating of the rural local exchange industry changes, then such new average corporate credit rating shall become the benchmark that triggers the following conditions in this paragraph. Until such time as the New Holding Company has two investment grade corporate credit ratings, if the New Holding Company's corporate credit rating should fall below the average corporate credit rating for the rural local exchange industry, then Alltel Missouri, Inc. shall be required to demonstrate to the Commission that this event was not caused by the financial risk of the New Holding Company. If Alltel Missouri, Inc. cannot demonstrate that this downgrade was due to factors other than the financial risk of the New Holding Company, then it must demonstrate to the Commission that the downgrade will not affect Alltel Missouri,

⁷ As reflected in the Standard & Poor's "CreditStats: Local Exchange Carriers" publication dated August 11, 2005. The Signatory Parties agree that such publication, as updated, shall constitute the source document for purposes of this paragraph.

Inc.'s continued quality of service to its Missouri customers and that the downgrade will not cause an increase in the rates charged to its Missouri customers or cause a reduction in the investment in basic and advanced telecommunications services. In the event that Alltel Missouri, Inc. is unable to demonstrate the aforementioned items, then the New Holding Company shall take the necessary financial action to restore its credit rating within three months or such other reasonable time if Alltel Missouri, Inc. can demonstrate that three months is unreasonable.

5. STIPULATION AS TO THE PUBLIC INTEREST

Based upon the Application, the evidence and comments filed in the record, and this stipulation and agreement and the conditions therein, the Signatory Parties stipulate and agree that the transactions described in the Application of December 22, 2005 are not detrimental to the public interest, as provided in Rules 4 CSR 240-3.535(1)(C) and 4 CSR 240-3.520(2)(D).

6. STIPULATION AS TO RECOMMENDATION

The Signatory Parties recommend that the Commission issue an Order that: (1) finds that: (a) the proposed transfer of Alltel Missouri, Inc. stock to Alltel Holding Corp. from Alltel Corporation is not detrimental to the public interest; (b) the transfer of the interexchange service customer base of Alltel Communications, Inc. to Alltel Holding Corporate Services, Inc. is not detrimental to the public interest; (c) this Commission does not have jurisdiction over the transfer of ownership of Alltel Holding Corp. from Alltel Corporation to Alltel Corporation's shareholders, nor the merger between Alltel Holding Corp. and Valor Communications Group; and (2) approves the transfers as

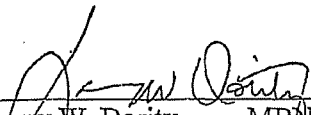
described in the Application, subject to the terms and conditions of this Stipulation and Agreement.

7. ADDITIONAL TERMS

This Stipulation and Agreement has resulted from extensive negotiations among the Signatory Parties and the terms hereof are interdependent. In the event that the Commission does not approve this Stipulation and Agreement in its entirety, it shall become null and void and none of the Signatory Parties shall be bound by any of the agreements or provisions hereof. If the Commission accepts the specific terms of this Stipulation and Agreement, the Signatory Parties waive, with respect to the issues resolved herein, their respective rights to present testimony and to cross-examine witnesses pursuant to Section 536.070(2) RSMo 2000, and to present oral argument or written briefs pursuant to Section 536.080.1; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2; and their respective rights to judicial review pursuant to Section 386.510. The parties agree to cooperate with each other in presenting this Stipulation and Agreement to the Commission for approval, and will take no action, direct or indirect, in opposition to approval of this Stipulation and Agreement. The Staff shall file suggestions or a memorandum in support of this Stipulation and Agreement and the other Signatory Parties shall have the right to file responsive suggestions. The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once

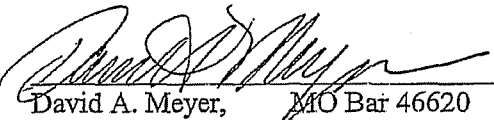
such explanation is required from the Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

Respectfully submitted,

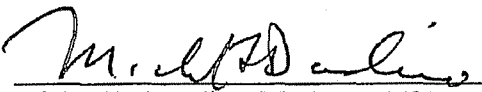

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MISSOURI PUBLIC SERVICE COMMISSION

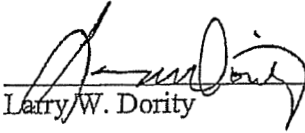
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 13th day of April, 2006, a copy of the above and foregoing Stipulation and Agreement was served via electronic mail to all parties of record.


