

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PETITION BY ALLTEL CORPORATION TO)	
ACQUIRE THE KENTUCKY ASSETS OF)	CASE NO.
VERIZON SOUTH, INCORPORATED)	2001-399

FIRST COMMISSION STAFF DATA REQUEST

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that ALLTEL Corporation (“ALLTEL”) submit the original and 10 copies of the following information and documents to the Commission, with a copy to the Attorney General’s Office of Rate Intervention. Include with each response the name of the witness responding to the questions.

1. Identify all states in which ALLTEL operates. Provide all required service quality and performance reports for each of these states. Identify any quality of service concerns that have been noted in orders from these states for the last five years.

2. Provide all monthly data reports submitted by ALLTEL to the Nebraska Public Service Commission pursuant to that Commission’s Order dated August 21, 2001.

3. What progress has ALLTEL made in addressing the concerns of the Nebraska Public Service Commission? Specifically, explain how ALLTEL has addressed the following issues: excessive customer hold time, transmission distortion, service failure, unclear billing, and lack of timely installation and repair service.

4. How does ALLTEL plan to address the service needs of Kentucky customers? Include information about the number of permanent customer service

representatives ALLTEL plans to employ in Kentucky and the level of training they will receive. If no such service representatives are to be employed in Kentucky, describe the process ALLTEL will use to address customer service requirements in Kentucky.

5. Will ALLTEL convert Kentucky customers to a new customer service systems? If so, explain the extent to which the new systems are compatible with Verizon's existing systems and explain what steps ALLTEL will take to ensure a smooth transition.

6. Will ALLTEL convert Kentucky customers to a new billing system? If so, please explain the extent to which the new system is compatible with the existing one and explain what steps ALLTEL will take to ensure a smooth transition.

7. Outline the specific steps ALLTEL will take to protect Kentucky customers from the service deficiencies identified by the Nebraska Public Service Commission. If current systems are capable of enabling ALLTEL to avoid the problems encountered in Nebraska, so state and explain.

8. Describe which Verizon assets will be transferred to ALLTEL if the acquisition is approved. Provide the relevant supporting calculations.

a) Will the regulatory functions that currently are provided out of Lexington remain in Lexington? If not, where will they be located?

b) Is ALLTEL planning to acquire the assets of the regulatory functions currently assigned to Kentucky? If so, will there be any reduction in work force? If not, how will regulatory functions be provided to the Kentucky operations?

c) Which office will address consumer complaints from Kentucky customers?

9. Provide a list of consumer complaints forwarded to ALLTEL and Verizon from the Kentucky Commission's Consumer Services Division for the last two years, including matters that are pending. Describe, where applicable, how each was resolved.

10. Provide a description of the corporate structure of ALLTEL, including all subsidiaries and affiliates as of September, 2001. This description should include, but not be limited to, the following information:

a. A description of each subsidiary or affiliate and the nature of that entity's business.

b. The location of each subsidiary or affiliate, both the corporate office and actual operations.

c. The number of customers of each subsidiary or affiliate.

d. The number of employees of ALLTEL in total and for each subsidiary or affiliate.

e. A listing of the senior executive officers for ALLTEL who will be responsible for Kentucky operations.

11. a. Provide a brief description of each acquisition made by ALLTEL in the last 5 years, including the date of acquisition, the entity or assets acquired, the acquisition price, and the method of financing.

b. Provide a brief description of each entity sold by ALLTEL in the last 5 years, including sale date, selling price, acquiring entity, and the reason for the sale.

c. Provide a brief description of all joint ventures in which ALLTEL has participated for the last 5 years. Include the name(s) of the business partners and the nature of the business.

12. Provide the following financial information concerning ALLTEL Corporation, with the responses stated in accordance with generally accepted accounting principles ("GAAP"):

a. A current balance sheet and income statement for the most recent reporting quarter and annual or fiscal year. This information should be provided for ALLTEL and any subsidiaries or affiliates operating in or providing services in Kentucky.

b. The book value of all assets for ALLTEL and any subsidiaries or affiliates operating in or providing services in Kentucky.

c. Financial performance measures and ratios for the most recent reporting quarter and annual or fiscal year. Include, but do not limit the responses to, the following measures and ratios:

- 1) P/E Ratio (price divided by earnings per share);
- 2) Dividend Yield (dividend yield based on present cash dividend rate);
- 3) Payout Ratio (primary or basic earnings per share excluding extraordinary items paid to common shareholders in the form of cash dividends);
- 4) Quick Ratio (cash plus short-term investments plus accounts receivable, divided by total current liabilities);
- 5) Current Ratio (total current assets divided by total current liabilities);

