

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

SECOND COMMISSION STAFF DATA REQUEST

Pursuant to Administrative Regulation 807 KAR 5:001, Commission Staff requests that ALLTEL Corporation ("ALLTEL") submit the following information and documents to the Commission no later than January 3, 2002, with a copy to all parties of record. Include with each response the name of the witness responding to the questions.

1. In response to Item 13(b) of the First Commission Staff Data Request, ALLTEL stated that it would employ 950 of Verizon's 1,758 employees. What are Verizon's plans for the remaining employees? Include the number of remaining Verizon employees that will be eliminated. Are the additional 240 employees referenced in response to Item 7 to be assigned only to Kentucky?

2. Will ALLTEL provide advanced services to all Kentucky exchanges if the asset transfer is approved? Specifically discuss the extent to which ALLTEL would provide DSL and DSL-type services to Kentucky consumers. Will Verizon's Internet Service Provider ("ISP") customers migrate to ALLTEL for ISP service? Or will the ISP service be provided by Verizon even after the proposed transfer?

3. Verizon indicates that it will maintain certain operations in Kentucky after the proposed asset transfer. What operations does Verizon propose to continue? Provide a full description of these operations and their locations in Kentucky including wireless, wire line, and competitive services. After the asset transfer, what type of tariff will Verizon have in Kentucky?

4. How would ALLTEL benefit from an alternative regulation scheme? Describe also the benefits, if any, that Kentucky consumers would gain from an alternative regulatory scheme.

5. To what extent would ALLTEL's attempt to assert the rural carrier exemption factor in a decision against pursuing and developing new technology? Is ALLTEL aware that, in Case No. 96-313,¹ this Commission terminated the rural carrier exemption for ALLTEL's predecessor in interest? Is ALLTEL aware that its predecessor in interest is party to several existing interconnection agreements with competitive local exchange carriers ("CLECs")?

6. State ALLTEL's reasons for not maintaining a 24-hour customer service line. What difficulties does ALLTEL see in maintaining a 24-hour customer service line? Would ALLTEL provide a 24-hour customer service line if ordered by this Commission?

7. Will ALLTEL provide a customer service line via TTY for the deaf and hard of hearing?

8. Will ALLTEL provide a customer service line for Spanish speaking customers?

¹Case No. 96-313, Application of GTE South Incorporated For the Rural Telephone Company Exemption from Certain Requirements of the Telecommunications Act of 1996 (Order dated November 6, 1996).

9. In response to Item 30 of the First Commission Staff Data Request, ALLTEL stated that between February 2000 and September 2001 management employees increased 28.3 percent and hourly employees decreased 7.67 percent. State the reasons for these changes.

10. Will Verizon customers who have selected Verizon Long Distance as their primary interexchange carrier be expected to switch to ALLTEL Long Distance for intraLATA service? If so, describe the notice these customers will receive.

11. The Commission is currently establishing unbundled network element (“UNE”) rates in Administrative Case No. 382² and determining deaveraged UNE rates. Verizon had initially proposed an internal costing model to establish its UNE costs. Explain and discuss Kentucky ALLTEL’s plan for costing and deaveraging lines for Kentucky ALLTEL. Also discuss any experience ALLTEL has with UNE costing models.

12. Does ALLTEL intend to merge Kentucky ALLTEL and ALLTEL Kentucky? If not, why? If so, what issues will ALLTEL have to address to achieve such a merger? Does ALLTEL operate two or more separate subsidiaries in any other jurisdiction?

13. If the Commission required Kentucky ALLTEL and ALLTEL Kentucky to merge as a condition of approving the Verizon sale, how long would it take ALLTEL to achieve the merger? Explain.

² Administrative Case No. 382, An Inquiry Into the Development of Deaveraged Rates for Unbundled Network Elements.

14. Does ALLTEL propose to keep Kentucky ALLTEL and ALLTEL Kentucky separate to allow ALLTEL Kentucky to continue under the alternative regulation plan prescribed in KRS 278.516?

15. Describe Kentucky ALLTEL's capital structure. How long will this capital structure be maintained?

16. The Commission has conducted an investigation of rates prior to approving alternative regulation plans. Would Kentucky ALLTEL's 100 percent equity capital structure result in higher allowed revenues than a capital structure of 60 percent equity and 40 percent debt? If not, explain.

17. What would an appropriate equity return be for a 100 percent equity company? Explain.

18. Discuss in detail the provisions of Verizon's current interconnection agreements that Kentucky ALLTEL would be unable to honor. Does ALLTEL propose alternate provisions for these agreements? List those CLECs that ALLTEL has negotiated with concerning the portions of Verizon's agreements that must be altered if the asset transfer is approved. Has ALLTEL contacted each CLEC that has an agreement with Verizon? Describe the nature of those negotiations.

19. ALLTEL has indicated that the purchase of Verizon's Kentucky properties will accrue to ALLTEL's earnings. Discuss in detail how this accrual will occur, including discussion of revenues, expenses, and taxes.

20. In your response to the First Commission Staff Data Request, Items 5 and 6, you state that the plans for system conversion will include analysis, design, coding

and unit testing, client acceptance testing and a mock conversion. Explain these steps in detail, including a time frame for each.

21. In your response to Item 43 of the First Commission Staff Data Request, you state that prioritization of network budget items is based on service quality improvement, service reliability, capacity exhaust, regulatory mandates, carrier agreements and new revenue generation. How are these items evaluated and which take priority?

22. In response to Item 1, you note that in Georgia and in North Carolina, you have new reporting requirements (in Georgia from annual to quarterly reporting, in North Carolina reporting since April 2001). What caused these new reporting requirements, and what specifically are you required to report?

23. In response to Item 2, why did it take 3 days to restore service in Nebraska during two "force majeure" events in September and October? Were these outages in fact truly force majeure events? Is it common to have two such events in 2 months?

24. In response to Item 3, you mention that no standards have been set in regard to issues concerning transmission distortion and unclear billing in Nebraska. Have you kept information on the numbers of complaints you have had in those areas for the last 6 months?

25. In response to Item 12(a), ALLTEL mentioned a final settlement agreement between ALLTEL and the Georgia Public Service Commission. Discuss in detail the specific terms of this settlement agreement. Provide also a detailed account

of the events preceding the litigation between ALLTEL and the Georgia Public Service Commission.

A handwritten signature in black ink, appearing to read "Thomas M. Dorman", with a horizontal line underneath it.

Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40601

DATED: December 14, 2001

cc: All Parties