



Mayor Teresa Ann Isaac

LEXINGTON - FAYETTE URBAN COUNTY GOVERNMENT  
Department of Law

March 2, 2006

RECEIVED

MAR - 6 2006

PUBLIC SERVICE  
COMMISSION

Ms. Beth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

Re: Case No. 2005-00534  
(Alltel Merger)

Dear Ms. O'Donnell:

Please find enclosed herewith for filing and original and 10 copies of the Lexington-Fayette Urban County Government's Initial Requests for Information in the referenced matter. Please contact me should you have any questions pertaining to the same.

Yours truly,

A handwritten signature in black ink, appearing to read "David J. Barberie".

David J. Barberie  
Corporate Counsel

ENC

DJB/let474

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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MAR - 6 2006

PUBLIC SERVICE  
COMMISSION

In the Matter of:

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

**LEXINGTON-FAYETTE URBAN COUNTY  
GOVERNMENT'S INITIAL REQUESTS FOR INFORMATION**

Comes now the Lexington-Fayette Urban County Government (the "LFUCG"), by counsel and pursuant to the Public Service Commission's pending Scheduling Order in this matter, and submits its Initial Requests for Information to 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 the "Applicants") to be answered in accord with the following:

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

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

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from counsel for the LFUCG.

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

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

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify counsel for the LFUCG as soon as possible.

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

(9) In the event any document called for has been destroyed or transferred beyond the control of the company state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

## **INITIAL REQUESTS FOR INFORMATION**

1. Will the proposed transfer require that any additional financing be obtained by any of the entities involved? If so, please explain in detail.

a. How is the transfer to be financed, including sources of financing, interest rates and other terms of financing, and types of financing?

b. Will any of the above costs be placed on the customers, and more specifically, on the customers of the Kentucky-based applicants? If so, how much and in what way?

2. Will the proposed Guarantees and Liens to be provided by the Kentucky-based applicants (Alltel Kentucky, Inc. ("AKI"), and Kentucky Alltel, Inc. ("KAI")) in any way increase the current level of risk borne by them? Please provide a detailed explanation with the response.

a. Would the Applicants agree that if guarantees and liens are provided it is easier for the secured party to take action in the event of default? If not, why not?

b. Please list all of the benefits that the Kentucky-based applicants and their customers will derive as a result of providing such guarantees and/or liens.

3. Are the purported savings to be generated from the proposed Guarantees and Liens (see section numbers 46 and 47 (page 15) of the Amended and Restated Application) in any way to be shared with the Kentucky-based applicants? If so, how much, and in what way? If not, why not?

4. The Amended and Restated Application indicates that the Kentucky-based applicants (section number 15 (page 5)) "will continue as the same legal entities operating and providing local exchange service in Kentucky." Please describe in detail any and all anticipated changes to either of these entities that will result from an approval of the proposed transfer, including but not limited to any name change, staffing levels, management changes, management authority and lines of organization to the new entity, etc.

a. This section also indicates that from an "operational perspective, little will change" for these entities. Please describe in detail all of the anticipated changes (if any), from an operational perspective, that will result from an approval of the proposed transfer.

b. Please explain what differences, if any, that the Applicants anticipate the typical Kentucky-based wireline customer will notice or experience if the proposed transfer is approved. To the extent that any particular type of customer is expected to have a different experience as result of such approval, please explain in detail what and how.

5. Please describe in detail all of the "benefits for the wireline local exchange residential and business customers" (Section number 6 (page 3) of the Amended and Restated Application) that are anticipated to result from the approval of the proposed transfer. Are these benefits in any way measurable or quantifiable? List specific examples, if possible.

a. Please list and describe in detail the "advanced services" that are anticipated to be introduced as a result of the approval of the proposed transfer (Section number 13 (page 5) of the Amended and Restated Application).

b. Please list and describe all of the "significant benefits" which will accrue to the regulated entities and their customers (Initial Testimony of Jeffery Gardner at pages 3 and 6).

c. In what specific ways will the "level of centralized support services" improve?

