

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

	)	
In the Matter of	)	
	)	
JULY 1, 2003 ANNUAL ACCESS CHARGE	)	WCB/Pricing 03-15
TARIFF FILINGS	)	
	)	

**REPLY COMMENTS OF ALLTEL COMMUNICATIONS, INC.  
TO THE PETITION OF AT&T CORP. TO SUSPEND AND INVESTIGATE  
ALLTEL TELEPHONE SYSTEMS, INC.'S ANNUAL FILING**

**I. INTRODUCTION AND SUMMARY**

Pursuant to the Commission's Order, DA 03-1175, released April 18, 2003,<sup>1</sup> ALLTEL Communications, Inc. ("ALLTEL") submits these reply comments to AT&T Corp.'s ("AT&T") Petition to suspend for one day and investigate the tariff revisions filed on behalf of ALLTEL Telephone Systems, Inc. (ATS FCC#1).<sup>2</sup>

In its petition, AT&T alleges that ALLTEL is not in compliance with the Commission's Separations Freeze Order<sup>3</sup> that requires incumbent carriers to freeze many of their traffic factors at 2000 levels.<sup>4</sup> AT&T asserts that ALLTEL modified its marketing expense factor resulting in an increase of \$1.12 million in interstate revenue requirement.<sup>5</sup>

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<sup>1</sup> *In the Matter of July 1, 2003 Annual Access Charge Tariff Filings*, WCB/Pricing 03-15, DA 03-1175, released April 18, 2003.

<sup>2</sup> Transmittal No. 125, filed June 16, 2003.

<sup>3</sup> *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, FCC 01-162 (released May 22, 2001).

<sup>4</sup> AT&T Petition at 5.

<sup>5</sup> *Id.*

## **II. REBUTTAL**

AT&T's claim is incorrect and its petition should be denied because ALLTEL has complied with the Separations Freeze Order in its 2003 annual filing. AT&T's calculation of ALLTEL's marketing factor is erroneous. ALLTEL's marketing costs are composed of four different variables that were allocated based on 2000 factors. These variables are CUEXP6611, CUEXP6612, CUEXP6613 and CUEXP6610DA. Variable CUEXP6610DA is direct assigned to the interstate jurisdiction in compliance with the Commission's rules,<sup>6</sup> while CUEXP6611, CUEXP6612 and CUEXP6613 are allocated based on the 2000 frozen factors. By calculating a marketing allocation factor using total marketing costs, AT&T assumes that the allocation factor for all four elements is identical. AT&T's assumption fails to account for the fact that factors may differ among the marketing variables which in turn can cause the total marketing factor to fluctuate as the ratios among the variables change. The attached exhibits explain the marketing allocation factors used by ALLTEL in its 2003 annual filing and why they differ from those calculated by AT&T.

Exhibit #1 compares the allocation factors used in the 2003 annual filing to the 2000 frozen factor for each of the above mentioned marketing variables. This exhibit demonstrates that ALLTEL did in fact comply with the Commission's rules when it allocated its marketing costs.

Exhibit #2 shows a detailed calculation of the frozen marketing factors used by ALLTEL in its 2003 annual filing. These factors differ slightly from the ones AT&T

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<sup>6</sup> 47 C.F.R. 36.3(a) ("Other direct assignment of investment, expenses, revenues or taxes between jurisdictions shall be updated annually.")

calculated using ALLTEL's 2000 prior year cost of service.<sup>7</sup> This discrepancy is the result of AT&T's failure to account for the direct assigned portion included in the 2000 prior year cost of service.

### **III. CONCLUSION**

For the reasons stated above, AT&T's petition should be denied. ALLTEL requests that the Commission finds that ALLTEL's rates were developed in compliance with the Commission's rules and accordingly find them lawful and allow them to become effective.

Respectfully submitted,

**ALLTEL Communications, Inc.**

By: \_\_\_\_\_

David C. Bartlett  
Assistant Vice President  
Federal Regulatory Affairs  
601 Pennsylvania Avenue  
Suite 720  
Washington, D.C 20004  
(202) 783-3970

*Its Attorney*

June 27, 2003

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<sup>7</sup> AT&T Petition, Exhibit B.

