

ALLTEL TELEPHONE SYSTEM

TARIFF F.C.C. NO. 1

DESCRIPTION AND JUSTIFICATION

Transmittal No. 111

September 4, 2002

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SECTION 1

DESCRIPTION and JUSTIFICATION

DESCRIPTION

This filing is being made to add a 4th option to ALLTEL's Asymmetrical Digital Subscriber Line (ADSL) service in ALLTEL Telephone System Tariff F.C.C No. 1 for ALLTEL New York, Inc. and ALLTEL South Carolina, Inc.. The new option will be available at speeds of 256 KBPS downstream / 64 KBPS upstream.. Upstream speeds represent transmission from the customer's designated premise (CDP) to the ALLTEL connection point. Downstream speeds represent the connection from the ALLTEL ADSL connection point to the CDP

The data speeds set forth in the tariff are maximum speeds. The actual speeds may be impacted by length of transport and other technical factors. Therefore, data speeds are not guaranteed.

JUSTIFICATION

This filing is being made subject to §61.38 (b)(2) of the Annotated F.C.C Rules as revised February 1, 1998.

SECTION 2

COST DEVELOPMENT

Cost Development

Recurring ADSL Access Port Costs

This section describes the underlying costs and methodology used to determine the interstate costs for ADSL Access Port.

The direct investment required to provide ADSL Access Port from the CDP to the ADSL connection point was determined from discussions with our outside plant and engineering departments. The cost of this equipment was developed at the end user level based on the projected service demand.

After the direct investment was determined for the service ALLTEL calculated a General Support Factor using data from 1st quarter 2002 regulated total company costs as a ratio of General Support Facilities to Total Telephone Plant. This ratio was applied to the Direct Investment to develop a Total Investment for ADSL Access Port.

ALLTEL then applied the effective tax rate to our authorized rate of return to develop a before tax rate of return to use with an estimated economic life to determine an annual amortized cost. Using this formula, a monthly amortized cost was developed.

Next, an operating expense percentage, developed as a percent of investment from its available 1st quarter 2002 regulated total company costs to the total investment, was applied to determine an annual operating expense amount. This was divided by twelve (12) to arrive at a monthly expense amount.

The cost of transport incurred in providing ADSL Access Port was then added to the monthly amortized investment cost and monthly operating expense. This transport charge was determined by calculating the average distance required to transport this service in the territory in which the service is provided and applying the applicable monthly DS3 Channel Mileage Termination and Channel Mileage Facility charges. The transport charges were then divided by the capacity of ADSL customers on the DS3 circuit to arrive at the monthly transport charge to be included in the ADSL Access Port.

The monthly charges for the amortized investment cost, operating expense, and transport charge were then added to arrive at the sixty month annuity cost of providing ADSL Access Port.

ALLTEL then calculated the necessary monthly rate factor required to determine a monthly rate. This factor was based on the expected values of selling the service to a month-to-month customer. This factor was applied to the total sixty month annuity cost of providing the service to arrive at the monthly rate. The calculation of the ADSL Access Port charge can be found on Exhibit AP.

Demand and Revenue Projections

ALLTEL calculated projected demand for each service based on marketing data for a twelve-month period beginning October 1, 2002 and ending September 30, 2002. The effect of ADSL Service on ALLTEL's revenues was then calculated using projected demand times the

appropriate rate element. The projected Demand and the revenue effect of ADSL Service can be seen on Exhibit Revenue.

Exhibit AP

Calculation of ADSL Access Port

1.	Direct Investment		\$228.20
2.	GSF Factor	11.85%	\$ 27.04
3.	Total Investment	(Ln 1 + Ln2)	\$255.24
4.	Authorized Rate of Return	11.25%	
5.	Effective Tax Rate	45.84%	
6.	Before Tax Rate of Return	$\text{Ln } 4 / (1 - \text{Ln } 5)$	20.77%
7.	Economic Life (Years)	5	
8.	Annual Authorized Payment	$\text{Pmt}(\text{Ln } 6, 7, 3)$	\$86.80
9.	Monthly Authorized Payment	$\text{Pmt}(\text{Ln } 6/12, \text{Ln } 7*12, \text{Ln } 3)$	\$6.87
10.	Operating Expense Factor	33.41%	
11.	Annual Operating Expense	$\text{Ln } 3 * \text{Ln } 10$	\$ 85.28
12.	Monthly Operating Expense	$\text{Ln } 11 / 12$	\$ 7.11
13.	Monthly Transport		\$ 3.52
14.	60-Month Annuity Cost	$\text{Ln } 9 + \text{Ln } 12 + \text{Ln } 13$	\$ 17.50
15.	Monthly Rate Factor	20.00%	
16.	Monthly Rate		\$ 21.00

Exhibit Revenue

ADSL Revenue Impact
October 2002 through September 2003

Rate Element	Demand	Rate	Revenue
ADSL Access Port			
ALLTEL New York, Inc.	656	\$ 21.00	\$ 13,776.00
ALLTEL South Carolina, Inc.	488	\$ 21.00	\$ 10,248.00