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COMMISSION
CLERK

October 5, 2005

VIA HAND DELIVERY

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: Docket No. 050693-TL; 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 **amended** prepared direct testimony and exhibits of Bettye J. Willis.

The enclosed **amended** prepared direct testimony and exhibits replaces the prepared direct testimony and exhibits of Bettye J. Willis filed in this docket on September 29, 2005.

This **amended** testimony is being filed to rectify clerical errors involving three numbers contained in the testimony and exhibits as originally filed. Except for the addition of the docket number and the date change on each page, the **amended** testimony is identical to the original except as follows:

- CMP
- COM 3
- CTR 05
- ECR
- ECL 1
- OPC
- RCA
- SCR
- SGA
- SEC 1
- OTH

1. page 11, line 3: change \$0.063194 to \$0.0603194.
2. page 11, line 11: change \$2,068,577 to \$2,050,653.
3. page 11, line 20: change \$1,965,819 to \$1,974,769.
4. page 12, line 3: change \$1,965,819 to \$1,974,769.

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FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER - DATE

09509 OCT-5 05

FPSC-COMMISSION CLERK

Ms. Blanca S. Bayo, Director
October 5, 2005
Page 2

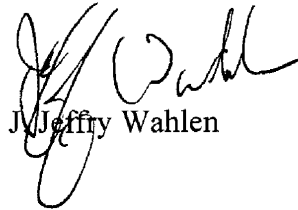
5. page 13, line 15: change \$6,000,215 to \$6,000,191
6. Exhibit No. ___ (BJW-7): change intrastate switched access for increments 1 through 3 above as per 2, 3 and 4 above, and total as per 5 above.

Alltel apologizes for any inconvenience this causes the parties or the Commission.

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,



J. Jeffrey Wahlen

Enclosures

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

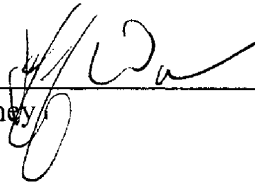
In re: Alltel Florida, Inc.'s Petition)
To Reduce Intrastate Switched Network)
Access Rates In A Revenue Neutral)
Manner Pursuant to Section 364.164,)
Florida Statutes)
_____)

DOCKET No.: 050693-TL
FILED: October 5, 2005

CERTIFICATE OF SERVICE

I hereby certify that a true and correct of the Amended Prepared Direct Testimony and accompanying Exhibits of Bettye J. Willis were served by hand delivery on this 5th day of October 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 and Beat Keating, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870.

Attorney



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)
_____)

Dkt. No. 050693-TL
FILED: 10.05.05

ALLTEL FLORIDA, INC.

Amended Prepared Direct Testimony and Exhibits

of

Bettye J. Willis

DOCUMENT NUMBER-DATE

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BEFORE THE PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

BETTYE J. WILLIS

I. INTRODUCTION AND WITNESS BACKGROUND

Q. Please state your name, business address, employer and job title.

A. My name is Bettye J. Willis. My business address is One Allied Drive, Little Rock, Arkansas 72202. I am employed by Alltel as Staff Manager – External Affairs.

Q. Please describe your educational background and work experience in the telecommunications industry.

A. I have a Bachelor of Arts degree in Business Administration with an emphasis in Accounting from Rhodes College in Memphis, Tennessee.

I began working for Alltel in 1992 as an analyst in the Regulatory Group, where I worked on rate designs, analyzed commission orders and communicated impacts internally. In 1993, I transferred to the Corporate Accounting Department as analyst. I completed the consolidated financial schedules for the annual report and 10K filings, as well as completed and filed the 10Q filings of Alltel Corporation. I also prepared and monitored monthly budget variances for each corporate department.

In 1995, I transferred back to the State Regulatory Affairs Department as senior analyst for regulatory matters. In this capacity I was responsible for monitoring and

1 communicating to management emerging issues at State commissions, legislatures and
2 other governmental bodies. I was promoted to Manager – State Regulatory Matters in
3 1996 and to Staff Manager – External Affairs in 2004, which is my current position.
4 In this capacity I am responsible for state regulatory and legislative matters for the
5 states of Alabama, Florida, Louisiana and Mississippi.

6
7 **II. OVERVIEW OF TESTIMONY**

8
9 **Q. What is the purpose of your testimony?**

10 **A.** The purpose of my testimony is to provide an overview of the relevant aspects of the
11 legislation that govern Alltel's rate rebalancing plan, provide a detailed explanation of
12 Alltel's plan, demonstrate that the plan meets the last two criteria set forth in 364.164
13 (1) (c) and (d), Florida Statutes ("Act"), and finally explain how Alltel will implement
14 its plan.

15
16 **Q. Have you prepared exhibits that accompany your prepared direct testimony?**

17 **A.** Yes. Exhibits BJW-1 through BJW-8 were prepared by me or under my direction and
18 supervision based on information contained in the business records of Alltel. These
19 exhibits summarize and reflect the details of Alltel's rebalancing plan.

20
21 **Q. Please summarize your testimony.**

22 **A.** In this proceeding, Alltel asks for approval to rebalance its intrastate rates using the
23 procedure provided in Section 364.164, Florida Statutes. My testimony provides
24 background information about Alltel, gives an overview of Alltel's plan, and describes

1 in detail the access reductions and basic local rate increases. I also describe how
2 Alltel's plan meets the last two criteria of the Act, which are:

3 (c) require intrastate switched network access rate
4 reductions to parity over a period of not less than two years
5 or more than four years;

6 (d) be revenue neutral as defined in subsection (7) within
7 the revenue category defined in subsection (2).

8

9 **Q. WHAT OTHER ALLTEL WITNESS IS SPONSORING TESTIMONY IN THIS**
10 **PROCEEDING?**

11 **A.** One other witness is sponsoring direct testimony on behalf of Alltel. In his direct
12 testimony, David C. Blessing, a principal partner of Parrish, Blessing, & Associates,
13 Inc. (PBA), explains how Alltel's plan meets the first two criteria established by the
14 Act, which are: (1) to remove current support for basic local telecommunications
15 services that adversely impact competition for residential customers and (2) to
16 demonstrate how the Plan enhances the competitive market for basic local services.
17 Mr. Blessing also discusses economic principles that demonstrate that Alltel's plan
18 will have beneficial effects on its end-user customers, and that local rates will remain
19 affordable.

20

21 **III. THE LEGISLATION**

22

23 **Q. Please provide an overview of the legislation that authorizes the Commission to**
24 **consider Alltel's rebalancing petition.**

1 A. The Act establishes a process by which incumbent local exchange carriers such as
2 Alltel, can petition to reduce intrastate switched network access rates and offset the
3 revenue losses resulting from such reductions by increasing basic local service rates
4 on a revenue neutral basis. Upon a finding by the Commission that the petition meets
5 the four criteria in 364.164(1), the local exchange company is authorized to implement
6 a “new revenue category mechanism” consisting of basic local telecommunications
7 services revenues and intrastate switched network access revenues to achieve revenue
8 neutrality. The reduction in intrastate access revenues, however, cannot be offset
9 entirely against basic monthly recurring revenues – some amount must be offset
10 against basic non-recurring revenues. For purposes of the Act, basic local
11 telecommunications services are defined as single line business and residential service
12 as well as associated non-recurring charges.

13
14 Section 364.164(1), Florida Statutes, states that in evaluating the petition, the
15 Commission shall consider whether granting the petition will:

- 16 1. remove current support for basic local telecommunications services that
17 prevents the creation of a more attractive competitive local exchange market
18 for the benefit of residential consumers;
- 19 2. induce enhanced market entry;
- 20 3. require intrastate switched network access rate reductions to be at parity over a
21 period of not less than two years nor more than four years; and
- 22 4. be revenue neutral, as that term is defined in the statute.

23
24 The testimony and exhibits filed by Alltel make the required showing under this
25 statute.

1 **IV. BACKGROUND INFORMATION ABOUT ALLTEL**

2

3 **Q. Where does Alltel provide local exchange service in Florida?**

4 **A. Alltel provides local exchange telecommunications services to all or parts of thirteen**
5 (13) counties in North Central Florida. Alltel serves all of the counties of Suwannee,
6 Hamilton and Lafayette, and parts of the counties of Alachua, Gilchrist, Bradford,
7 Nassau, Marion, Putnam, Clay, Columbia, St. Johns and Union.