Larry W. Dority

STATE OF MISSOURI

OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 25th day of April 2006.



Colleen M. Dale
Secretary

MISSOURI PUBLIC SERVICE COMMISSION

April 25, 2006

Case No. TM-2006-0272

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ALLTEL Missouri, Inc.
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Jefferson City, MO 65101

Valor Communications Group, Inc.
✓ Larry Dority
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Jefferson City, MO 65101

Enclosed find a certified copy of an ORDER in the above-numbered case(s).

Sincerely,



**Colleen M. Dale
Secretary**

North Carolina

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. P-118, SUB 149

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of	
Application of Alltel Carolina, Inc. To Pledge) ORDER AUTHORIZING
Assets to Secure Loan) EXECUTION OF
) GUARANTEE AND PLEDGE
) OF ASSETS

BY THE COMMISSION: Alltel Carolina, Inc., filed a Petition on January 24, 2006, pursuant to N.C.G.S. § 62-160 and Commission Rule R1-16, requesting permission to execute certain guarantees and pledge assets and property to secure loans described therein. Alltel Carolina, Inc., states that the guarantee and pledge are to be made in connection with the planned separation of the wireline business of Alltel Corporation (which includes Alltel Carolina) from Alltel Corporation's wireless business.

This matter was presented to the Commission for its consideration at the Commission's weekly Staff Conference on February 20, 2006. Based upon the verified Application and the Commission's entire files and records, the Commission now makes the following

FINDINGS OF FACT

1. Alltel Carolina, Inc. ("the Company") is a corporation duly organized and existing under the laws of the State of North Carolina having its principal office and place of business in Matthews, North Carolina. The Company is a public utility providing local exchange and other telecommunications services in various North Carolina exchanges located in the service areas assigned to it by the Commission.

2. The Company is owned by Alltel Corporation. Alltel Corporation also owns significant wireless operations. Alltel Corporation plans to separate its wireline business from its wireless business and to convey its wireline business assets, including the stock of the Company, to a new holding company. Alltel Corporation will first transfer ownership of its ILECs and its other incumbent local exchange company subsidiaries to a subsidiary named Alltel Holding Corp. Alltel Holding Corp. will merge into Valor Communications Group, Inc., a holding company with its own local exchange operating company subsidiaries in various parts of the southwestern United States, resulting in the creation of what the Company describes as the "Merged Wireline Business." Following this merger, Alltel shareholders will own 85% of the Merged Wireline Business and Valor shareholders will own 15%. The Merged Wireline Business will serve approximately 3.4 million access lines in 16 states, and its revenues will be

approximately \$3.4 billion per year.

3. After the effective date of the transaction, ALLTEL Carolina will be renamed and it will offer the same telecommunications services as are currently being provided. Customers will continue to receive their existing telecommunications services at the same rates, terms, and conditions and any future changes in rates, terms or conditions of service will be consistent with any applicable provision of the North Carolina Public Utilities Act, the Commission's rules, and the price regulation plan which governs the Company.

4. The planned transaction is expected to better position the combined wireline entity to compete in the marketplace and provide telecommunication services to consumers in North Carolina at competitive rates. This transaction is expected to create new growth opportunities for the separate wireline entity, giving the combined wireline business sufficient scale to compete on its own and to be able to take advantage of strategic, operational and financial opportunities.

5. NCGS §62-133.5(g) removes price regulated companies, such as the Company, from the application of GS §62-111 which pertains to mergers, consolidations, and combinations of public utilities. However, the Company seeks approval of the Guarantees and Liens described in its Petition. A Schedule of Proposed Debt summarizing the proposed indebtedness of the Merged Wireline Business is set forth in Exhibit 1 to the Petition.

6. JP Morgan and Merrill Lynch (the "Lenders"), have delivered a commitment (the "Commitment Letter") to provide senior secured credit facility borrowings of the Merged Wireline Business in an amount up to \$4.2 billion (referred to in the Commitment Letter and hereafter as, the "Facilities"). A copy of the Commitment Letter is Exhibit 2 to the Petition. The transactions will also require the Merged Wireline Business to issue senior unsecured notes in an amount no less than \$1.54 billion (which notes are referred to in the Commitment Letter and hereafter as the "Notes"). To the extent that the Notes exceed \$1.54 billion, the borrowings available under the Facilities will be reduced by a corresponding amount. The terms of the Notes will be determined based on market conditions in a private placement or public offering to be conducted prior to the closing of the transactions.

