

**ALLTEL TELEPHONE SYSTEM**

**TARIFF F.C.C. NO. 1 and 3**

**DESCRIPTION AND JUSTIFICATION**

**Transmittal No. 115**

**November 4, 2002**

<b>SECTION</b>	<b>DESCRIPTION</b>
1	Description and Justification
2	Cost Development

## **SECTION 1**

### **DESCRIPTION and JUSTIFICATION**

#### **DESCRIPTION**

This filing is being made to add a 4<sup>th</sup> option to ALLTEL's Asymmetrical Digital Subscriber Line (ADSL) service in ALLTEL Telephone System Tariff F.C.C No. 3 for ALLTEL Nebraska, Kentucky ALLTEL – Lexington and Kentucky ALLTEL - London. 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.

This filing is also being made to extend this same service to all companies offering service under ATS FCC No 1. This service, including cost support, was originally filed under ATS Transmittal No. 111 and was limited at that time to ALLTEL New York and ALLTEL South Carolina. Transmittal 111 became effective September 19, 2002.

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 1<sup>st</sup> 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 November 1, 2002 and ending October 31, 2003. 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



**Nebraska  
Economic Costs for ADSL Lite Service**

Costs listed below represent the minimum price needed to fully recover the costs of providing service.

<b>Cost Components</b>	<b>DSLAM Costs</b>	<b>Transport Costs</b>	<b>Modem Costs</b>		<b>Total Costs</b>
Total Investment For Service	\$285.45	\$76.70	\$87.33		\$449.48
Net Investment	\$142.72	\$38.35	\$43.67		\$224.74
Return on Net Investment @ 11.25%	\$16.06	\$4.31	\$4.91		\$25.28
Income Tax	\$8.38	\$2.25	\$2.56		\$13.20
Depreciation Expense	\$30.89	\$5.72	\$29.11		\$65.72
Maintenance Expense	\$13.65	\$3.58	\$2.44		\$19.68
Joint Expense	\$18.82	\$6.41	\$7.76		\$32.99
Common Expense	\$6.52	\$1.75	\$2.42		\$10.70
DSL Customer Service	\$84.49	\$0.00	\$0.00		\$84.49
Annual Cost	\$177.24	\$24.03	\$49.20	\$0.00	\$252.05
Monthly Cost	<b>\$14.77</b>	<b>\$2.00</b>	<b>\$4.10</b>	<b>\$0.00</b>	<b>\$21.00</b>
Nonrecurring Charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00



**Kentucky ALLTEL**  
**Economic Costs for ADSL Lite Service**

Costs listed below represent the minimum price needed to fully recover the costs of providing service.

Cost Components	DSLAM Costs	Transport Costs	Modem Costs		Total Costs
Total Investment For Service	\$284.71	\$89.44	\$85.28		\$459.43
Net Investment	\$142.35	\$44.72	\$42.64		\$229.72
Return on Net Investment @ 11.25%	\$16.01	\$5.03	\$4.80		\$25.84
Income Tax	\$7.14	\$2.24	\$2.14		\$11.52
Depreciation Expense	\$30.89	\$6.35	\$28.43		\$65.67
Maintenance Expense	\$9.47	\$1.88	\$2.24		\$13.59
Joint Expense	\$19.09	\$8.29	\$7.91		\$35.29
Common Expense	\$9.63	\$3.03	\$2.88		\$15.54
DSL Customer Service	\$84.49	\$0.00	\$0.00		\$84.49
Annual Cost	\$171.26	\$26.82	\$48.40	\$0.00	\$251.94
Monthly Cost	<b>\$14.27</b>	<b>\$2.24</b>	<b>\$4.03</b>	<b>\$0.00</b>	<b>\$21.00</b>
Nonrecurring Charges	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Exhibit Revenue

**ADSL Revenue Impact  
November 2002 through October 2003**

<b>Rate Element</b>	<b>Tariff</b>	<b>Demand</b>	<b>Rate</b>	<b>Revenue</b>
<b>ADSL Access Port</b>				
ALLTEL Alabama	ATS FCC No. 1	61	\$ 21.00	\$ 1,280.16
ALLTEL Arkansas	ATS FCC No. 1	303	\$ 21.00	\$ 6,370.56
ALLTEL Carolina - NC	ATS FCC No. 1	1,198	\$ 21.00	\$ 25,150.86
ALLTEL Florida	ATS FCC No. 1	268	\$ 21.00	\$ 5,622.40
ALLTEL Georgia	ATS FCC No. 1	288	\$ 21.00	\$ 6,048.00
ALLTEL Georgia Comm.	ATS FCC No. 1	1,757	\$ 21.00	\$ 36,897.00
ALLTEL Kentucky	ATS FCC No. 1	228	\$ 21.00	\$ 4,778.34
ALLTEL Mississippi	ATS FCC No. 1	34	\$ 21.00	\$ 715.26
ALLTEL Missouri	ATS FCC No. 1	47	\$ 21.00	\$ 990.64
ALLTEL Oklahoma	ATS FCC No. 1	-	\$ 21.00	\$ -
ALLTEL Pennsylvania	ATS FCC No. 1	838	\$ 21.00	\$ 17,594.22
ALLTEL Texas	ATS FCC No. 1	8	\$ 21.00	\$ 168.00
Georgia ALLTEL Telcom	ATS FCC No. 1	288	\$ 21.00	\$ 6,048.00
Oklahoma ALLTEL	ATS FCC No. 1	-	\$ 21.00	\$ -
Sugar Land Telephone Co.	ATS FCC No. 1	389	\$ 21.00	\$ 8,169.00
Western Reserve	ATS FCC No. 1	855	\$ 21.00	\$ 17,955.00
ALLTEL Nebraska	ATS FCC No. 3	806	\$ 21.00	\$ 16,934.96
Kentucky ALLTEL - Lexington	ATS FCC No. 3	553	\$ 21.00	\$ 11,613.00
Kentucky ALLTEL - London	ATS FCC No. 3	139	\$ 21.00	\$ 2,919.00