8

9 **Q. How many exchanges has Alltel established to serve this area?**

10 **A. Alltel currently has twenty-seven (27) exchanges that are located at Alachua,**
11 Branford, Brooker, Callahan, Citra, Crescent City, Dowling Park, Florahome, Florida
12 Sheriffs Boys Ranch, Fort White, Hastings, High Springs, Hilliard, Interlachen, Jasper,
13 Jennings, Lake Butler, Live Oak, Luraville, Mayo, McIntosh, Melrose, Orange
14 Springs, Raiford, Waldo, Wellborn, and White Springs.

15

16 **Q. What is the geographical size and density of the area the Company serves?**

17 **A. Alltel's service territory is approximately 3,700 square miles. As of August 31, 2005,**
18 Alltel served approximately 94,208 total access lines. This equates to approximately
19 25 access lines per square mile, which is relatively low compared to the larger local
20 exchange companies in Florida. BellSouth's density is approximately 341 lines per
21 square mile and Verizon's density is approximately 465 access lines per square mile.
22 Sprint serves less urban areas than BellSouth and Verizon with a customer density of
23 94 lines per square mile, which is still significantly higher than Alltel's customer
24 density.

25

1 Q. What do these density figures show?

2 A. These figures reflect the type of area Alltel serves, i.e., a predominately rural
3 agricultural area. Alltel does not serve any major urban areas or cities. As a general
4 proposition, rural areas are more costly to serve than urban areas, both in terms of the
5 cost of initial construction and in terms of operating and maintenance costs.

6

7 V. ALLTEL'S RATE REBALANCING PLAN

8

9 Q. Please summarize Alltel's Rebalancing Plan.

10 A. Alltel's plan will result in the removal of support from basic local services through a
11 \$6 million reduction in intrastate switched network access revenue with a
12 corresponding increase in rates for basic local residential service, single-line business
13 service, and associated non-recurring residential and business service connection
14 charges. Alltel's plan will be accomplished in three increments over a two-year period
15 and is revenue neutral each year and in total. Upon Commission approval of the Plan,
16 Alltel will file tariffs and notify customers of the rate changes that will occur.

17

18 Q. How will Alltel comply with the provision of the Act relating to Lifeline and pay
19 telephone access lines?

20 A. The Act provides that "Billing units associated with pay telephone access lines and
21 Lifeline service may not be included in any calculation under this subsection."

22

23 Alltel identified the number of Lifeline and pay telephone lines in service during the
24 12-month period examined as required by the Act. The pay telephone lines were
25 removed from the calculation of revenue neutrality and the current rates will not be

1 affected by rate changes associated with implementing the Act. For Lifeline
2 customers, Alltel will reflect a Lifeline credit that is increased by the amount of the
3 planned rate increases to residential service rates. This will ensure that there is no
4 impact to Lifeline customers as a result of implementing the Plan.

5

6 Of course, Alltel will also comply with other applicable laws and rules relating to
7 Lifeline, including the 2005 amendments to Section 364.10, Florida Statutes.

8

9 **Q. What about the impact on other low-income residential consumers?**

10 **A.** As part of the Act, the Legislature wanted to assure that some low-income residential
11 customers will not be adversely impacted by a basic service rate increase. The
12 Legislature included a provision in the Act that expands the eligibility criteria for the
13 Lifeline program, thereby potentially increasing the number of customers who will not
14 be impacted by planned rate increases.

15

16 **VI. ALLTEL'S RATE REBALANCING PLAN MEETS THE CRITERIA IN THE**
17 **ACT**

18

19 **A. The Rate Rebalancing Plan Requires Intrastate Switched Network Access**
20 **Rate Reductions Over a Period Of Not Less Than Two Years Or More**
21 **Than Four Years**

22

23 **Q. What provisions of the Act govern Alltel's petition to reduce its intrastate,**
24 **switched access rates?**

1 **A.** The applicable provisions of the Act associated with the access reductions include the
2 following:

3
4 Section 364.164 (1), Florida Statutes, states:

5 “Each local exchange telecommunications company may, after July 1, 2003 petition
6 the commission to reduce its intrastate switched network access rate in a revenue
7 neutral manner.”

8
9 Section 364.164 (5), Florida Statutes, states:

10 “If the company has 1 million or fewer access lines in service, the term “parity” means
11 that the company’s intrastate switched network access rate is equal to 8 cents per
12 minute. This section does not prevent the company from making further reductions in
13 its intrastate switched network access rate, within the revenue category established in
14 this section, below parity on a revenue-neutral basis, or from making other revenue-
15 neutral rate adjustments within this category.”

16
17 Section 364.164 (6), Florida Statutes, states:

18 “As used in this section, the term “intrastate switched network access rate” means the
19 composite of the originating and terminating network access rate for carrier common
20 line, local channel/entrance facility, switched common transport, access tandem
21 switching, interconnection charge, signaling, information surcharge, and local
22 switching.”

23
24 **Q.** Are there any differences between Alltel’s interstate and intrastate switched
25 network access rate structures?

1 A. Yes. Alltel's intrastate, switched network access rates include rates for carrier
2 common line and interconnection charge, however the interstate rates for these
3 elements are set at zero.

4
5 **Q. How will Alltel reduce intrastate switched network access rates to be in parity**
6 **with the 8 cents per minute intrastate switched network access rate referenced in**
7 **the Act?**

8 A. Alltel proposes to lower its intrastate, switched network access rates in three
9 installments over a two-year period pursuant to Section 364.164, Florida Statutes. The
10 switched network access revenue reductions will be offset by increases in basic local
11 exchange services and certain non-recurring service charges. Alltel will establish a
12 rate structure for its intrastate switched network access rates that mirrors the rate
13 structure for its interstate switched network access. The first installment will reduce
14 the intrastate carrier common line charge to approximately 0.028819 and eliminate the
15 interconnection surcharge. In the second installment, Alltel will reduce the intrastate
16 carrier common line charge to approximately 0.019437. In the final installment, Alltel
17 will reduce the intrastate carrier common line charge to approximately 0.010056. As
18 described earlier, the exact resulting rate will depend on the revenue expected to be
19 generated by the local rate increases.

20
21 **Q. How did Alltel calculate the revenue reduction associated with the intrastate**
22 **switched network access rate reduction?**

23 A. As specified by the Act, Alltel used the most recent 12 months actual pricing units, in
24 this case minutes of use, in developing the revenue impact of the intrastate switched
25 network access reduction. For purposes of this filing, the most recent available 12

1 months information is for the period from September 2004 to August 2005. Alltel
2 applied the current intrastate switched network access rates to the actual minutes of
3 use (pricing units) to develop the current intrastate switched network access revenues.
4 Alltel then applied a \$6 million reduction to intrastate switched network access
5 revenues and the remaining revenues were then used to develop the estimated
6 intrastate switched network access rates to be in effect at the end of the two-year
7 period. This proposal brings the intrastate switched network access rates below the
8 required 8 cents per minute parity rate specified in Section 364.164 to an estimated 6
9 cents per minute at the end of the two-year period.

10
11 **Q. Does Alltel's approach result in parity between the intrastate composite switched**
12 **network access rate and the 8 cents per minute switched network access rate?**

13 **A.** Alltel proposal goes farther than the Act's minimum to reach parity. As previously
14 noted, Section 364.164(6), Florida Statutes, provides a comprehensive description of
15 what is included in the term "intrastate switched network access rate." It further
16 states: "As used in this section, the term "intrastate switched network access rate"
17 means the composite of the originating and terminating network access rate for carrier
18 common line, local channel/entrance facility, switched common transport, access
19 tandem switching, interconnection charge, signaling, information surcharge, and local
20 switching."

21
22 I have prepared Exhibit No. ____ (BJW-1) through Exhibit No. ____ (BJW-6), which
23 demonstrate that Alltel's access rate reduction plan will produce a composite switched
24 intrastate switched network access rate that is less than the 8 cents per minute
25 composite rate. Alltel's current intrastate composite switched network access rate is

1 \$0.113229 and \$0.152407 for the Modified Access Based Compensation rate
2 ("MABC"). Alltel's proposed rate reductions produce an intrastate switched access
3 composite rate of approximately \$0.0603194 after all increments of the planned access
4 rate reduction are completed.