7. As part of the Commitment Letter, and as specified in the Exhibits to the Commitment Letter, the Lenders have required that all affiliates of the Merged Wireline Business, which would include the Company, give their Guarantees of 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"). Additionally, and as further specified in the Exhibits to the Commitment Letter, the Facility Guarantees are to be secured by perfected first-priority liens on the assets of the respective guarantors, including the Company, as described in the Commitment Letter (the "Liens"). The terms and conditions of the Facilities, Secured Cash Management Agreements and Secured Hedge Agreements associated with the senior secured debt financing of the transactions at issue here are also identified in the Commitment Letter.

8. While the terms of the Notes will be determined by market conditions at the time of the offering of the Notes, the affiliates of the Merged Wireline Business, including the Company, will be required to execute Guarantees of the new holding company's obligations under the Notes (the "Note Guarantees"). However, the Notes will be unsecured and will not be secured by Liens.

9. Valor currently has \$400 million in Senior Notes that will be assumed by the Merged Wireline Business to the extent the holders of such notes do not require the surviving corporation to repurchase the notes pursuant to certain rights that will be triggered by the transactions. To the extent that the Valor Senior Notes remain outstanding, the amount of the borrowings available under the \$4.2 billion Facility will be correspondingly reduced by the dollar amount of such outstanding notes, and all affiliates of the Merged Wireline Business, including the Company, will be required to execute Guarantees of all obligations under the Valor Senior Notes (the "Valor Note Guarantees;" the Facility Guarantees, Note Guarantees, and the Valor Note Guarantees are referred to collectively as the "Guarantees") and the Liens may apply equally and ratably to secure the obligations under the Valor Senior Notes. To the extent the Valor Senior Notes are tendered by their holders pursuant to the rights triggered by the transactions, borrowings will be made under the Facilities in the amounts required to repurchase such tendered Valor Senior Notes.

10. The Guarantees will be contingent liabilities of the Company. The Facilities and the Notes will be serviced by the consolidated cash flows of the holding company for the Merged Wireline Business resulting from the merger transaction described herein.

11. The Company will not make retail or wholesale rate adjustments as a result of the Guarantees or the Liens. The Guarantees and the Liens will provide specific benefits to the Merged Wireline Business by significantly reducing the debt servicing costs of the senior secured facility and the Notes. In addition, by virtue of the Guarantees and the Liens a revolving \$500,000,000 credit facility will be available to the new holding company, and this will be a source of capital for use by the Company.

12. The sources and uses of funds for the debt financing addressed are described in the Commitment Letter and are summarized in Exhibit 1 to the Petition. At the closing of the transactions, it is expected that the Guarantees will involve an aggregate of up to \$5.74 billion in obligations as set forth in the Schedule of Proposed Debt. None of those funds and none of their associated obligations are directly payable by the Company. The Guarantees and the Liens are required for the reorganization and recapitalization of the Merged Wireline Business of which the Company will be a part.

CONCLUSIONS

Based upon the foregoing Findings of Fact in the entire record in this proceeding, the Commission is of the opinion and so finds and concludes that the transaction or transactions proposed and described in the Petition of Alltel Carolina, Inc.:

- (i) are for a lawful object within the corporate purposes of the Company;
- (ii) are compatible with the public interests;
- (iii) are necessary or appropriate for or consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) will not impair the Company's ability to perform its public service; and
- (v) are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS, THEREFORE, ORDERED as follows:

That Alltel Carolina, Inc. is hereby authorized and permitted to execute the Valor Note Guarantees, the Facility Guarantees and the Note Guarantees (collectively "the Guarantees") and to execute the documents to create the Liens described in its Petition. The approval given herein is limited to the execution of the Guarantees and the documents necessary to create the Liens. Any Lender or other party seeking to exercise any remedy under the Guarantees or the Liens as to any asset of Alltel Carolina, Inc. must petition the Commission for authority to take any such action;

Based on the foregoing, Alltel Carolina, Inc., is hereby authorized:

- (i) to execute the Guarantees on the terms and conditions described in the Petition;
- (ii) to pledge assets or otherwise create the Liens as described in the Petition, on the terms and conditions described therein;
- (iii) to execute and carry out such instruments, documents and agreements as shall be necessary or appropriate in order to effectuate the transactions described in the Petition.

