

**ALLTEL TELEPHONE SYSTEM**  
**TARIFF F.C.C. NO. 1 & 3**  
**DESCRIPTION AND JUSTIFICATION**

**Transmittal No. 149**

**March 17, 2005**

| <b>SECTION</b> | <b>DESCRIPTION</b>            |
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| 2              | Factor Development            |

## **SECTION 1**

### **DESCRIPTION and JUSTIFICATION**

#### **DESCRIPTION**

This filing is being made to change the Federal Universal Service Contribution factor charged on Centrex and non-Centrex Multi-Line Business Lines listed in ALLTEL Telephone System Tariff F.C.C No. 1 and ALLTEL Telephone System Tariff F.C.C No. 3.

#### **JUSTIFICATION**

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

## SECTION 2

### FACTOR DEVELOPMENT

#### Factor Development

##### USF Base Factor

The Commission released its *Proposed Second Quarter 2005 Contribution Factor*, DA 05-648, on March 10, 2005. The Commission proposed a USF factor of 11.1%, an increase from the previous factor of 10.7%. As a result, this filing seeks to implement the increased factor.

##### USF Factor Reallocation

On March 14, 2003, the FCC released and adopted FCC 03-58. This Order allows, on an interim basis, carriers to continue to recover through the federal universal service line item certain contribution costs associated with Centrex customers on a per line basis from multi-line business customers.

To derive the factors that would need to be charged to multi-line business and Centrex customers, ALLTEL first calculated our USF contribution by multiplying total multi-line business lines by the current subscriber line charge (SLC) and then by the current USF contribution factor of 11.1%. Next, ALLTEL determined the number of lines that would be subject to the charge based on the Commission Order allowing Centrex customers to be charged at the rate of 1 full charge for every 9 Centrex lines. ALLTEL next determined the USF chargeable revenue by multiplying the adjusted lines by the current SLC rate. ALLTEL's USF contribution, calculated earlier, was then divided by this USF chargeable revenue to determine the factor that would need to be applied to the chargeable lines. Because it is cost prohibitive to modify our billing system to allow one full USF charge for every 9 Centrex lines, ALLTEL has chosen to divide the full factor by 9 and apply this factor to every Centrex line. Exhibit USF shows how ALLTEL derived the percentage to charge multi-line business customers as well as Centrex customers.

Exhibit USF

| Region | Company Name                | ALLTEL Communications, Inc. |         |                  |              |               |                     |                   |                |                   |                 |                             |                         |
|--------|-----------------------------|-----------------------------|---------|------------------|--------------|---------------|---------------------|-------------------|----------------|-------------------|-----------------|-----------------------------|-------------------------|
|        |                             | Total MLB                   | Centrex | % Centrex of MLB | MLB SLC Rate | MLB /S Retail | MLB /S Contribution | Adj MLB Lines     | USF Chargeable | MLB Revenue       | Recovery Factor | Non Centrex per Line Factor | Centrex Per Line Factor |
|        | A                           | B                           | C       | D = C / B        | E            | F = E * B     | G = F * 11.1%       | H = B - (C * 8/9) | I = E * H      | J = NECA or G / I | K = J           | L = K / 9                   |                         |
| NE     | KENTUCKY ALLTEL - LEXINGTON | 97,605                      | 28,536  | 0.292362072      | \$ 9.20      | \$ 897,966.00 | \$ 99,674.23        | 72,240            | \$ 72,240      | 0.1469752         | 15.0%           | 1.7%                        |                         |
| NE     | KENTUCKY ALLTEL - LONDON    | 13,788                      | 1,430   | 0.103713374      | \$ 9.20      | \$ 126,849.60 | \$ 14,060.31        | 12,517            | \$ 12,517      | 0.1222722         | 12.2%           | 1.4%                        |                         |
| SE     | ALLTEL GEORGIA COMM CORP    | 60,777                      | 39,028  | 0.642150814      | \$ 8.64      | \$ 525,113.28 | \$ 58,287.57        | 26,085            | \$ 26,085      | 0.2586211         | 25.9%           | 2.9%                        |                         |
| SE     | GEORGIA ALLTEL TELECOM      | 11,736                      | 7,486   | 0.637866394      | \$ 8.64      | \$ 101,399.04 | \$ 11,265.29        | 5,082             | \$ 5,082       | 0.2593465         | 25.6%           | 2.8%                        |                         |
| WE     | ALLTEL NEBRASKA             | 58,710                      | 36,763  | 0.626179526      | \$ 5.83      | \$ 342,279.30 | \$ 37,993.00        | 26,032            | \$ 26,032      | 0.2503406         | 25.0%           | 2.8%                        |                         |