5

6 **Q. What is Alltel's schedule for adjusting intrastate switched network access rates?**

7 **A.** Alltel will reduce its intrastate switched network access rates to the target levels in
8 three separate annual increments over a two-year period. The first annual access rate
9 reduction will target removing the interconnection charge with the remaining
10 reduction coming from the carrier common line rate element. The first reduction will
11 reduce intrastate switched network access revenues approximately \$2,050,653 and will
12 remove the disparity between the MABC access rates and intrastate InterLATA access
13 rates. Exhibit No. ____ (BJW-3) provides calculations supporting the first annual
14 access reductions.

15

16 **Q. What intrastate switched network access rate changes are planned for the second**
17 **increment?**

18 **A.** The second annual intrastate switched network access rate reduction will further
19 reduce carrier common line rates. Alltel has estimated the impact of the second annual
20 increment of the access reduction to be \$1,974,769 based on current pricing units.
21 This calculation is shown in Exhibit No. ____ (BJW-4).

22

23 **Q. What intrastate switched network access rate changes are planned for the third**
24 **increment?**

1 A. The third annual intrastate switched network access rate reductions will be equal to the
2 second increment, which will decrease the carrier common line revenues further by
3 \$1,974,769. This calculation is shown in Exhibit No. ____ (BJW-5).

4
5 **Q. Does Alltel's plan comply with the provisions of the Act regarding intrastate**
6 **switched network access rate levels?**

7 A. Yes. Based on this plan, Alltel will reduce its intrastate switched network access rates
8 below the 8 cents per minute intrastate switched network access rate over a two-year
9 period utilizing three separate access reductions. These changes are shown in Exhibit
10 No. ____ (BJW-3) through Exhibit No. ____ (BJW-5). Although Alltel has estimated
11 the impact of each increment of the access reduction, the actual reduction amount for
12 each increment will be based on the latest 12 months pricing units at that time for
13 switched network access and basic local telecommunications services. As a result, the
14 impact of the access reduction for each of the three increments will likely vary from
15 the estimated amounts; however, Alltel does not believe that the actual results will be
16 materially different. Exhibit No. ____ (BJW-6) reflects these calculations.

17

18 **B. The Plan Is Revenue Neutral, As That Term Is Defined In The Act.**

19

20 **Q. What does the Act require regarding revenue neutrality?**

21 A. The Act requires that any access reductions be made in a revenue neutral manner.
22 Specifically, Section 364.164(2), Florida Statutes, states:

23 the local exchange company is authorized, the requirements
24 of section 364.051 (3) notwithstanding, to immediately
25 implement a revenue category mechanism consisting of

1 basic local telecommunications service revenues and
2 intrastate switched network access revenues to achieve
3 revenue neutrality. The local exchange company shall
4 thereafter, on 45 days' notice, adjust the various prices and
5 rates of the services within its revenue category authorized
6 by this section once in any 12-month period in a revenue-
7 neutral manner.

8
9 **Q. Does Alltel's plan meet the revenue neutral requirement of the Act?**

10 **A.** Yes. To achieve the revenue neutrality required by the Act, Alltel proposes to
11 increase rates for basic local telecommunications services over the same two-year
12 period as the access rate reductions. As shown on Exhibit No. ___ (BJW-7), Alltel
13 will increase basic local residential, single-line business and associated non-recurring
14 rates in three increments over two years in amounts approximately equal to the
15 previously described access reductions of \$6,000,191.

16
17 **Q. Describe the specific rate changes to basic local telecommunications services that
18 will take place to achieve revenue neutrality.**

19 **A.** Exhibit No. ___ (BJW-8) summarizes Alltel's plan for its basic residential and single-
20 line business local service rates as well as its non-recurring charges associated with
21 these services for the three increments. Alltel will increase basic local residential
22 service rates by approximately \$2.11 in each of three increments. Rates for single-line
23 business basic local service will increase by approximately \$1.47 in each of three
24 increments. These changes will increase basic local service revenues by a total of
25 approximately \$5,693,454.

1 Additionally, Section 364.164(2), Florida Statutes, states: “An adjustment in rates may
2 not be offset entirely by the company’s basic monthly recurring rate.” Therefore,
3 Alltel will increase certain non-recurring service charges by an estimated \$305,234.
4 As a result, Alltel will not offset access charge reductions entirely by increases in
5 basic local service monthly recurring rates, but through a combination of recurring and
6 non-recurring rate elements as contemplated in the Act.

7

8 **Q. What factors could change the actual basic local service rates increases in Alltel’s**
9 **Plan?**

10 **A.** The Act provides that the actual pricing changes to accomplish revenue neutrality
11 must be based on the company’s most recent 12 months’ pricing units. As a result,
12 changes in pricing units for both switched network access services and basic local
13 telecommunications services will affect all three increments of Alltel’s price changes.

14

15 **VII. IMPLEMENTATION OF THE REBALANCING PLAN**

16

17 **Q. How will Alltel implement its rebalancing plan?**

18 **A.** Upon approval by the Commission of its plan, Alltel will follow the process outlined
19 in the Act. Alltel will implement a revenue category mechanism that consists of
20 intrastate switched network access services, basic local residential service, basic local
21 single-line business service, residential service connection charges and business
22 service connection charges. Billing information will be used to determine the most
23 recent 12 months pricing units for intrastate switched network access services and
24 basic local telecommunications services. These pricing units will be used to determine
25 switched network access revenue decreases and basic local telecommunications

1 services revenue increases necessary for revenue neutrality. Exhibit No. ___ (BJW-7)
2 illustrates this calculation.

3
4 Second, consistent with the Act, Alltel will file tariffs with the Commission reflecting
5 the rate adjustments, and notify affected customers of the pending rate changes. Alltel
6 will follow this process for all three increments of price adjustments.

7
8 **VIII. CONCLUSION**

9
10 **Q. Please summarize your testimony.**

11 **A.** Alltel's plan is consistent with the Act and results in the removal of support from basic
12 local services through an approximate \$6 million reduction in intrastate switched
13 network access revenue with a corresponding increase in basic local residential service
14 rates, single-line business service rates and associated non-recurring charges by the
15 same amount. Alltel's plan will be accomplished in three increments over a two-year
16 period and is revenue neutral each year and in total. Alltel's plan accomplishes rate
17 rebalancing in not less than two years or more than four years in a revenue neutral
18 manner as required by the Act.

19
20 **Q. Does this conclude your direct testimony?**

21 **A.** Yes, it does.
22
23

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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)
_____)

Dkt. No. 050693-TL
FILED: 10.05.05

ALLTEL FLORIDA, INC.

Exhibits BJW-1 through BJW-8

(BJW-7 Amended)

(non-confidential)

Exhibit 1
SWITCHED ACCESS CHARGES

Intrastate Premium Rates

ALLTEL Florida, Inc.
 Current

| | <u>Originating</u> | <u>Terminating</u> |
|---|--------------------|--------------------|
| Carrier Common Line | 0.0304000 | 0.0382000 |
| Switched Transport | | |
| Local Channel/Entrance Facility* | 0.0011437 | 0.0011437 |
| Switched Common Transport** | 0.0007600 | 0.0007600 |
| Access Tandem Switching | 0.0005000 | 0.0005000 |
| Interconnection Charge | 0.0022110 | 0.0022110 |
| Information Surcharge | 0.0000000 | 0.0000000 |
| End Office | | |
| Local Switching | 0.0177000 | 0.0177000 |
| Feature Group D Access per Minute: Total | 0.0527147 | 0.0605147 |
| Originating + Terminating Access: | 0.1132294 | |