IT IS FURTHER ORDERED that the proceeds resulting from the financing transaction described in the Petition shall be used for the purposes described in the Petition.

ISSUED BY ORDER OF THE COMMISSION

This the 22nd day of February, 2006.

NORTH CAROLINA UTILITIES COMMISSION



Patricia Swenson, Deputy Clerk

Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Application of Alltel Pennsylvania, Inc. and Alltel Communications, Inc., for approval required under the Pennsylvania Public Utility Code in connection with the change of control of Alltel Pennsylvania, Inc. and certain changes relating to Alltel Communications, Inc.	:	Docket Nos. A-310325F0006 and A-312050F0006
Registration of the Securities Certificate of Alltel Pennsylvania, Inc., in Respect to Loan Guarantees, Secured Cash Management Agreements, Secured Hedging Agreements and First-Priority Liens	:	Docket Nos. S-00061098 and S-00061099

JOINT PETITION FOR SETTLEMENT

Alltel Pennsylvania, Inc (“Alltel PA”) and Alltel Communications, Inc. (“ACI”) (collectively “Joint Applicants”), Office of Trial Staff (“OTS”), Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), collectively referred to as the “Petitioners”, pursuant to Section 5.232 of the regulations of the Pennsylvania Public Utility Commission (“Commission”), file this Joint Petition For Settlement (“Settlement”) seeking resolution of the above-docketed matters. In support thereof, Petitioners represent as follows:

I. BACKGROUND

1. On December 23, 2005, Alltel PA and ACI filed a Joint Application requesting approval for Alltel Corporation’s (“Alltel”) transfer of control of Alltel PA and transfer of certain customers and facilities of ACI to the corporate entity resulting from the merger of Alltel Holding Corp. and Valor Communications Group (“Valor”)

and to Alltel Holding Corporate Services, Inc. (“AHCS”), respectively. The transfers are intended to separate the Alltel corporate system’s wireline local service operation into an independent stand-alone operation (“Merged Wireline Business”). Following the transfers, Alltel PA’s customers and the former ACI customers will continue to receive their existing telecommunications services at the same rates, terms and conditions and any further changes in rates, terms or conditions of service will be consistent with the Public Utility Code, the Commission’s regulations and the Amended Alternative Form of Regulation and Network Modernization Plan of Alltel Pennsylvania, Inc. (“Amended Chapter 30 Plan”) as approved by the Commission’s Order entered June 23, 2005 as well as this Settlement. The transaction, as explained by Joint Applicants, is intended to better position the combined wireline entity to compete in the marketplace and provide telecommunications services to consumers at competitive rates. This transaction as further asserted by Joint Applicants is intended to create new growth opportunities for the separate wireline entity, and to give the combined wireline business sufficient scale to compete on its own and to be able to take advantage of strategic, operational and financial opportunities.

2. On January 21, 2006, Joint Applicants filed an Amended Joint Application and sought Commission registration of a securities certificate in connection with various liens and guarantees relating to the financing of the transaction. JP Morgan and Merrill Lynch have issued a commitment letter to provide up to \$4.2 billion in borrowings to the new Merged Wireline Business. As part of the commitment letter, all affiliates, including Alltel PA, are required to provide a perfected first priority lien on their assets for the secured portion of the financing.

3. The Joint Application as amended was filed pursuant to Chapter 11 of the Public Utility Code. 66 Pa. C.S. §§ 1101-1103.

4. On January 7, 2006, notice of the Joint Application was published in the *Pennsylvania Bulletin*. Protests and petitions were noticed as due on or before January 24, 2006.

5. Notices of intervention and/or protests were filed by the OCA, OTS, OSBA and the Communications Workers of America (“CWA”).

6. On March 1, 2006, based upon an agreement by all parties, presiding Administrative Law Judge (“ALJ”) Angela T. Jones entered a Protective Order.

7. On March 3, 2006, a prehearing conference was held. At the prehearing conference, a procedural schedule was established. A Second Prehearing Conference Order was issued by ALJ Jones on March 9, 2006.

