

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

Transmittal No. 164

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SECTION	DESCRIPTION
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SECTION 1

DESCRIPTION and JUSTIFICATION

DESCRIPTION

This filing is being made to introduce ADSL Volume Pricing Plans (VPP) in Alltel Telephone System Tariff F.C.C Nos. 1 and 3. VPP service will provide customers the opportunity to lower their ADSL rates based on the total number of in-service ADSL Access Ports. The VPP services are intended to pass on the higher volume efficiencies gained both for the small local Internet Service Provider (ISP) and the larger regional or national ISP, therefore Alltel has divided the VPP into four levels.

Level One, which is targeted to the individual end user and small local ISPs, will provide a lower rate than the standard retail rate when a customer subscribes from one to ninety-nine in-service ADSL Access Ports.

Level Two, which is targeted to the small ISP, will provide incentive for them to attain at least 100 ADSL Access Ports. The Level Two range of in-service ADSL Access Ports is from 100 to 1,999.

Level Three is for customers with 2,000-4,999 in-service ADSL Access Ports and Level Four is for 5,000 or more in-service ADSL Access Ports. Level Three and Level Four are intended to incent regional and national ISPs to utilize Alltel broadband services to deliver their internet offerings within Alltel's service territories.

VPP service will be offered for all currently available speed levels as listed in the tariff. 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 Volume Pricing Plan Costs

This section describes the underlying costs and methodology used to determine the interstate costs for Volume Pricing Plan service.

The direct investment required to provide VPP from the customer designated premises to the ISP connection point was determined from discussions with our outside plant and engineering departments. See document "ADSL Access Service Configuration" for a diagram of the ADSL access service configuration and description of the network elements contained in the cost study. The cost of this equipment was developed at the end user level based on the projected service demand. A portion of facilities applicable to voice services was excluded. Cost of transport was developed by calculating the average distance required to transport the service and applying the investment per mile for the transport facilities.

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, including depreciation, rate of return and income taxes.

Next, an operating expense percentage, developed as a percent of investment from its available 4th quarter 2005 regulated total company costs to the total investment, was applied to determine an annual operating expense amount. These ratios were calculated for each contract term. This was divided by twelve (12) to arrive at a monthly expense amount.

Adjustments were made to reflect reduced service costs and efficiencies realized when a larger number of services are purchased. (Example: The use of DS3 and OC3 ATM Ports rather than more expensive DS1 ATM Ports.)

The monthly charges for the amortized investment cost and operating expenses were then added to arrive at the total monthly cost of providing VPP service.

The calculation of the VPP charges can be found on the attached Exhibits.