* Local Channel/Entrance Facility
 DSI: Per System (monthly) 133.81

Estimated MOU Equivalent*** 0.0011437

** Switched Common Transport (SCT)
 Facility (MOU/airline mile) 0.0000400
 Termination (MOU/term.) 0.0003600

SCT - Interoffice Channel**** 0.0007600

*** Estimated MOU Equivalent = (DS1 monthly charge)/(24 voice grade equivalents x 4,875 MOU).

**** SCT Interoffice Channel = (SCT Termination) + (10 miles x SCT Facility).

Exhibit 2
SWITCHED ACCESS CHARGES
 Intrastate Premium Rates

ALLTEL Florida, Inc. - MABC
 Current

| | <u>Originating</u> | <u>Terminating</u> |
|---|--------------------|--------------------|
| Carrier Common Line | 0.0304000 | 0.0382000 |
| Switched Transport | | |
| Local Channel/Entrance Facility* | 0.0011437 | 0.0011437 |
| Switched Common Transport** | 0.0007600 | 0.0007600 |
| Access Tandem Switching | 0.0005000 | 0.0005000 |
| Interconnection Charge | 0.0218000 | 0.0218000 |
| Information Surcharge | 0.0000000 | 0.0000000 |
| End Office | | |
| Local Switching | 0.0177000 | 0.0177000 |
| Feature Group D Access per Minute: Total | 0.0723037 | 0.0801037 |
| Originating + Terminating Access: | 0.1524074 | |

* Local Channel/Entrance Facility
 DS1: Per System (monthly) 133.81

Estimated MOU Equivalent*** 0.0011437

** Switched Common Transport (SCT)
 Facility (MOU/airline mile) 0.0000400
 Termination (MOU/term.) 0.0003600

SCT - Interoffice Channel**** 0.0007600

*** Estimated MOU Equivalent = (DS1 monthly charge)/(24 voice grade equivalents x 4,875 MOU).

**** SCT Interoffice Channel = (SCT Termination) + (10 miles x SCT Facility).

Exhibit 3
SWITCHED ACCESS CHARGES
 Intrastate Premium Rates

ALLTEL Florida, Inc.
 Year One

| | <u>Originating</u> | <u>Terminating</u> |
|---|--------------------|--------------------|
| Carrier Common Line | 0.028819 | 0.028819 |
| Switched Transport | | |
| Local Channel/Entrance Facility* | 0.0011437 | 0.0011437 |
| Switched Common Transport** | 0.0007600 | 0.0007600 |
| Access Tandem Switching | 0.0005000 | 0.0005000 |
| Interconnection Charge | 0.0000000 | 0.0000000 |
| Information Surcharge | 0.0000000 | 0.0000000 |
| End Office | | |
| Local Switching | 0.0177000 | 0.0177000 |
| Feature Group D Access per Minute: Total | 0.0489223 | 0.0489223 |
| Composite Per Minute Elements | 0.0470187 | 0.0470187 |
| Originating + Terminating Access: | 0.0978447 | |

* Local Channel/Entrance Facility
 DS1: Per System (monthly) 133.81

Estimated MOU Equivalent*** 0.0011437

** Switched Common Transport (SCT)
 Facility (MOU/airline mile) 0.0000400
 Termination (MOU/term.) 0.0003600

SCT - Interoffice Channel**** 0.0007600

*** Estimated MOU Equivalent = (DS1 monthly charge)/(24 voice grade equivalents x 4,875 MOU).

**** SCT Interoffice Channel = (SCT Termination) + (10 miles x SCT Facility).

Exhibit 4
SWITCHED ACCESS CHARGES

Intrastate Premium Rates

ALLTEL Florida, Inc.
 Year Two

| | <u>Originating</u> | <u>Terminating</u> |
|---|--------------------|--------------------|
| Carrier Common Line | 0.019437 | 0.019437 |
| Switched Transport | | |
| Local Channel/Entrance Facility* | 0.0011437 | 0.0011437 |
| Switched Common Transport** | 0.0007600 | 0.0007600 |
| Access Tandem Switching | 0.0005000 | 0.0005000 |
| Interconnection Charge | 0.0000000 | 0.0000000 |
| Information Surcharge | 0.0000000 | 0.0000000 |
| End Office | | |
| Local Switching | 0.0177000 | 0.0177000 |
| Feature Group D Access per Minute: Total | 0.0395410 | 0.0395410 |
| Composite Per Minute Elements | 0.0376373 | 0.0376373 |
| Originating + Terminating Access: | 0.0790820 | |

* Local Channel/Entrance Facility
 DS1: Per System (monthly) 133.81

Estimated MOU Equivalent*** 0.0011437

** Switched Common Transport (SCT)
 Facility (MOU/airline mile) 0.0000400
 Termination (MOU/term.) 0.0003600

SCT - Interoffice Channel**** 0.0007600

*** Estimated MOU Equivalent = (DS1 monthly charge)/(24 voice grade equivalents x 4,875 MOU).

**** SCT Interoffice Channel = (SCT Termination) + (10 miles x SCT Facility).

Exhibit 5
SWITCHED ACCESS CHARGES
 Intrastate Premium Rates

ALLTEL Florida, Inc.
 Year Three

| | <u>Originating</u> | <u>Terminating</u> |
|---|--------------------|--------------------|
| Carrier Common Line | 0.010056 | 0.010056 |
| Switched Transport | | |
| Local Channel/Entrance Facility* | 0.0011437 | 0.0011437 |
| Switched Common Transport** | 0.0007600 | 0.0007600 |
| Access Tandem Switching | 0.0005000 | 0.0005000 |
| Interconnection Charge | 0.0000000 | 0.0000000 |
| Information Surcharge | 0.0000000 | 0.0000000 |
| End Office | | |
| Local Switching | 0.0177000 | 0.0177000 |
| Feature Group D Access per Minute: Total | 0.0301597 | 0.0301597 |
| Composite Per Minute Elements | 0.0282560 | 0.0282560 |
| Originating + Terminating Access: | 0.0603194 | |

* Local Channel/Entrance Facility
 DS1: Per System (monthly) 133.81

Estimated MOU Equivalent*** 0.0011437

** Switched Common Transport (SCT)
 Facility (MOU/airline mile) 0.0000400
 Termination (MOU/term.) 0.0003600

SCT - Interoffice Channel**** 0.0007600

*** Estimated MOU Equivalent = (DS1 monthly charge)/(24 voice grade equivalents x 4,875 MOU).

**** SCT Interoffice Channel = (SCT Termination) + (10 miles x SCT Facility).

Exhibit 6
 ALLTEL Florida, Inc.
 Intrastate Access Revenue Summary

| | 0904 thru 0805 | Current Intrastate Access Rate | Current Intrastate Revenue | New Intrastate Access Rate | New Intrastate Revenue | Annual Access Revenue Change |
|---|----------------|--------------------------------|----------------------------|----------------------------|------------------------|------------------------------|
| Carrier Common Line | | | | | | |
| Terminating per Minute | [REDACTED] | 0.038200 \$ | [REDACTED] | 0.010056 \$ | [REDACTED] | \$ (3,679,709) |
| Originating per Minute | [REDACTED] | 0.030400 \$ | [REDACTED] | 0.010056 \$ | [REDACTED] | \$ (1,766,740) |
| Interconnection Charge | | | | | | |
| Residual Interconnection per Minute | [REDACTED] | 0.002211 \$ | [REDACTED] | 0.000000 \$ | - | \$ (481,360) |
| Residual Interconnection per Minute (MABC) | [REDACTED] | 0.021800 \$ | [REDACTED] | 0.000000 \$ | - | \$ (72,387) |
| Switched Transport-Local Channel/Entrance Facility | | | | | | |
| Voice Grade 2W | - | 25.00 \$ | - | 25.00 \$ | - | \$ - |
| Voice Grade 4W | - | 45.24 \$ | - | 45.24 \$ | - | \$ - |
| DS1 | [REDACTED] | 133.81 \$ | [REDACTED] | 133.81 \$ | [REDACTED] | \$ - |
| DS3 | - | 2100.00 \$ | - | 2100.00 \$ | - | \$ - |
| Switched Transport-Direct Trunked Transport | | | | | | |
| Voice Grade - Termination (Fixed) | [REDACTED] | 23.30 \$ | [REDACTED] | 23.30 \$ | [REDACTED] | \$ - |
| Voice Grade - Facility (Per Mile) | [REDACTED] | 1.90 \$ | [REDACTED] | 1.90 \$ | [REDACTED] | \$ - |
| DS1 - Termination (Fixed) | [REDACTED] | 59.75 \$ | [REDACTED] | 59.75 \$ | [REDACTED] | \$ - |
| DS1 - Facility (Per Mile) | [REDACTED] | 16.75 \$ | [REDACTED] | 16.75 \$ | [REDACTED] | \$ - |
| DS3 - Termination (Fixed) | - | 1200.00 \$ | - | 1200.00 \$ | - | \$ - |
| DS3 - Facility (Per Mile) | - | 175.00 \$ | - | 175.00 \$ | - | \$ - |
| Switched Transport-Tandem Switched Transport | | | | | | |
| Tandem Switched Transport - Termination per Minute | [REDACTED] | 0.000360 \$ | [REDACTED] | 0.000360 \$ | [REDACTED] | \$ - |
| Tandem Switched Transport - Facility per Minute per Mile | [REDACTED] | 0.000040 \$ | [REDACTED] | 0.000040 \$ | [REDACTED] | \$ - |
| Tandem Switching per Minute | [REDACTED] | 0.000500 \$ | [REDACTED] | 0.000500 \$ | [REDACTED] | \$ - |
| Switched Transport-Chargeable Optional Features | | | | | | |
| Multiplexing - DS1 to Voice | [REDACTED] | 210.00 \$ | [REDACTED] | 210.00 \$ | [REDACTED] | \$ - |
| Multiplexing - DS3 to DS1 | [REDACTED] | 970.00 \$ | [REDACTED] | 970.00 \$ | [REDACTED] | \$ - |
| End Office | | | | | | |
| Local Switching per Minute | [REDACTED] | 0.017700 \$ | [REDACTED] | 0.017700 \$ | [REDACTED] | \$ - |
| Local Switching per Minute (MABC) | [REDACTED] | 0.017700 \$ | [REDACTED] | 0.017700 \$ | [REDACTED] | \$ - |
| Total Switched Access | | | \$ 12,347,097 | | \$ 6,346,902 | \$ (6,000,195) |