8. Joint Applicants filed statements of direct testimony on February 16, 2006.

9. Pursuant to the procedural schedule, OTS, OCA, OSBA and CWA submitted pre-filed direct testimony on March 21, 2006. On March 28, 2006, Joint Applicants submitted pre-filed rebuttal testimony.

Petitioners have held numerous discussions and, following discovery and submission of testimony, have arrived at terms and conditions, set forth below, to resolve all issues arising in this matter. The Settlement consists of compromises and concessions regarding the respective litigation positions of Petitioners so as to reach an amicable resolution in lieu of further protracted and expensive litigation.

II. TERMS AND CONDITIONS OF SETTLEMENT

11. In consideration of the mutual promises and provisions contained in this Settlement, Petitioners desire to conclude litigation of the above-docketed matters and to settle the contested issues, as follows:

a. Under its Amended Chapter 30 plan, Alltel PA is required to file an annual price cap filing.¹ Under the Price Stability Mechanism in its Amended Chapter 30 Plan, Alltel PA on an annual basis has the opportunity to increase its rates for noncompetitive services based upon the percentage change in the Gross Domestic Product – Price Index (“GDPPI”) with a 0% inflation offset. On or before April 30, 2006, Alltel PA will be filing its annual Price Stability Mechanism filing,² which based upon the experienced change in the GDPPI, would result in an increased annual revenue opportunity of approximately \$3,200,000. The weighted average Alltel PA R-1 and B-1 rates are \$16.00 and \$24.50, respectively. As part of this Settlement, Alltel PA will not increase its weighted average local exchange rates for residential or business services (i.e., R-1 or B-1 rates) prior to June 1, 2009.

b. While Alltel PA shall be permitted to bank increases for the period covered by the foregoing provisions, i.e. through March 31, 2009, Alltel PA may not in the future use these banked increases to increase R-1 and B-1 rates.. Nothing contained herein modifies ALLTEL PA’s right to raise rates other than R-1 and B-1 rates.

¹ See Amended Chapter 30 Plan, Part 3, Price Stability Plan for Noncompetitive Services (“Price Stability Plan”).

²As a result of the filing of this Settlement and pending resolution thereof, Alltel PA will seek an extension for filing its Price Stability Mechanism, and request a permanent change to June 30th for filing its annual PSM filing.

c. The foregoing rate limitation, however, shall not preclude Alltel PA's right under its Price Stability Plan to seek increase(s) in its local exchange rates including its residential and business exchange rates greater than \$16 and \$24.50, arising from or as a result of:

- (1) Decision(s) of or arising from the Federal Communications Commission and Pennsylvania Public Utility Commission, e.g. Unified Intercarrier Compensation Regime and USF docket(s) to the extent the decisions result in a direct loss of intrastate jurisdictional revenue or result in a direct increase in intrastate jurisdictional costs; or
- (2) Exogenous events as defined in Part 3, A, of Alltel's Amended Chapter 30 Plan. Alltel PA acknowledges that the decision to separate from Alltel wireless and to merge with Valor Communications Group as detailed in the Joint Application is an event within Alltel PA's control for purposes of Part 3, A of Alltel PA's Amended Chapter 30 Plan. Alltel PA further acknowledges that it has the burden of proof in any exogenous event filing and that Alltel PA will have to prove that the exogenous event satisfies the terms of its approved Chapter 30 Plan. Nothing herein limits the ability of parties to challenge such a filing.

d. Alltel PA shall accelerate its universal broadband availability commitment in Part 1A of its Amended Chapter 30 Plan, on ten (10) business days

notice, from 80% to 84% by December 31, 2010.

e. From and after the effective date of this Settlement and continuing through March 31, 2010 or any such earlier date at which the guarantee and lien set forth in the Joint Application, as amended, are released with respect to Alltel PA, Alltel PA shall not:

(1) Guarantee, other than those set forth by the Joint Application, the debt or credit instruments of Alltel Holding Corp. or any affiliate not regulated by the Commission; or

(2) Grant any mortgage or other lien other than those set forth by the Joint Application or otherwise pledge as security for repayment of the principal or interest of any loan or credit instrument of Alltel Holding Corp. or any affiliate not regulated by the Commission any property used and useful in providing retail utility service to the public subject to the Commission's jurisdiction; or

(3) Make any loan or otherwise extend credit to Alltel Holding Corp. or any affiliate not regulated by the Commission when the term of the loan is 365 days or greater at an interest rate less than market.

