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September 29, 2005

VIA HAND DELIVERY

050693-72

Ms. Blanca S. Bayo, Director
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

Re: New Docket; Alltel Florida, Inc.'s Petition to Reduce Intrastate Switched Access Rates in a Revenue Neutral Manner Pursuant to Section 364.164, Florida Statutes.

Dear Ms. Bayo:

Enclosed for filing on behalf of Alltel Florida, Inc. ("Alltel") are the original and fifteen (15) copies of the following documents:

1. Alltel's Petition to Reduce Intrastate Switched Access Rates in a Revenue Neutral Manner; 09285-05
2. Prepared Direct Testimony and of Bettye J. Willis and Exhibits BJW-1 through BJW-8 (non-confidential); 09291-05
3. Prepared Direct Testimony of David C. Blessing; and 09292-05
4. Exhibits of David C. Blessing [Volumes I through IV, Exhibits DCB-0 through DCB-40] (non-confidential). 09293-05 thru 09296-05

Contemporaneous with the filing of these documents, and under separate covers, Alltel is filing: (1) the confidential versions of the Exhibits of Bettye J. Willis and Blessing Exhibit DCB-4 ["Confidential Exhibits"] and (2) Alltel's First Request for Confidential Classification and Protective Order Pursuant to Section 364.183(1), Florida Statutes, which addresses the Confidential Exhibits.

09286-05 thru 09290-05

Petition
DOCUMENT NUMBER DATE
09285 SEP 29 05
FPSC-COMMISSION CLERK

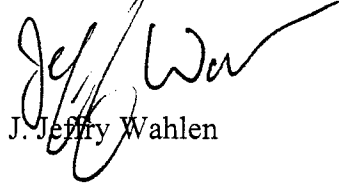
Ms. Blanca S. Bayo, Director
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Copies of the foregoing documents are being served on the Office of Public Counsel by hand delivery.

Please acknowledge receipt and filing of the above by stamping the duplicate copy of this letter and returning the same to this writer.

Thank you for your assistance in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Wahlen", written in a cursive style.

J. Jeffrey Wahlen

Enclosures

cc: Charles J. Beck, Office of Public Counsel (w/encls.)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Alltel Florida, Inc.'s Petition)
To Reduce Intrastate Switched Network)
Access Rates In A Revenue Neutral)
Manner Pursuant to Section 364.164,)
Florida Statutes)
_____)

DOCKET No.: 050693-72
FILED: September 29, 2005

ALLTEL FLORIDA, INC.'S PETITION TO REDUCE INTRASTATE SWITCHED ACCESS RATES IN A REVENUE NEUTRAL MANNER

Alltel Florida, Inc. ("Alltel"), pursuant to Section 364.164, Florida Statutes, and Rule 28-106.104, Florida Administrative Code, hereby petitions the Florida Public Service Commission ("Commission") to reduce its intrastate, switched network access rates in a revenue neutral manner. Specifically, Alltel states the following:

1. Alltel is a certificated small incumbent local exchange company within the meaning of Section 364.052(1), Florida Statutes. Alltel provides local exchange and local toll service in Florida. The names, addresses and telephone numbers for Alltel are as follows:

Alltel
Attn: Bettye Willis
One Allied Drive, B5F4-E
Little Rock, AR 72202
(501) 905-5692 (Telephone)
(501) 905-5679 (Telecopier)
bettye.j.willis@alltel.com

Alltel
Attn: James White
6867 Southpoint Dr. N
Jacksonville, FL 32216
(904) 470-4769 (Telephone)
(904) 296-6892 (Telecopier)
james.white@alltel.com

DOCUMENT NUMBER-DATE

09285 SEP 29 05

FPSC-COMMISSION CLERK

2. All pleadings, filings and orders should be directed to Alltel at the following locations:

Stephen B. Rowell, Esq.
Alltel Communications
One Allied Drive, B5F4
Little Rock, AR 72202
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3. Section 364.164, Florida Statutes, permits a local exchange telecommunications company, after July 1, 2003, to petition the Commission to reduce its intrastate-switched network access rates in a revenue neutral manner.

4. In evaluating the petition, the Commission shall consider whether granting the petition will:

- a. remove current support for basic local telecommunications services that prevent the creation of a more attractive competitive local exchange market for the benefit of residential customers;
- b. induce enhanced market entry;
- c. require intrastate switched network access rate reductions to parity over a period of not less than two years or more than four years; and
- d. be revenue neutral as defined in 364.164(7), Florida Statutes within the revenue category defined in subsection (2).