Dkt. No. _____
 B. Willis Ex. No. _____ (BJW-6)
 Access Revenue Summary

ALLTEL Florida, Inc.
 Summary of Revenue-Neutral Rate Changes

| | | Increment 1 Annual Revenue Change | | Increment 2 Annual Revenue Change | | Increment 3 Annual Revenue Change | | Total Annual Revenue Change |
|--|---------------------------------|---|---------------------------------|---|---------------------------------|---|--|-----------------------------------|
| INTRASTATE SWITCHED ACCESS (\$6 M) | | \$ (2,050,653.00) | | \$ (1,974,769.00) | | \$ (1,974,769.00) | | \$ (6,000,191.00) |
| | Increment 1 Rate Increase | Increment 1 Annual Revenue Change | Increment 1 Rate Increase | Increment 2 Annual Revenue Change | Increment 1 Rate Increase | Increment 2 Annual Revenue Change | | Total Annual Revenue Change |
| BASIC LOCAL SERVICE | | | | | | | | |
| Residential Basic Local Service | \$ 2.02 | \$ 1,757,424.24 | \$ 2.02 | \$ 1,757,424.24 | \$ 2.02 | \$ 1,757,424.24 | | \$ 5,272,272.72 |
| Business Basic Local Service | \$ 1.42 | \$ 140,597.04 | \$ 1.42 | \$ 140,597.04 | \$ 1.42 | \$ 140,597.04 | | \$ 421,791.12 |
| Residential Service Connection Charges | | \$ 148,594.86 | | \$ 58,270.20 | | \$ 57,915.05 | | \$ 264,780.21 |
| Business Service Connection Charges | | \$ 17,094.53 | | \$ 11,746.05 | | \$ 11,613.45 | | \$ 40,454.03 |
| Total Basic Local Service Increases | | \$ 2,063,710.77 | | \$ 1,968,037.53 | | \$ 1,967,549.78 | | \$ 5,999,298.08 |
| | | | | | | over (short) | | \$ (892.92) |

PNL. NO. _____
 B. Willis Ex. No. _____ (BJW-7)
 Rate Change Neutral Summary
 Amended

ALLTEL Florida, Inc.
Current and New Basic Rates

| | Business L.P. | | | |
|------------------|---------------|-------------|-------------|-------------|
| | Current | Increment 1 | Increment 2 | Increment 3 |
| Alachua | \$25.48 | \$26.95 | \$28.42 | \$29.89 |
| Branford | \$31.56 | \$33.03 | \$34.50 | \$35.97 |
| Brooker | \$25.48 | \$26.95 | \$28.42 | \$29.89 |
| Callahan | \$28.37 | \$29.84 | \$31.31 | \$32.78 |
| Citra | \$25.48 | \$26.95 | \$28.42 | \$29.89 |
| Crescent City | \$24.85 | \$26.32 | \$27.79 | \$29.26 |
| Dowling Park | \$25.16 | \$26.63 | \$28.10 | \$29.57 |
| FL Sh Boys Ranch | \$25.16 | \$26.63 | \$28.10 | \$29.57 |
| Florahome | \$25.16 | \$26.63 | \$28.10 | \$29.57 |
| Fort White | \$31.76 | \$33.23 | \$34.70 | \$36.17 |
| Hastings | \$25.48 | \$26.95 | \$28.42 | \$29.89 |
| High Springs | \$25.48 | \$26.95 | \$28.42 | \$29.89 |
| Hilliard | \$24.13 | \$25.60 | \$27.07 | \$28.54 |
| Interlachen | \$25.16 | \$26.63 | \$28.10 | \$29.57 |
| Jasper | \$24.13 | \$25.60 | \$27.07 | \$28.54 |
| Jennings | \$24.13 | \$25.60 | \$27.07 | \$28.54 |
| Lake Butler | \$25.48 | \$26.95 | \$28.42 | \$29.89 |
| Live Oak | \$25.16 | \$26.63 | \$28.10 | \$29.57 |
| Luraville | \$25.16 | \$26.63 | \$28.10 | \$29.57 |
| Mayo | \$25.16 | \$26.63 | \$28.10 | \$29.57 |
| McIntosh | \$25.48 | \$26.95 | \$28.42 | \$29.89 |
| Melrose | \$25.48 | \$26.95 | \$28.42 | \$29.89 |
| Orange Springs | \$25.48 | \$26.95 | \$28.42 | \$29.89 |
| Raiford | \$24.85 | \$26.32 | \$27.79 | \$29.26 |
| Waldo | \$25.48 | \$26.95 | \$28.42 | \$29.89 |
| Wellborn | \$31.56 | \$33.03 | \$34.50 | \$35.97 |
| White Springs | \$25.16 | \$26.63 | \$28.10 | \$29.57 |

| | Residential | | | |
|--|-------------|-------------|-------------|-------------|
| | Current | Increment 1 | Increment 2 | Increment 3 |
| | \$10.25 | \$12.36 | \$14.47 | \$16.58 |
| | \$12.67 | \$14.78 | \$16.89 | \$19.00 |
| | \$10.25 | \$12.36 | \$14.47 | \$16.58 |
| | \$11.35 | \$13.46 | \$15.57 | \$17.68 |
| | \$10.25 | \$12.36 | \$14.47 | \$16.58 |
| | \$9.89 | \$12.00 | \$14.11 | \$16.22 |
| | \$10.05 | \$12.16 | \$14.27 | \$16.38 |
| | \$10.05 | \$12.16 | \$14.27 | \$16.38 |
| | \$10.05 | \$12.16 | \$14.27 | \$16.38 |
| | \$12.56 | \$14.67 | \$16.78 | \$18.89 |
| | \$10.25 | \$12.36 | \$14.47 | \$16.58 |
| | \$10.25 | \$12.36 | \$14.47 | \$16.58 |
| | \$9.64 | \$11.75 | \$13.86 | \$15.97 |
| | \$10.05 | \$12.16 | \$14.27 | \$16.38 |
| | \$9.64 | \$11.75 | \$13.86 | \$15.97 |
| | \$10.25 | \$12.36 | \$14.47 | \$16.58 |
| | \$10.05 | \$12.16 | \$14.27 | \$16.38 |
| | \$10.05 | \$12.16 | \$14.27 | \$16.38 |
| | \$10.25 | \$12.36 | \$14.47 | \$16.58 |
| | \$10.25 | \$12.36 | \$14.47 | \$16.58 |
| | \$10.25 | \$12.36 | \$14.47 | \$16.58 |
| | \$9.89 | \$12.00 | \$14.11 | \$16.22 |
| | \$10.25 | \$12.36 | \$14.47 | \$16.58 |
| | \$12.67 | \$14.78 | \$16.89 | \$19.00 |
| | \$10.05 | \$12.16 | \$14.27 | \$16.38 |

