

WINDSTREAM TELEPHONE SYSTEM

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

1ST QUARTER 2007 UNIVERSAL SERVICE CONTRIBUTION FACTOR

DESCRIPTION AND JUSTIFICATION

Transmittal No. 3

December 18, 2006

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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 First Quarter 2007 Contribution Factor*, DA 06-2506, on December 13, 2006. The Commission proposed a USF factor of 9.7%, an increase from the previous factor of 9.1%. 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, 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 9.7%. 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 * 9.7%	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.	97,891	29,733	0.303735788	\$ 9.20	\$ 900,597.20	\$ 87,357.93	71,462	\$ 657,447.33	0.1328744	13.3%	1.5%
NE	Windstream Kentucky East - Lon.	13,780	1,472	0.10682148	\$ 9.20	\$ 126,776.00	\$ 12,297.27	12,472	\$ 114,738.31	0.1071767	10.7%	1.2%
SE	Windstream Georgia Comm	57,341	36,961	0.64458241	\$ 7.69	\$ 440,952.29	\$ 42,772.37	24,487	\$ 188,303.32	0.2271461	22.7%	2.5%
SE	Georgia Windstream	11,579	7,341	0.633992573	\$ 7.69	\$ 89,042.51	\$ 8,637.12	5,054	\$ 38,862.70	0.2222471	22.2%	2.5%
WE	Windstream Nebraska	84,253	36,134	0.428874936	\$ 9.20	\$ 775,127.60	\$ 75,187.38	52,134	\$ 479,631.78	0.1567606	15.7%	1.7%
VA	Valor Oklahoma	5,943	1,133	0.190644456	\$ 9.20	\$ 54,675.60	\$ 5,303.53	4,936	\$ 45,410.18	0.1167917	11.7%	1.3%
VA	Valor New Mexico	6,735	2,009	0.298292502	\$ 9.20	\$ 61,962.00	\$ 6,010.31	4,949	\$ 45,532.84	0.1319995	13.2%	1.5%
VA	Valor Texas	15,003	4,026	0.268346331	\$ 9.20	\$ 138,027.60	\$ 13,388.68	11,424	\$ 105,103.87	0.1273852	12.7%	1.4%