6. Can Kentucky customers expect any enhancement over the current existing level of service as a result of an approval of the proposed transfer? If so, please provide a detailed response that includes the specific benefit or benefits to be provided broken down by the type of customer (i.e., residential or business). List specific examples, if possible.

a. More specifically, will the LFUCG obtain any additional benefit or benefits (level of maintenance, service, types or numbers of products, etc.) as a result of such an approval? If so, please provide a detailed response that includes the specific benefit or benefits to be provided.

7. From the perspective of each type of customer, how and why is it better for the proposed transfer to be approved than for the current ownership structure to be maintained?

8. Please describe in detail how, why, and in what specific ways an approval of the proposed transfer "allows the Merged Wireline Business to enhance both strategic flexibility and financial and operational opportunities." (Section number 7 (page 3) of the Amended and Restated Application). List specific examples, if possible.

9. The Applicants appear to make a number of representations regarding the proposed transfer and future expectations in Sections 31 through 36 of the Amended and Restated Application (pages 11 through 12).

a. What guarantees, if any, do the customers have that the Applicants will stand by these representations?

b. Are the Applicants willing to make these representations enforceable by entering into conditions pertaining to them as part of the approval of the proposed transfer? If so, please explain in detail how such conditions should be stated to best ensure meaningful enforceability. If not, please state why the Applicants are not willing to do so.

10. The Applicants also make a number of representations regarding continued technical, managerial, and financial capability in the Amended and Restated Application (Sections 17 through 27 (pages 6 through 10) of the Application) and the Initial Testimony of Jeffery Gardner and Daniel A. Powell. Please provide as much detail as possible, including documentation and specific examples, of all known technical, managerial, and financial changes that will result from the approval of the transfer, with a focus on the Kentucky-based entities.

a. What guarantees, if any, do the customers have that the Applicants will stand by these representations?

b. Are the Applicants willing to make these representations enforceable by entering into conditions pertaining to them as part of the approval of the proposed transfer? If so, please explain in detail how such conditions should be stated to best ensure meaningful enforceability. If not, please state why the Applicants are not willing to do so.

c. Are any of the jointly used assets generally described in Section 18 of the Amended and Restated Application (page 7)(and Gardner Testimony at page 19; Powell Testimony at pp. 9-10) currently utilized by the Kentucky-based entities? If so, please list all such assets. Assuming that some additional assets will need to be leased or otherwise contracted for, will this not serve to increase the costs to the leasing or contracting entities? If so, what assurances are in place that such costs will not ultimately be borne by the customers, and particularly the Kentucky customers?

11. Does the Amended and Restated Application and the Initial Testimony contain an exhaustive list of all the ways in which the proposed transfer is "consistent with the public interest" in accordance with KRS 278.218? If not, please describe in greater detail in what ways the approval of the transfer is consistent with the public interest.

a. Please describe in detail what the term "building their local wireline operation to provide a full range of high quality services" (Section 28, Page 10 of the Amended and Restated Application, and Powell Testimony at page 15) means. What high quality services will be offered to Kentucky local residential and business customers that are not offered now? Please provide a response that breaks out any differences between residential and business customers.

b. Please explain in detail how and why service delivery, product development, and customer interaction will be enhanced for Kentucky customers as a result of the approval of the proposed transfer. (Section 30, Page 10 of the Amended and Restated Application; Powell Testimony at page 15). List specific examples, if possible.

12. Please provide all analyses performed by any of the Applicants that describes or quantifies the benefits to be achieved by any of the Applicants through an approval of the proposed transfer.

13. Do the Applicants believe that this proposal, if approved, will be value enhancing? If so, in what ways, to whom, and in what amounts?

14. It appears from the Initial Testimony of Gardner that it is currently not the intent of the Applicants to directly share any initial or annual savings that will result from the merger with the Kentucky-based applicants or their customers. To the extent that any quantifiable savings result from the merger, why shouldn't these entities and their customers share directly in the savings in a manner that can be measured and quantified?