| | Business NAC | | | |
|-----------------------|--------------|-------------|-------------|-------------|
| | Current | Increment 1 | Increment 2 | Increment 3 |
| Service Order Charges | | | | |
| Primary | \$ 22.19 | \$ 25.00 | \$ 27.50 | \$ 30.00 |
| Secondary | \$ 15.13 | \$ 18.00 | \$ 20.90 | \$ 23.75 |
| Premise Visit Charge | \$ 14.63 | \$ 20.00 | \$ 24.00 | \$ 28.00 |
| Central Office Work | \$ 20.18 | \$ 22.75 | \$ 23.90 | \$ 25.00 |

| | Residential NAC | | | |
|--|-----------------|-------------|-------------|-------------|
| | Current | Increment 1 | Increment 2 | Increment 3 |
| | \$ 19.17 | \$ 22.90 | \$ 24.80 | \$ 25.00 |
| | \$ 11.09 | \$ 12.90 | \$ 14.25 | \$ 15.00 |
| | \$ 14.63 | \$ 19.85 | \$ 21.60 | \$ 25.00 |
| | \$ 20.18 | \$ 22.85 | \$ 23.60 | \$ 25.00 |

Dkt. No. _____
B. Willis Ex. No. _____ (BJW-8)
Basic Rate Changes 1-4

ALLTEL Florida Rate Rebalancing Proposal
 Revenue Impact of Local Rate Increases

\$ 2.11

| | Current Rate | August 2005 Units | Current Revenue/mo. | Year 1 | | | Year 2 | | | Year 3 | | | | | | | | | |
|--------------------------------|--------------|-------------------|---------------------|---------|-------------|-------------------------|---------------------|---------|-------------|-------------------------|---------------------|---------|-------------|-------------------------|---------------------|---------|--|--------------|--|
| | | | | Rate | Revenue/mo. | Rev Increase/mo. Year 1 | Revenue Increase/yr | Rate | Revenue/mo. | Rev Increase/mo. Year 2 | Revenue Increase/yr | Rate | Revenue/mo. | Rev Increase/mo. Year 3 | Revenue Increase/yr | | | | |
| Residential Increases: | | | | | | | | | | | | | | | | | | | |
| Rate Group 1 - No Exchanges R1 | \$9.38 | | | \$11.49 | | \$ - | | \$13.80 | | \$ - | | \$15.71 | | \$ - | | \$17.06 | | \$ - | |
| Rate Group 6 - No Exchanges R1 | \$10.73 | | | \$12.84 | | \$ - | | \$14.95 | | \$ - | | \$17.06 | | \$ - | | \$17.06 | | \$ - | |
| Alachua R1 | \$10.25 | | | \$12.36 | | \$12,292.86 | | \$14.47 | | \$12,292.86 | | \$16.58 | | \$12,292.86 | | \$16.58 | | \$8,868.33 | |
| Branford R1 | \$12.67 | | | \$14.78 | | \$8,868.33 | | \$16.89 | | \$8,868.33 | | \$19.00 | | \$8,868.33 | | \$16.58 | | \$2,816.85 | |
| Brooker R1 | \$10.25 | | | \$12.36 | | \$2,816.85 | | \$14.47 | | \$2,816.85 | | \$16.58 | | \$2,816.85 | | \$16.58 | | \$2,816.85 | |
| Callahan R1 | \$11.35 | | | \$13.46 | | \$12,187.36 | | \$15.67 | | \$12,187.36 | | \$17.88 | | \$12,187.36 | | \$16.58 | | \$4,435.22 | |
| Citra R1 | \$10.25 | | | \$12.36 | | \$4,435.22 | | \$14.47 | | \$4,435.22 | | \$16.58 | | \$4,435.22 | | \$16.58 | | \$4,435.22 | |
| Crescent City R1 | \$9.89 | | | \$12.00 | | \$4,017.44 | | \$14.11 | | \$4,017.44 | | \$16.22 | | \$4,017.44 | | \$16.38 | | \$2,264.03 | |
| Dowling Park R1 | \$10.05 | | | \$12.16 | | \$2,264.03 | | \$14.27 | | \$2,264.03 | | \$16.38 | | \$2,264.03 | | \$16.38 | | \$1,021.24 | |
| FL Sh Boys Ranch R1 | \$10.05 | | | \$12.16 | | \$1,021.24 | | \$14.27 | | \$1,021.24 | | \$16.38 | | \$1,021.24 | | \$16.38 | | \$2,687.04 | |
| Florahome R1 | \$10.05 | | | \$12.16 | | \$2,687.04 | | \$14.27 | | \$2,687.04 | | \$16.38 | | \$2,687.04 | | \$16.38 | | \$4,245.32 | |
| Fort White R1 | \$12.58 | | | \$14.67 | | \$4,245.32 | | \$16.78 | | \$4,245.32 | | \$18.89 | | \$4,245.32 | | \$16.58 | | \$4,046.98 | |
| Haslings R1 | \$10.25 | | | \$12.36 | | \$4,046.98 | | \$14.47 | | \$4,046.98 | | \$16.58 | | \$4,046.98 | | \$16.58 | | \$11,009.98 | |
| High Springs R1 | \$10.25 | | | \$12.36 | | \$11,009.98 | | \$14.47 | | \$11,009.98 | | \$16.58 | | \$11,009.98 | | \$15.97 | | \$5,407.93 | |
| Hilliard R1 | \$9.64 | | | \$11.75 | | \$5,407.93 | | \$13.85 | | \$5,407.93 | | \$15.97 | | \$5,407.93 | | \$16.38 | | \$8,338.72 | |
| Interfachen R1 | \$10.05 | | | \$12.16 | | \$8,338.72 | | \$14.27 | | \$8,338.72 | | \$16.38 | | \$8,338.72 | | \$15.97 | | \$3,578.56 | |
| Jasper R1 | \$9.64 | | | \$11.75 | | \$3,578.56 | | \$13.85 | | \$3,578.56 | | \$15.97 | | \$3,578.56 | | \$15.97 | | \$3,300.04 | |
| Jennings R1 | \$9.64 | | | \$11.75 | | \$3,300.04 | | \$13.85 | | \$3,300.04 | | \$15.97 | | \$3,300.04 | | \$16.58 | | \$5,678.01 | |
| Lake Butler R1 | \$10.25 | | | \$12.36 | | \$5,678.01 | | \$14.47 | | \$5,678.01 | | \$16.58 | | \$5,678.01 | | \$16.38 | | \$14,776.33 | |
| Live Oak R1 | \$10.05 | | | \$12.16 | | \$14,776.33 | | \$14.27 | | \$14,776.33 | | \$16.38 | | \$14,776.33 | | \$16.38 | | \$3,131.24 | |
| Luraville R1 | \$10.05 | | | \$12.16 | | \$3,131.24 | | \$14.27 | | \$3,131.24 | | \$16.38 | | \$3,131.24 | | \$16.38 | | \$3,713.60 | |
| Mayo R1 | \$10.05 | | | \$12.16 | | \$3,713.60 | | \$14.27 | | \$3,713.60 | | \$16.38 | | \$3,713.60 | | \$16.58 | | \$7,051.62 | |
| McIntosh R1 | \$10.25 | | | \$12.36 | | \$7,051.62 | | \$14.47 | | \$7,051.62 | | \$16.58 | | \$7,051.62 | | \$16.58 | | \$6,357.43 | |
| Melrose R1 | \$10.25 | | | \$12.36 | | \$6,357.43 | | \$14.47 | | \$6,357.43 | | \$16.58 | | \$6,357.43 | | \$16.58 | | \$4,496.41 | |
| Orange Springs R1 | \$10.25 | | | \$12.36 | | \$4,496.41 | | \$14.47 | | \$4,496.41 | | \$16.58 | | \$4,496.41 | | \$16.22 | | \$1,088.76 | |
| Railford R1 | \$9.89 | | | \$12.00 | | \$1,088.76 | | \$14.11 | | \$1,088.76 | | \$16.22 | | \$1,088.76 | | \$16.58 | | \$3,517.37 | |
| Waldo R1 | \$10.25 | | | \$12.36 | | \$3,517.37 | | \$14.47 | | \$3,517.37 | | \$16.58 | | \$3,517.37 | | \$19.00 | | \$3,540.58 | |
| Wellborn R1 | \$12.67 | | | \$14.78 | | \$3,540.58 | | \$16.89 | | \$3,540.58 | | \$19.00 | | \$3,540.58 | | \$16.38 | | \$2,173.30 | |
| White Springs R1 | \$10.05 | | | \$12.16 | | \$2,173.30 | | \$14.27 | | \$2,173.30 | | \$16.38 | | \$2,173.30 | | | | | |
| Total Per Month | | 69,205 | \$726,551.36 | | | \$146,022.55 | | | | \$146,022.55 | | | | \$146,022.55 | | | | \$146,022.55 | |
| Annualized | | | \$8,718,616.32 | | | | | | | | | | | | | | | | |