**ALLTEL Communications, Inc.**  
**Analysis of Marketing Expense Allocation**  
**Study Period: July 2003 - June 2004**

CUEXP6611 Marketing - Product Management

Study Area	Study Balance <sup>1</sup>	Total Interstate Access <sup>1</sup>	% Interstate	2000 Frozen Factor
ALLTEL Alabama	55,207	11,009	19.9418%	19.9418%
ALLTEL Arkansas	194,386	52,181	26.8439%	26.8439%
ALLTEL Carolina	406,007	90,993	22.4116%	22.4116%
ALLTEL Florida	140,778	35,229	25.0244%	25.0244%
ALLTEL Georgia	164,968	35,901	21.7623%	21.7623%
ALLTEL Kentucky	58,328	11,713	20.0814%	20.0814%
ALLTEL Mississippi	44,510	10,232	22.9889%	22.9889%
ALLTEL Missouri	155,921	39,019	25.0249%	25.0249%
ALLTEL New York - Fulton	51,888	13,311	25.6535%	25.6535%
ALLTEL New York - Jamestown	57,550	18,438	32.0376%	32.0376%
ALLTEL New York - Red Jacket	4,539	1,184	26.0864%	26.0864%
ALLTEL Ohio	294,502	76,330	25.9182%	25.9182%
ALLTEL Oklahoma	111,159	27,138	24.4133%	24.4133%
ALLTEL Pennsylvania	268,266	66,476	24.7798%	24.7798%
ALLTEL South Carolina	111,161	29,373	26.4239%	26.4239%
Georgia ALLTEL Telecom	188,537	43,934	23.3025%	23.3025%
Georgia Communications Corp.	756,372	188,523	24.9247%	24.9247%
Oklahoma ALLTEL	69,072	21,932	31.7533%	31.7533%
Sugar Land Telephone Company	293,570	83,363	28.3962%	28.3962%
Texas ALLTEL	176,543	46,186	26.1611%	26.1611%
Western Reserve Telephone Company	432,501	114,427	26.4570%	26.4570%

CUEXP6612 Marketing - Sales

Study Balance <sup>1</sup>	Total Interstate Access <sup>1</sup>	% Interstate	2000 Frozen Factor
167,030	33,309	19.9418%	19.9418%
376,992	101,199	26.8439%	26.8439%
1,557,176	348,988	22.4116%	22.4116%
547,042	136,894	25.0244%	25.0244%
476,538	103,706	21.7623%	21.7623%
221,886	44,558	20.0814%	20.0814%
31,959	7,347	22.9889%	22.9889%
226,090	56,579	25.0249%	25.0249%
187,134	48,006	25.6535%	25.6535%
319,675	102,416	32.0376%	32.0376%
4,799	1,252	26.0864%	26.0864%
1,640,683	425,235	25.9182%	25.9182%
66,200	16,162	24.4133%	24.4133%
895,340	221,863	24.7798%	24.7798%
361,724	95,581	26.4239%	26.4239%
1,211,536	282,319	23.3025%	23.3025%
3,953,069	985,289	24.9247%	24.9247%
58,231	18,490	31.7533%	31.7533%
635,681	180,509	28.3962%	28.3962%
210,961	55,190	26.1611%	26.1611%
1,896,483	501,752	26.4570%	26.4570%

CUEXP6613 Marketing - Product Advertising

Study Balance <sup>1</sup>	Total Interstate Access <sup>1</sup>	% Interstate	2000 Frozen Factor
112,828	22,500	19.9418%	19.9418%
61,611	16,539	26.8439%	26.8439%
1,124,021	251,911	22.4116%	22.4116%
415,043	103,862	25.0244%	25.0244%
82,155	17,879	21.7623%	21.7623%
63,383	12,728	20.0814%	20.0814%
9,586	2,204	22.9889%	22.9889%
114,039	28,538	25.0249%	25.0249%
100,286	25,727	25.6535%	25.6535%
109,770	35,168	32.0376%	32.0376%
7,027	1,833	26.0864%	26.0864%
705,189	182,772	25.9182%	25.9182%
11,664	2,848	24.4133%	24.4133%
189,102	46,859	24.7798%	24.7798%
437,485	115,600	26.4239%	26.4239%
100,724	23,471	23.3025%	23.3025%
1,028,865	256,441	24.9247%	24.9247%
10,056	3,193	31.7533%	31.7533%
236,334	67,110	28.3962%	28.3962%
40,959	10,715	26.1611%	26.1611%
757,402	200,386	26.4570%	26.4570%

CUEXP6610DA Marketing - Direct Assigned

Study Balance <sup>1</sup>	Total Interstate Access <sup>1</sup>	% Interstate	2000 Frozen Factor
17,364	17,364	100%	100%
80,756	80,756	100%	100%
247,529	247,529	100%	100%
48,509	48,509	100%	100%
69,096	69,096	100%	100%
66,795	66,795	100%	100%
4,902	4,902	100%	100%
15,472	15,472	100%	100%
33,246	33,246	100%	100%
69,201	69,201	100%	100%
164	164	100%	100%
103,643	103,643	100%	100%
1,908	1,908	100%	100%
195,403	195,403	100%	100%
31,990	31,990	100%	100%
76,313	76,313	100%	100%
389,972	389,972	100%	100%
1,387	1,387	100%	100%
179,327	179,327	100%	100%
31,648	31,648	100%	100%
202,093	202,093	100%	100%

1 - From 2003 - 2004 Test Year Part 69 Study file June 16, 2003 under ATS Transmittal 125.

