

WINDSTREAM TELEPHONE SYSTEM

TARIFF F.C.C. NOs. 1 and 3

4TH QUARTER 2006 UNIVERSAL SERVICE CONTRIBUTION FACTOR

DESCRIPTION AND JUSTIFICATION

Transmittal No. 2

September 15, 2006

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1	Description and Justification
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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 Windstream Telephone System Tariff F.C.C Nos. 1 and 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 Fourth Quarter 2006 Contribution Factor*, DA 06-1812, on September 11, 2006. The Commission proposed a USF factor of 9.1%, a decrease from the previous factor of 10.5%. As a result, this filing seeks to implement the decreased 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, Windstream 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 9.1%. Next, Windstream 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. Windstream next determined the USF chargeable revenue by multiplying the adjusted lines by the current SLC rate. Windstream'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, Windstream has chosen to divide the full factor by 9 and apply this factor to every Centrex line. Exhibit USF shows how Windstream derived the percentage to charge multi-line business customers as well as Centrex customers.

Windstream Communications, Inc.
MLB & Centrex USF Factor Calculation

Region	Company Name	Total MLB B	Centrex C	% Centrex of MLB D = C / B	MLB SLC Rate E	MLB I/S Retail Revenue F = E * B	MLB USF Contribution G = F * 9.1%	Adj MLB Lines H = B - (C * 8/9)	USF Chargeable MLB Revenue I = E * H	Recovery Factor J = NECA or G / I	Non Centrex per Line Factor K = J	Centrex Per Line Factor L = K / 9
NE	Windstream Kentucky East - Lex.	97,802	29,615	0.302805669	\$ 9.20	\$ 899,778.40	\$ 81,879.83	71,478	\$ 657,593.51	0.1245144	12.5%	1.4%
NE	Windstream Kentucky East - Lon.	13,847	1,337	0.096555211	\$ 9.20	\$ 127,392.40	\$ 11,592.71	12,659	\$ 116,458.71	0.0995435	10.0%	1.1%
SE	Windstream Georgia Comm	57,908	37,333	0.644695034	\$ 7.69	\$ 445,312.52	\$ 40,523.44	24,723	\$ 190,120.72	0.2131458	21.3%	2.4%
SE	Georgia Windstream	11,620	7,375	0.634681583	\$ 7.69	\$ 89,357.80	\$ 8,131.56	5,064	\$ 38,945.58	0.2087929	20.9%	2.3%
WE	Windstream Nebraska	84,133	36,255	0.430924845	\$ 9.20	\$ 774,023.60	\$ 70,436.15	51,906	\$ 477,538.27	0.1474984	14.7%	1.6%
VA	Valor Oklahoma	10,985	1,156	0.105234411	\$ 9.20	\$ 101,062.00	\$ 9,196.64	9,957	\$ 91,608.49	0.1003907	10.0%	1.1%
VA	Valor New Mexico	15,837	2,122	0.133990023	\$ 9.20	\$ 145,700.40	\$ 13,258.74	13,951	\$ 128,347.16	0.1033037	10.3%	1.1%
VA	Valor Texas	31,037	3,988	0.1284918	\$ 9.20	\$ 285,540.40	\$ 25,984.18	27,492	\$ 252,927.42	0.1027337	10.3%	1.1%