Total Revenue from R1

\$5,256,811.80

Dkt. No. _____
 B. Willis Ex. No. _____ (BJW-8)
 Basic Rate Changes2-4

ALLTEL Florida Rate Rebalancing Proposal
 Revenue Impact of Local Rate Increases

\$ 1.47

BUSINESS RATE INCREASES

| | Current Rates | Aug 2005 Units | Current Monthly Rev | Rate | Revenue/ Month | Year 1 Increase Rev/Month | Annual Revenue Increase | Rate | Revenue/ Month | Year 2 Increase Rev/Month | Annual Revenue Increase | Rate | Revenue/ Month | Year 3 Increase Rev/Month | Annual Revenue Increase |
|---------------------|---------------|----------------|---------------------|---------|----------------|---------------------------|-------------------------|---------|----------------|---------------------------|-------------------------|---------|----------------|---------------------------|-------------------------|
| Rate Group 1 - N B1 | \$23.46 | | | \$24.93 | | \$ - | | \$26.40 | | \$ - | | \$27.87 | | \$ - | |
| Rate Group 6 - N B1 | \$26.82 | | | \$28.29 | | \$ - | | \$29.76 | | \$ - | | \$31.23 | | \$ - | |
| Alachua B1 | \$25.48 | | | \$26.95 | | \$1,533.21 | | \$28.42 | | \$1,533.21 | | \$29.89 | | \$1,533.21 | |
| Branford B1 | \$31.56 | | | \$33.03 | | \$538.02 | | \$34.50 | | \$538.02 | | \$35.97 | | \$538.02 | |
| Brooker B1 | \$25.48 | | | \$26.95 | | \$119.07 | | \$28.42 | | \$119.07 | | \$29.89 | | \$119.07 | |
| Callahan B1 | \$28.37 | | | \$29.84 | | \$857.01 | | \$31.31 | | \$857.01 | | \$32.78 | | \$857.01 | |
| Citra B1 | \$25.48 | | | \$26.95 | | \$230.79 | | \$28.42 | | \$230.79 | | \$29.89 | | \$230.79 | |
| Crescent City B1 | \$24.85 | | | \$26.32 | | \$529.20 | | \$27.79 | | \$529.20 | | \$29.26 | | \$529.20 | |
| Dowling Park B1 | \$25.16 | | | \$26.63 | | \$64.68 | | \$28.10 | | \$64.68 | | \$29.57 | | \$64.68 | |
| FL Sh Boys Ranch B1 | \$25.16 | | | \$26.63 | | \$22.05 | | \$28.10 | | \$22.05 | | \$29.57 | | \$22.05 | |
| Florahome B1 | \$25.16 | | | \$26.63 | | \$86.73 | | \$28.10 | | \$86.73 | | \$29.57 | | \$86.73 | |
| Fort White B1 | \$31.76 | | | \$33.23 | | \$238.14 | | \$34.70 | | \$238.14 | | \$36.17 | | \$238.14 | |
| Hastings B1 | \$25.48 | | | \$26.95 | | \$470.40 | | \$28.42 | | \$470.40 | | \$29.89 | | \$470.40 | |
| High Springs B1 | \$25.48 | | | \$26.95 | | \$917.28 | | \$28.42 | | \$917.28 | | \$29.89 | | \$917.28 | |
| Hilliard B1 | \$24.13 | | | \$25.60 | | \$579.18 | | \$27.07 | | \$579.18 | | \$28.54 | | \$579.18 | |
| Interlachen B1 | \$25.16 | | | \$26.63 | | \$363.09 | | \$28.10 | | \$363.09 | | \$29.57 | | \$363.09 | |
| Jasper B1 | \$24.13 | | | \$25.60 | | \$551.25 | | \$27.07 | | \$551.25 | | \$28.54 | | \$551.25 | |
| Jennings B1 | \$24.13 | | | \$25.60 | | \$163.17 | | \$27.07 | | \$163.17 | | \$28.54 | | \$163.17 | |
| Lake Butler B1 | \$25.48 | | | \$26.95 | | \$536.55 | | \$28.42 | | \$536.55 | | \$29.89 | | \$536.55 | |
| Live Oak B1 | \$25.16 | | | \$26.63 | | \$1,974.21 | | \$28.10 | | \$1,974.21 | | \$29.57 | | \$1,974.21 | |
| Luraville B1 | \$25.16 | | | \$26.63 | | \$94.08 | | \$28.10 | | \$94.08 | | \$29.57 | | \$94.08 | |
| Mayo B1 | \$25.16 | | | \$26.63 | | \$408.66 | | \$28.10 | | \$408.66 | | \$29.57 | | \$408.66 | |
| Mcintosh B1 | \$25.48 | | | \$26.95 | | \$632.10 | | \$28.42 | | \$632.10 | | \$29.89 | | \$632.10 | |
| Meirose B1 | \$25.48 | | | \$26.95 | | \$304.29 | | \$28.42 | | \$304.29 | | \$29.89 | | \$304.29 | |
| Orange Springs B1 | \$25.48 | | | \$26.95 | | \$102.90 | | \$28.42 | | \$102.90 | | \$29.89 | | \$102.90 | |
| Raiford B1 | \$24.85 | | | \$26.32 | | \$86.73 | | \$27.79 | | \$86.73 | | \$29.26 | | \$86.73 | |
| Waldo B1 | \$25.48 | | | \$26.95 | | \$301.35 | | \$28.42 | | \$301.35 | | \$29.89 | | \$301.35 | |
| Wellborn B1 | \$31.56 | | | \$33.03 | | \$201.39 | | \$34.50 | | \$201.39 | | \$35.97 | | \$201.39 | |
| White Springs B1 | \$25.16 | | | \$26.63 | | \$223.44 | | \$28.10 | | \$223.44 | | \$29.57 | | \$223.44 | |
| | | 8251 | | | | \$12,128.97 | | | | \$12,128.97 | | | | \$12,128.97 | |