5. Alltel, through this petition and the direct testimony filed contemporaneously with this petition, is addressing each of the above factors that must be considered by the Commission before granting this petition and providing the Commission competent and substantial evidence upon which the Commission should grant this petition. This petition and the testimony demonstrate that reducing its intrastate switched access rates in a revenue neutral manner in three

increments over two years as proposed in this petition, will achieve the goals of Section 364.164, Florida Statutes (the "Act"), which was enacted as part of the 2003 Tele-Competition Innovation and Infrastructure Enhancement Act, by reducing current implicit support for basic local telecommunications services that prevents the creation of a more attractive, competitive local exchange market for the benefit of residential consumers, and thereby enhancing opportunities for competitors to enter the residential market.

I. Introduction

6. Alltel offers a variety of basic and non-basic telecommunications service, in rural, high cost areas of Florida. The rates for these basic services were established with Commission approval at levels well below the costs of those services in order to assure the services were universally available to all customers. Reciprocally, the rates for toll and access services were established well above their costs to support the basic service rates. The resulting implicit universal service supports were established and continue to exist within the rates charged by Alltel.

7. While these supports were sustainable in a monopoly market where only Alltel provided basic services, maintaining the supports at historical levels is no longer feasible or desirable. Doing so has hindered the development of a competitive residential market and the hindrance is even greater in rural markets compared to urban markets because the basic local rate supports in rural markets are greater than in urban areas. Competitors simply cannot provide basic local services at rates that will be competitive with residential local service rates that are below cost as a result of the significant supports described above. The margins associated with these supported services simply are not sufficient to attract and sustain competition. The Act

provides a mechanism to reduce the present supports thereby creating a more vibrant competitive local residential service market.

II. Granting Alltel's Petition Will Remove Support For Basic Local Telecommunications Services that Prevents the Creation of A More Attractive, Competitive Local Exchange Market for the Benefit Of Residential Consumers

8. Consistent with this Commission's findings in its final order in Dockets 030867-TL, 030868-TL, 030869-TL, and 030961-TI ("Rebalancing Order"), granting Alltel's petition will enhance the expansion of competition for basic local telecommunications services and create a more competitive local exchange market which ultimately will benefit residential consumers.

In *Section V. Summary of Decision* of the Rebalancing Order, the Commission concluded that:

- a. Intrastate access rates currently provide support for basic local telecommunications services that would be reduced by bringing such rates to parity with interstate access rates.
- b. The existence of such support prevents the creation of a more attractive competitive local exchange market by keeping local rates at artificially low levels, thereby raising an artificial barrier to entry into the market by efficient competitors.

9. The Florida Supreme Court upheld the findings by the Commission, stating that: "the Commission's determination that its grant of the petitions will create competition to the benefit of residential consumers as required by Section 364.164(1)(a) is supported by competent, substantial evidence." Crist v. Jaber, ___ So.2d ___, 30 Fla. L. Weekly S531, 2005 WL 1577998 (Fla. 2005). The evidence reviewed by the Commission before issuing the Rebalancing Order and which the Florida Supreme Court found to be "competent and substantial evidence," is relevant to this petition.

10. The full benefits of local residential service competition are only likely to occur when the rates for local residential service are not distorted by the existing level of support

presently included in the rates. Reducing Alltel's intrastate switched access rates and adjusting its basic local rates as proposed in this petition will remove approximately \$6 million in implicit support from Alltel's basic local residential service rates. More closely aligning basic residential local service rates with their cost will remove an impediment to local competition. Residential consumers will benefit from having choices among competitors offering telecommunication services and bundles of service over existing and new technologies that will exist in a more competitive marketplace.

III. Granting Alltel's Petition Will Induce Enhanced Market Entry

11. In the Rebalancing Order, the FPSC also concluded and the Florida Supreme Court reviewed and upheld that:

- e. The elimination of such support will induce enhanced market entry into the local exchange market.
- f. Enhanced market entry will result in the creation of a more competitive local exchange market that will benefit residential consumers through:
 - (1) increased choice of service providers;
 - (2) new and innovative service offerings, including bundles of local and long distance service, and bundles that may include cable TV service and high speed internet access service;
 - (3) technological advances;
 - (4) increased quality of service; and
 - (5) over the long run, reductions in rates for local service.