**ALLTEL Communications, Inc.**  
**Calculation of 2000 Marketing Factors**

Company	Total Interstate Marketing Factor Amount <sup>1</sup>					Total Company Marketing Factor Amount <sup>1</sup>					Frozen Interstate Marketing Factor
	4Q00	3Q00	2Q00	1Q00	Average	4Q00	3Q00	2Q00	1Q00	Average	
ALLTEL Alabama	732,866	725,886	685,957	679,422	706,033	3,566,929	3,594,491	3,520,359	3,480,061	3,540,460	19.9418%
ALLTEL Arkansas	4,898,417	4,964,878	4,254,410	4,017,440	4,533,786	17,207,077	17,560,395	16,698,887	16,091,357	16,889,429	26.8439%
ALLTEL Carolina	8,146,800	7,895,384	7,538,363	7,644,238	7,806,196	35,494,557	35,242,002	34,397,858	34,189,864	34,831,070	22.4116%
ALLTEL Florida	2,782,111	2,738,455	2,707,737	2,623,715	2,713,005	10,986,674	10,877,185	10,871,491	10,630,446	10,841,449	25.0244%
ALLTEL Georgia	2,064,829	2,081,789	2,018,684	2,028,365	2,048,417	9,434,348	9,383,313	9,466,702	9,366,389	9,412,688	21.7623%
ALLTEL Kentucky	680,688	677,330	633,367	629,941	655,332	3,286,558	3,286,813	3,332,642	3,147,506	3,263,380	20.0814%
ALLTEL Mississippi	325,376	336,913	302,204	297,532	315,506	1,382,923	1,426,480	1,367,032	1,313,280	1,372,429	22.9889%
ALLTEL Missouri	1,713,487	2,483,655	2,462,964	2,437,981	2,274,522	9,540,079	9,052,572	8,816,293	8,947,206	9,089,038	25.0249%
ALLTEL New York - Fulton	1,442,608	1,489,460	1,345,572	1,396,544	1,418,546	4,996,221	5,801,828	5,674,615	5,645,853	5,529,629	25.6535%
ALLTEL New York - Jamestown	1,778,755	1,931,777	1,641,666	1,598,109	1,737,577	5,102,412	5,826,648	5,516,409	5,248,771	5,423,560	32.0376%
ALLTEL New York - Red Jacket	87,004	92,810	83,697	84,661	87,043	276,932	359,730	351,350	346,676	333,672	26.0864%
ALLTEL Ohio	5,347,251	5,131,972	4,964,382	4,935,454	5,094,765	19,865,773	19,690,310	19,452,052	19,620,351	19,657,122	25.9182%
ALLTEL Oklahoma	512,690	565,890	489,517	516,451	521,137	2,136,590	2,259,135	2,043,365	2,099,470	2,134,640	24.4133%
ALLTEL Pennsylvania	7,886,419	7,686,370	7,599,172	7,412,477	7,646,110	30,637,886	29,950,175	31,363,773	31,473,193	30,856,257	24.7798%
ALLTEL South Carolina	1,880,159	1,791,275	1,753,219	1,711,741	1,784,099	6,770,806	6,734,015	6,850,040	6,652,522	6,751,846	26.4239%
Georgia ALLTEL Telecom	2,849,551	2,878,403	2,853,165	3,234,727	2,953,962	12,565,428	12,469,068	12,700,211	12,971,574	12,676,570	23.3025%
Georgia Communications Corp.	12161785	12333568	11696849	14055936	12,562,035	49,385,831	49,680,974	50,285,392	52,247,950	50,400,037	24.9247%
Oklahoma ALLTEL	795,928	820,973	766,399	820,388	800,922	2,539,849	2,498,575	2,419,244	2,631,649	2,522,329	31.7533%
Sugar Land Telephone Company	3,483,105	3,280,445	2,829,399	2,670,218	3,065,792	10,273,532	10,303,529	11,439,892	11,169,031	10,796,496	28.3962%
Texas ALLTEL	949,906	1,066,269	892,263	937,263	961,425	3,725,004	3,850,092	3,620,925	3,504,068	3,675,022	26.1611%
Western Reserve Telephone Company	8,241,064	8,170,844	7,386,458	7,247,909	7,761,569	29,824,640	29,804,618	28,944,440	28,772,575	29,336,568	26.4570%

<sup>1</sup> - Direct Assigned amounts have been excluded.