(4) Nothing in this section e, shall preclude Alltel PA from seeking Commission approval of (i) any replacement or substitute financing which does not exceed the aggregate principal amount of debt contained in the Joint Application, as amended or (ii) any guarantee, mortgage or lien as security for repayment of pre-existing indebtedness of a company that becomes an affiliate of Alltel PA as a result of an acquisition (by merger

or other transaction) if such security is required under the terms of the debt or credit instruments for such indebtedness due to the existence of the guarantee or lien set forth in the Joint Application, as amended. With respect to any replacement or substitute financing referred to in this paragraph 4 Alltel PA agrees not to seek to refinance more debt than the sum of the actual amount of outstanding term loans at the time of the refinancing, plus the \$500 million available under the Revolving Credit Facility. Further, Alltel PA is not precluded from obtaining other debt financing which does not require a lien on Alltel PA's local property. Alltel PA will serve the parties hereto with any filing relative to Alltel PA under this section e(4) and the parties reserve the right to oppose any such filing.

f. From and after the effective date of this Settlement and continuing through December 31, 2010, Alltel PA agrees to not pay any dividends in excess of 90% of annual net income.³

g. Alltel PA agrees to notify the Commission of certain service quality reports as provided in the Commission's regulations at 52 Pa. Code Section 63.55. In addition, through December 31, 2008, Alltel PA agrees to advise the OCA and OSBA if Alltel PA's service outage repair index falls below 80% restored/repared within 24 hours: (a) in any month across the Alltel PA system as a whole; or (b) for three consecutive months in any one exchange. In the event of such notification, Alltel PA

³Net income is Operating Revenue minus Operating Expenses plus/minus Non-Operating Income/Expense minus Fixed Charges minus Income Taxes.

also commits to meet with OCA and OSBA to discuss and to address possible remedies or actions to be undertaken by Alltel PA.

h Alltel PA will employ the appropriate level of resources, including workforce, network and investment, necessary to achieve the continuation of quality service to Alltel PA's existing and prospective Pennsylvania customers. Alltel PA will not reduce the number of its employees as a result of the wireline spin off and related merger with Valor. From the date of Commission approval of this Settlement through June 30, 2008, the Petitioners agree that a rebuttable presumption shall exist that reductions by Alltel PA of its number of employees are a result of the wireline spinoff and related merger. This commitment does not preclude Alltel PA from changing (reducing or increasing) the level of employees for matters unrelated to the spin off and the related merger. Alltel PA will report on the anniversary date of the Settlement approval the number of full time employees of Alltel PA for each year, including the date of Settlement approval, and explain changes in the work force numbers for a period of four years.

i. Alltel PA will employ the appropriate level of benefits for its workforce as is necessary to achieve the continuation of quality service to its existing and prospective Pennsylvania customers, while remaining competitive. Except for the requirement to recreate the pension for the Merged Wireline Business, Alltel PA will not change its pension program for existing Alltel PA employees as a result of the wireline spin off and related merger with Valor. This commitment does not preclude Alltel PA from changing its pension benefits for Alltel PA employees for matters unrelated to the spin off and merger. The pension assets for existing ALLTEL PA employees will be

divided between ALLTEL and the Merged Wireline Business in accordance with the Confidential Employee Benefits Agreement as provided to the parties.

j. The Application of AHCS at Docket Nos A-311402 and A-311402F0002 should be approved simultaneous herewith.

12. This Settlement is expressly conditioned upon the entry of a final Commission Order approving all specific terms and conditions contained herein without modification. The Settlement proposed herein will go into effect upon the Commission's entry of a final Order approving this Settlement and all its terms and conditions without modification.