- 6) Interest Coverage (earnings before interest and taxes divided by interest expense);
 - 7) Equity Ratio (total common equity divided by total capitalization);
 - 8) Return on Equity (income available to common shareholders divided by common equity);
- d. Bond and/or debt ratings for ALLTEL debt instruments, with the identities of the rating agency or institution;
 - e. The dividend history of ALLTEL for the last 5 years;
 - f. Charts showing the stock price activity for ALLTEL for the last 5 years, with an explanation of the reason for any significant movements in the stock price during the period;
 - g. Investor ratings of ALLTEL Corporation for the last 5 years;
 - h. A copy of ALLTEL Corporation's shareholder reports for 2000, 1999, and 1998.

13. Provide a description of the corporate structure of Verizon South in Kentucky as of September, 2001. This description should include the following information:

- a. The number of customers of each subsidiary or affiliate that operates in or provides service to Kentucky;
- b. The number of Verizon employees in Kentucky and the number of functions and employees expected to be transferred or eliminated in the proposed acquisition.

14. The Commission has previously expressed regulatory concerns related to protection of utility resources, monitoring of corporate activities, and reporting requirements for parent companies. For each of the concerns listed below, state how ALLTEL and Verizon will address the concern.

- a. The potential for cross-subsidization of non-regulated activities;
- b. The estimated effect on ALLTEL's capital structure and cash flow of this proposed transfer;
- c. The need for periodic and special reports to the Commission in order to assist the Commission with its monitoring activities.

15. Describe the regulatory presence ALLTEL contemplates establishing in Kentucky. Will that presence continue to be located in Lexington? Explain.

16. Will ALLTEL's current and future operations be provided through a single Kentucky tariff with the same rates in both the old territory and new territory? Over what period of time will such a merged tariff occur?

17. If this acquisition is approved, does ALLTEL intend to petition for alternative regulation for the Verizon area? If so, what form of alternative regulation will be sought?

18. ALLTEL Kentucky is currently under a modified regulation plan designed for small Kentucky companies. Does ALLTEL propose to continue to operate under that plan? Explain.

19. What is ALLTEL's position on adopting Verizon's current interconnection agreements relative to the wholesale discount rate, UNE prices and collection requirements?

20. Provide a list of states in which ALLTEL is rate-of-return regulated, the authorized return, and the earned return for the last 5 years.

21. Provide in detail any alternative regulation plans under which ALLTEL operates in any of its jurisdictions. Include a current copy of each such plan.

22. Are ALLTEL's revenue requirements based on cost at both the federal and state level? Would it be possible for ALLTEL to "over recover" its interstate or intrastate revenue requirement if it were subject to average schedule settlements in one jurisdiction and cost-based settlements in another jurisdiction?

23. Has any jurisdiction in which ALLTEL operates reduced intrastate access charges within the last 5 years? Do these states mirror the FCC charges? Explain the actions taken in this regard and the results of such actions.

24. ALLTEL Kentucky concurs in Duo County's access tariff. Does ALLTEL intend to file its own intrastate access tariff in Kentucky? Explain.

25. For ALLTEL Kentucky compare the current authorized return on investment and equity with the earned return on investment and equity as of the latest available 12 months-to-date period. Explain the reason for any variations of more than 10 percentage points.

26. Does ALLTEL or an affiliate of ALLTEL operate as a competitive local exchange carrier ("CLEC")? If so, where does this CLEC operate in Kentucky? Will this CLEC be involved in, or affected in any way by, the proposed acquisition?

27. Provide pro-forma financial statements reflecting the purchase of Verizon's Kentucky property. The financials should be in the same format as ALLTEL's

quarterly financial report to the Commission. Use the 12-month period ending September 30, 2001.

28. On September 7, 1999, this Commission ordered Verizon to extend advanced CLASS services to all of Verizon's Kentucky exchanges. To what extent has Verizon complied with this order? If the process of compliance is ongoing, will ALLTEL continue the process?

29. On September 7, 1999, this Commission ordered Verizon to file monthly service performance reports.

- a) Provide all reports submitted pursuant to this Order.
- b) Will ALLTEL agree to continue to submit these reports?

30. On September 7, 1999, this Commission ordered Verizon to file any personnel changes biannually. Provide all personnel reports submitted pursuant to this Order. Include any changes in the number of hourly employees and management-level personnel.