12. Repricing access and basic local service rates closer to their cost will send the appropriate signal to competitors who have not actively served the rural residential market.

Removing implicit support from basic local residential rates provides competitors increased business opportunities to attract customers and offer new products, services and bundles. This in turn provides consumers choices of services, and encourages investment by both the incumbent LEC and competitors.

IV. Granting Alltel's Petition Will Result in Intrastate Switched Network Access Rate Reductions Over a Period of Two Years

13. The Act provides flexibility with respect to the time period over which a company may implement its intrastate, switched network access rate reductions, as long as the reductions are revenue neutral and are achieved between two (2) years and four (4) years. Specifically, Alltel proposes to reduce intrastate switched network access rates in three increments over a two-year period ultimately resulting in approximately \$6 million in annual access revenue reductions while the resulting basic local service rates will still be very affordable. In order to assure that low income customers continue to receive basic telecommunications services at affordable rates, Alltel proposes that the recurring monthly rate for Lifeline customers' not be increased as a result of the rebalancing.

V. Granting Alltel's Petition Will Be Revenue Neutral

14. The Act also mandates that reductions in intrastate, switched network access rates be completed in a revenue neutral manner. Specifically, the Act requires that the intrastate switched network access rate reductions must be offset by increases in basic local service rates. The monthly recurring rates for residential and single-line business service rates, and the non-recurring charges associated with the installation and connection of these services are the basic local service rates to which the Act refers.

15. The proposed intrastate switched network access rate reductions will be offset by increasing (1) residential basic local exchange monthly rates in all rate groups in three installments of \$2.11 each; (2) the rate for single-line business customers in all Rate Groups in three installments of \$1.47 each; and (3) associated non-recurring charges as shown in Exhibit ____ (BJW-7), which accompanies the direct testimony of Bettye J. Willis, and is incorporated herein by reference.

16. In order to assure the rate changes are revenue neutral, while the proposed annual basic local telecommunication service rate increases would be fixed, the actual amount of the annual intrastate switched network access rate reductions will be dependent upon the total amount of the basic local telecommunications service revenue that would be generated by the increased basic service rates. The actual amount of revenue generated by the proposed basic local telecommunications service rate increases will depend on the demand (the number of access lines in service to customers) at the end of the most recent 12 months prior to each increase in basic local service rates.

VI. Conclusion

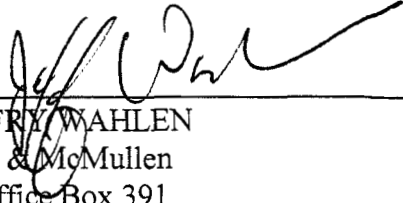
17. The Act and the Rebalancing Order, as upheld by the Florida Supreme Court, paved the way and established the mechanism by which competition for local residential service can become a reality in Florida. The key to achieving that reality is the movement of basic local service and access rates closer to the costs of those services, thereby reducing the amount of support of basic local residential service rates in a revenue neutral manner. By replacing this support, which serves as a disincentive to competitors particularly in rural markets where the amount of support is considerable, with more closely cost-based rates, competition will be enhanced.

18. Alltel has contemporaneously filed and will present the direct testimony and exhibits of David C. Blessing and Bettye J. Willis to support this Petition and provide the Commission the evidence upon which the Commission should approve this petition. The testimony shows in detail Alltel's proposal for implementing Section 364.164, Florida Statutes and demonstrates that Alltel's proposal is revenue neutral as defined in Section 364.164(7), Florida Statutes, and that the pricing units used in Alltel's proposal comply with Section 364.164(3), Florida Statutes.

19. The testimony filed with this Petition clearly shows that Alltel's Petition meets the criteria set forth in Section 364.164, Florida Statutes, which is to be considered by the Commission in granting this Petition.

WHEREFORE, Alltel requests that the Commission enter a Final Order granting this Petition and finding that Alltel's proposal meets the criteria set forth in the Act.

Respectfully submitted this 29th day of September, 2005.



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ATTORNEYS FOR
ALLTEL FLORIDA, INC.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct of the foregoing petition and the accompanying testimony and exhibits of Bettye J. Willis and David C. Blessing were served by hand delivery on this 29th day of September to Harold McLean, Public Counsel, and Charles J. Beck, Deputy Public Counsel, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400.



Attorney

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