13. This Settlement is made without any admission against or prejudice to any position that any Petitioner either has made or might make in any other proceeding. This Settlement cannot and should not be used as precedent in any other proceeding, in this jurisdiction or elsewhere. It is also made without any admission against or prejudice to any position that any of the Petitioners may have advanced or may advance in any other proceeding and without prejudice to their respective positions concerning the merits of the issues presented in this proceeding if this Settlement is rejected by the Commission or withdrawn by any of the Petitioners as provided below. If this Settlement is not approved, no adverse inference shall be drawn against any Petitioner as a consequence of any matter set forth herein. Commission approval of this Settlement shall not be construed or cited as binding or persuasive precedent in any other jurisdiction, or in any other Commission proceeding, or in any appeal from a Commission proceeding, except to effectuate the terms and conditions of this

Settlement. This Settlement is a compromise and is conditioned upon the Commission's approval of all the terms and conditions contained herein without modification or amendment, except that this paragraph shall be effective regardless of whether the Settlement is accepted and adopted by the Commission. Joint Applicants reserve the right to present arguments and positions as to any issues in any proceedings before the Commission, including but not limited to, any universal service or intercarrier compensation proceeding and to implement any resolution resulting therefrom.

14. If the Commission should not approve or should modify the terms and conditions herein, this Settlement may be withdrawn by any Petitioner upon written notice to the Commission and all other Petitioners within ten (10) business days of entry of the Commission's Order. In such withdrawal event, this Settlement shall be of no force and effect, except this paragraph and paragraph 13 herein, and Petitioners reserve their respective rights to conduct cross-examination, briefing and argument, and to take, without prejudice, positions different from the terms of this Settlement. In the event of such withdrawal, this Settlement Agreement shall be terminated without admission against or prejudice to any position, which any Petitioners might adopt during any subsequent hearing.

15. The Petitioners expressly agree that this Settlement shall be modified only by a written document signed by all of the Petitioners.

16. It is explicitly stated herein and understood by Petitioners that this Settlement constitutes a negotiated resolution of the issues raised at Docket Nos.

A-310325F0006 and A-312050F0006, as well as S-00061098 and S-00061099, with bargained-for concessions supporting the terms and conditions contained herein.

17. The Petitioners specifically agree that the Commission's approval of this Settlement without modification resolves all issues raised in this proceeding and/or specifically addressed herein and precludes the Petitioners from asserting contrary positions during subsequent litigation.

18. This Settlement constitutes the entire agreement among the Petitioners. The Petitioners agree that it supersedes and controls all prior communications, correspondence, agreements, or prior drafts of agreements existing among the Petitioners or their representatives relative to the matters contained herein. This Settlement is determinative and conclusive of issues addressed herein and, upon the entry of a final Commission Order, that is not stayed on appeal, approving the Settlement, constitutes a final adjudication as to the Petitioners.

19. Except as explicitly set forth in this Settlement, there are no representations, warranties, or inducements, whether oral, written or expressed or implied, that in any way affect or condition the validity of this Settlement or alter its terms and conditions.

20. The existence of this Settlement and the terms and conditions of the same do not require, and shall not be construed as requiring, that any Petitioner extend this Settlement or any provision set forth in this Settlement to any other entity or person.

21. In conjunction with the entry of a final Commission Order approving this Settlement, the Petitioners request that the Commission shall mark the above dockets closed.

22. This Settlement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without giving effect to the principles of conflicts of law.

23. This Settlement may be executed in one or more counterparts, each of which shall be considered an original, and all of which taken together shall constitute one and the same instrument and shall be effect on the latest date signed.

III. PUBLIC INTEREST CONSIDERATIONS

24. In recognition of the Commission's policy in favor of seeking negotiated settlements to contested proceedings (*See*, 52 Pa. Code § 5.231), the Petitioners have reached an amicable resolution to this dispute as embodied herein.

25. Approval of this Joint Petition is in the public interest when approved as proposed. Specifically, the Settlement includes: (a) a significant rate stability provision; (b) an accelerated broadband commitment; (c) resource commitments for the continuation of service quality ; and (d) other financial commitments and rate change opportunities.

26. Approval of this Joint Petition is also in the public interest in avoiding the time, expense and uncertainty of further litigation regarding the specific facts and circumstances that may arise in this proceeding. The Petitioners will reserve the right to file Statements in Support under separate cover.

IV. CONCLUSION

WHEREFORE, the Petitioners, intending to be legally bound, respectfully request that the Administrative Law Judge recommend the approval of and the Commission approve the Application, the Amended Application and the security registration as modified by the Settlement terms and conditions set forth herein, without modification, and take any other actions as are necessary and appropriate to carry out the terms and conditions of this Settlement.

Respectfully Submitted,

By: _____

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**On behalf of Office of Small
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Dated: April 6, 2006