15. Provide all studies, reports or calculations either commissioned, prepared internally, or provided to any of the Applicants, which analyze anticipated revenue streams from an approval of the proposed transfer.

16. Please provide all Board of Director minutes, and memoranda provided to the Board of Directors of any of the Applicants, in which the formation of any of the new entities involved in the proposed transfer/Application are discussed.

17. Please provide a description of all other corporate reorganizations that are currently under consideration which will either directly or indirectly affect the ownership of any of the Applicants.

18. Please provide all analysts' reports in the possession of any of the Applicants that discuss the financial condition of any of the Applicants.

19. How many employees do each of the Kentucky-based Applicants currently have? For each such entity, how many of these employees are located in the Commonwealth of Kentucky, and more specifically, in Fayette County, Kentucky? For all such employees, please provide a job title and description of duties.

20. Do any of the Applicants anticipate a reduction in any of the employees stated in the response to question number 18, above if the proposed transfer is approved? If so, please explain how many, why, and which types of employees are to be reduced. Please provide a copy of any and all documents that demonstrate a requirement that the number of employees will remain substantially the same if the application is approved.

21. Are the Applicants willing to accept a condition as part of the approval of the proposed transfer that they will not substantially reduce the existing level of employees provided in the responses above? If so, for what period of time? In the event that such a condition is unacceptable, please state why.

22. Do any of the Applicants anticipate that there will be any consolidation of its management, workforce, facilities, customer service center(s), financial services operations, etc., if the proposed transfer is approved? If so, please explain in detail, particularly as to the Kentucky-based entities.

23. Please explain in detail any and all of the differences in management, services, performance, etc., that any of the Applicants anticipate will result if the proposed transfer is approved?

24. Please provide separate supplemental documentation, of a substantially similar nature to that provided in Exhibits 5 and 6 to the Original Application, for each of the Applicants that are regulated by the Kentucky Public Service Commission, broken down for each such respective Applicant.

25. Provide a copy of each newsletter or other communication sent to employees of any of the Applicants regarding the proposed transfer.

26. Please list each collective bargaining agreement currently in force with unions representing any of employees of the Kentucky-based Applicants, and their respective terms, and whether these agreements will in any way change as result of the approval of the proposed transfer. If it will change in any way, please describe in what ways. Please provide copies of all such agreements.

27. Do the relevant Kentucky-based Applicant(s) anticipate that substantially all of their respective Kentucky operations will remain headquartered in Lexington, Kentucky, if the proposed transfer is approved? Please provide a copy of any and all documents that demonstrate that the Applicants are committed to retaining their Kentucky headquarters in Lexington, Kentucky if the proposed transfer is approved.

a. Please identify and list the facilities, customer service center(s), financial services operations, etc., that are located in Lexington and/or Fayette County. If such operations are not located in Lexington/Fayette County please provide their location. Assuming the proposed transfer is approved, would any operations be relocated to Lexington? If so, please identify which operations and when. If not, please explain why not.

28. Are the Applicants willing to accept a condition as part of the approval of the proposed transfer that headquarters in the Commonwealth of Kentucky (for the relevant Applicant(s)) will remain in Lexington for the next ten years? In the event that such a condition is unacceptable, please state why.

29. What will happen to each of the Kentucky-based Applicants current Board of Directors, officers, and senior management as a result of an approval of the proposed transfer? Please provide a copy of any and all documents that demonstrate a requirement that the boards, officers, and upper-level management will remain the same if the proposed transfer is approved.

a. With respect to both centralized and local (Kentucky-based) management services, please list all management personnel that will not be retained if the proposed transfer is approved, including name, title, and job function.

30. Who will be the Board of Directors and officers of the "surviving corporation"? Is this the same corporate structure as before the approval? Please provide documents showing the corporate structure, including names, titles, and locations both before and after the approval.

31. Please list all members of the "senior executive team" (Testimony of Powell, at page 14).



32. Please describe in detail the current and future plans for "participation in the local community" (Testimony of Powell, page 14) and provide specific examples if possible.