31. Has Verizon deviated from its original three-year capital budget for Kentucky in excess of 10%? If so, explain.

32. On September 7, 1999, this Commission ordered Verizon to cap its local rates for three years. To what extent has Verizon complied with this Order?

33. On September 7, 1999, this Commission ordered Verizon to file a plan to provide advanced services to all of Verizon's Kentucky exchanges. To what extent has Verizon adhered to this plan? What are ALLTEL's plans to continue this implementation?

34. Is ALLTEL Corporation the only shareholder for ALLTEL Kentucky? Provide the authorized, issued, par value, and purchase price of the issued shares.

35. Does ALLTEL expect that its acquisition of Verizon's Kentucky properties will enhance its financial performance? If yes, explain whether this benefit will result from reduced expenses and increased revenues vis-à-vis Verizon's expenses and revenues or both. Cite specific expense or revenue accounts that will be impacted by the acquisition and the reasons for the impacts on each account. Quantify each impact.

36. Will ALLTEL's purchase price of Verizon's Kentucky properties be at a premium? If so, what is the premium per access line and in total? In what accounts will this premium be recorded and over what time frame will it be amortized? Provide all supporting journal entries.

37. Verizon Kentucky is comprised of two study areas for purposes of Federal Universal Service, one from the old GTE area and one from the old Contel area. Discuss whether ALLTEL proposes to retain or combine study areas and the resulting effects on Federal Universal Service monies. Also discuss the results if the current ALLTEL Kentucky study area were combined with the two existing study areas of Verizon.

38. Does ALLTEL propose to adopt Verizon's tariff in its entirety? If no, please identify which sections will be adopted and the reasons for not adopting those remaining sections.

39. Does ALLTEL propose to claim the rural exemption under the Telecommunications Act of 1996?

40. ALLTEL has historically served in rural markets. Verizon made commitments in the rural service areas as part of its terms of merger. Comment on each of these points and Verizon's compliance. If Verizon's commitments have not yet been met, what are ALLTEL's plans to fulfill the commitments?:

(a) Prior to the Verizon merger, strides had been made in improving the service measurements in Kentucky. The Commission wanted to ensure that this trend continued and Verizon agreed to meet a set of service reporting requirements above those found in 807 KRS 5:061:

(b) A three-year investment of \$222 million in Kentucky markets to ensure a high level of service quality;

(c) A commitment to expand extended area calling plans to the remaining Verizon exchanges that do not currently have calling plans;

(d) To extend the advanced CLASS services to 100 percent of Verizon's exchanges in Kentucky within four years of the merger. The exchanges to receive these services are in rural areas and serve approximately 25,000 customers at a cost of approximately \$23.7 million;

(e) To enter the Louisville market within 18 months of the merger and provide high-speed data services, including voice-over Internet protocol, virtual private networks, web hosting, intranets, extranets, managed networks, frame relay, ATM technology, point-to-point wireless technology, and other advanced services.

41. Provide a copy of any management audit final report completed within the last five years and a copy of each and every progress report relating to

recommendations most recently sent to a state commission for any state in which ALLTEL operates.

42. Describe ALLTEL's investment capital planning and budgeting process.

43. Describe the process that allocates investment capital among ALLTEL's individual state operations.

44. Describe how investment projects in outside plant are prioritized among state operations and within a state.

45. Describe the process that allocates investment capital within an individual state's operations.

46. Describe how unanticipated investment projects are funded within a current year's capital budget.

47. Describe the proposed process for filling new Kentucky customer orders to obtain service, including where the call goes and how the new order is processed.

48. Describe the proposed process for addressing Kentucky customer reports of trouble with their service, including where the call goes and how the trouble ticket is processed.

49. Describe all the ways in which ALLTEL measures customer satisfaction.

50. Provide a list of and discussion of ALLTEL's internal targets for its representatives and personnel that measure and/or impact customer satisfaction levels.

51. List the organizations and positions within ALLTEL that have personnel whose pay is connected in any way to satisfying internal targets for customer satisfaction levels.

52. Discuss how personnel pay is affected by varying levels of customer satisfaction.
53. Describe the proposed process for resolving a billing dispute.
54. In the case of a major network outage in a rural part of Kentucky, describe the proposed process for identifying the problem and restoring service.
55. Describe the proposed capital budgeting process for ongoing operations and maintenance work for outside plant.
56. Describe the proposed capital allocation process, including specific project prioritization, for ongoing operations and maintenance work for outside plant.
57. Quantify to the extent possible the benefits this acquisition will bring to Kentucky. Over what period of time will these benefits accrue?



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Dated: 11/21/01

cc: All Parties