33. Are any retention bonuses or similar incentives being offered in order to retain the existing management structure? Is so, please provide the job titles and the bonus amount as a multiple of salary of the employees eligible to receive such a bonus as well as the criteria that must be met in order to qualify for and/or receive such a bonus. If no such bonuses or awards are being offered, please explain why.

34. Are the Applicants willing to accept a condition as part of an approval of the proposed transfer that they will retain the existing boards, officers, and upper-level management for the Kentucky based entities going forward in time? If so, for how long? In the event that such a condition is unacceptable, please state why.

35. Are the Applicants aware that Kentucky Alltel, Inc., currently has a franchise agreement with the LFUCG which requires approval of any assignment?

a. Assuming that the proposed transfer is approved by the Public Service Commission, do the Applicants intend to seek the approval of the LFUCG's Council pursuant to the terms of the franchise agreement? If so, when and in what manner?

37. Do the Applicants intend to follow the provisions of said franchise agreement (for the purposes of this question, the LFUCG is aware of the impact that House Bill 272 (2004) the "Tax Modernization Act" has on the collection of franchise fees). If the answer is "no" as to any particular provision of the franchise agreement, please list each such provision and explain why it will not be followed.

38. What guarantees does LFUCG have that the Applicants will honor the provisions of the franchise agreement with the LFUCG?

39. How many different types of accounts (and of what type) does the LFUCG currently make payments to any of the Applicants under? For each account, please provide the following information:

- a. The type of account and how many different lines are included; and
- b. The physical location of the line/account; and
- c. The total amount paid by the LFUCG for each type of account during the last 12 month period.

40. Will any of the Kentucky-based Applicants engage in non-regulated activities or in any way provide non-regulated service? If so, generally describe all such activities or services in detail and indicate the extent to which each such Applicant engages in or provides such activities or services.

a. Will any of the employees spend any of their time engaged in such activities? If so, please provide a list of which employees will provide such services and the percentage of each such employee's time devoted to the provision of such services.

41. Please state whether the Applicants would agree to a condition as part of the approval of the proposed transfer that would require a new change of control filing in the event that a future functional or operational reorganization within the proposed corporate family meets the standards contained in KRS 278.020(4) or (5).

42. Please state whether the Applicants intend to seek recovery of the expenses associated with this proceeding from its Kentucky customers, including, but not limited to, legal, professional and consulting expenses. If rate recovery for such costs is contemplated as a possibility, please provide an accounting of such costs to date, broken out by category of cost.

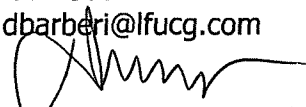
43. Please state the Applicants current estimate of the closing date for the proposed transfer.

44. Please state whether the Applicants would agree to a "most favored nations clause" condition as part of the approval of the proposed transfer that would require them to agree to meet or exceed the conditions placed upon any of the Applicants as the result of the approval of the proposed transfer in other jurisdictions.

Respectfully submitted,

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BY:



David J. Barberie  
Corporate Counsel  
Leslye M. Bowman  
Director of Litigation

CERTIFICATE OF SERVICE

I hereby certify that an original and ten (10) copies of the Lexington-Fayette Urban County Government's Initial Requests for Information were served by first class U.S. Mail delivery, postage prepaid, to Beth O'Donnell, Executive Director, Public Service Commission, P.O. Box 615, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615; furthermore, it was served by mailing a copy by first class U.S. Mail delivery, postage prepaid, on the following, all on this the 2nd day of March, 2006 .

Hon. Amy Dougherty  
Public Service Commission  
P.O. Box 615  
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Frankfort, Kentucky 40602-0615

Hon. Dennis Howard, III, and  
Hon. Lawrence W. Cook  
Assistant Attorney Generals  
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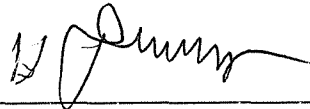
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URBAN COUNTY GOVERNMENT