Total Revenue Increases from B1

\$436,642.92

Dkt. No. _____
 B. Willis Ex. No. _____ (BJW-8)
 Basic Rate Changes 3-4

ALLTEL Florida Rate Rebalancing Proposal
 Nonrecurring Rates

| Business NRC | | Quantity | Current | Increment 1 | Increment 2 | Increment 3 | |
|-----------------------|----------------|--------------------|----------|-------------|-------------|-------------|---------------|
| ASOC | Current | Sep '04 to Aug '05 | Revenue | Revenue | Revenue | Revenue | Revenue |
| Service Order Charges | | | | | | | |
| Primary | SOCBR \$ 22.19 | | \$ 25.00 | \$ 27.50 | \$ 30.00 | | |
| Secondary | SSOBR \$ 15.13 | | \$ 18.00 | \$ 20.90 | \$ 23.75 | | |
| Premise Visit Charge | PVBR \$ 14.63 | | \$ 20.00 | \$ 24.00 | \$ 28.00 | | |
| Central Office Work | COB \$ 20.18 | | \$ 22.75 | \$ 23.90 | \$ 25.00 | | |
| Total Revenue | | | | | | | \$ 385,659.30 |
| Revenue Change | | | | | | | \$ 16,439.00 |

| Residential NRC | | Quantity | Current | Increment 1 | Increment 2 | Increment 3 | |
|-----------------------|----------------|--------------------|----------|-------------|-------------|-------------|-----------------|
| ASOC | Current | Sep '04 to Aug '05 | Revenue | Revenue | Revenue | Revenue | Revenue |
| Service Order Charges | | | | | | | |
| Primary | SOCRR \$ 19.17 | | \$ 22.90 | \$ 24.80 | \$ 25.00 | | |
| Secondary | SSORR \$ 11.09 | | \$ 12.90 | \$ 14.25 | \$ 15.00 | | |
| Premise Visit Charge | PVRR \$ 14.63 | | \$ 19.85 | \$ 21.60 | \$ 25.00 | | |
| Central Office Work | COR \$ 20.18 | | \$ 22.85 | \$ 23.60 | \$ 25.00 | | |
| Total Revenue | | | | | | | \$ 2,894,839.70 |
| Revenue Change | | | | | | | \$ 254,750.21 |

Dkt. No. _____
 B. Willis Ex. No. _____ (BJW-8)
 Basic Rate Changes 4-4

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BEFORE THE PUBLIC SERVICE COMMISSION
DIRECT TESTIMONY
OF
BETTYE J. WILLIS

I. INTRODUCTION AND WITNESS BACKGROUND

Q. Please state your name, business address, employer and job title.

A. My name is Bettye J. Willis. My business address is One Allied Drive, Little Rock, Arkansas 72202. I am employed by Alltel as Staff Manager – External Affairs.

Q. Please describe your educational background and work experience in the telecommunications industry.

A. I have a Bachelor of Arts degree in Business Administration with an emphasis in Accounting from Rhodes College in Memphis, Tennessee.

I began working for Alltel in 1992 as an analyst in the Regulatory Group, where I worked on rate designs, analyzed commission orders and communicated impacts internally. In 1993, I transferred to the Corporate Accounting Department as analyst. I completed the consolidated financial schedules for the annual report and 10K filings, as well as completed and filed the 10Q filings of Alltel Corporation. I also prepared and monitored monthly budget variances for each corporate department.

In 1995, I transferred back to the State Regulatory Affairs Department as senior analyst for regulatory matters. In this capacity I was responsible for monitoring and

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1 communicating to management emerging issues at State commissions, legislatures and
2 other governmental bodies. I was promoted to Manager – State Regulatory Matters in
3 1996 and to Staff Manager – External Affairs in 2004, which is my current position.
4 In this capacity I am responsible for state regulatory and legislative matters for the
5 states of Alabama, Florida, Louisiana and Mississippi.

6

7 **II. OVERVIEW OF TESTIMONY**

8

9 **Q. What is the purpose of your testimony?**

10 **A.** The purpose of my testimony is to provide an overview of the relevant aspects of the
11 legislation that govern Alltel’s rate rebalancing plan, provide a detailed explanation of
12 Alltel’s plan, demonstrate that the plan meets the last two criteria set forth in 364.164
13 (1) (c) and (d), Florida Statutes (“Act”), and finally explain how Alltel will implement
14 its plan.

15

16 **Q. Have you prepared exhibits that accompany your prepared direct testimony?**

17 **A.** Yes. Exhibits BJW-1 through BJW-8 were prepared by me or under my direction and
18 supervision based on information contained in the business records of Alltel. These
19 exhibits summarize and reflect the details of Alltel’s rebalancing plan.

20

21 **Q. Please summarize your testimony.**

22 **A.** In this proceeding, Alltel asks for approval to rebalance its intrastate rates using the
23 procedure provided in Section 364.164, Florida Statutes. My testimony provides
24 background information about Alltel, gives an overview of Alltel’s plan, and describes

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1 in detail the access reductions and basic local rate increases. I also describe how
2 Alltel's plan meets the last two criteria of the Act, which are:

3 (c) require intrastate switched network access rate
4 reductions to parity over a period of not less than two years
5 or more than four years;

6 (d) be revenue neutral as defined in subsection (7) within
7 the revenue category defined in subsection (2).

8
9 **Q. WHAT OTHER ALLTEL WITNESS IS SPONSORING TESTIMONY IN THIS**
10 **PROCEEDING?**

11 **A.** One other witness is sponsoring direct testimony on behalf of Alltel. In his direct
12 testimony, David C. Blessing, a principal partner of Parrish, Blessing, & Associates,
13 Inc. (PBA), explains how Alltel's plan meets the first two criteria established by the
14 Act, which are: (1) to remove current support for basic local telecommunications
15 services that adversely impact competition for residential customers and (2) to
16 demonstrate how the Plan enhances the competitive market for basic local services.
17 Mr. Blessing also discusses economic principles that demonstrate that Alltel's plan
18 will have beneficial effects on its end-user customers, and that local rates will remain
19 affordable.

20
21 **III. THE LEGISLATION**

22
23 **Q. Please provide an overview of the legislation that authorizes the Commission to**
24 **consider Alltel's rebalancing petition.**

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1 **A.** The Act establishes a process by which incumbent local exchange carriers such as
2 Alltel, can petition to reduce intrastate switched network access rates and offset the
3 revenue losses resulting from such reductions by increasing basic local service rates
4 on a revenue neutral basis. Upon a finding by the Commission that the petition meets
5 the four criteria in 364.164(1), the local exchange company is authorized to implement
6 a “new revenue category mechanism” consisting of basic local telecommunications
7 services revenues and intrastate switched network access revenues to achieve revenue
8 neutrality. The reduction in intrastate access revenues, however, cannot be offset
9 entirely against basic monthly recurring revenues – some amount must be offset
10 against basic non-recurring revenues. For purposes of the Act, basic local
11 telecommunications services are defined as single line business and residential service
12 as well as associated non-recurring charges.

13
14 Section 364.164(1), Florida Statutes, states that in evaluating the petition, the
15 Commission shall consider whether granting the petition will:

- 16 1. remove current support for basic local telecommunications services that
17 prevents the creation of a more attractive competitive local exchange market
18 for the benefit of residential consumers;
- 19 2. induce enhanced market entry;
- 20 3. require intrastate switched network access rate reductions to be at parity over a
21 period of not less than two years nor more than four years; and
- 22 4. be revenue neutral, as that term is defined in the statute.

23
24 The testimony and exhibits filed by Alltel make the required showing under this
25 statute.

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1 **IV. BACKGROUND INFORMATION ABOUT ALLTEL**

2

3 **Q. Where does Alltel provide local exchange service in Florida?**

4 **A.** Alltel provides local exchange telecommunications services to all or parts of thirteen
5 (13) counties in North Central Florida. Alltel serves all of the counties of Suwannee,
6 Hamilton and Lafayette, and parts of the counties of Alachua, Gilchrist, Bradford,
7 Nassau, Marion, Putnam, Clay, Columbia, St. Johns and Union.

8

9 **Q. How many exchanges has Alltel established to serve this area?**

10 **A.** Alltel currently has twenty-seven (27) exchanges that are located at Alachua,
11 Branford, Brooker, Callahan, Citra, Crescent City, Dowling Park, Florahome, Florida
12 Sheriffs Boys Ranch, Fort White, Hastings, High Springs, Hilliard, Interlachen, Jasper,
13 Jennings, Lake Butler, Live Oak, Luraville, Mayo, McIntosh, Melrose, Orange
14 Springs, Raiford, Waldo, Wellborn, and White Springs.

15

16 **Q. What is the geographical size and density of the area the Company serves?**

17 **A.** Alltel's service territory is approximately 3,700 square miles. As of August 31, 2005,
18 Alltel served approximately 94,208 total access lines. This equates to approximately
19 25 access lines per square mile, which is relatively low compared to the larger local
20 exchange companies in Florida. BellSouth's density is approximately 341 lines per
21 square mile and Verizon's density is approximately 465 access lines per square mile.
22 Sprint serves less urban areas than BellSouth and Verizon with a customer density of
23 94 lines per square mile, which is still significantly higher than Alltel's customer
24 density.

25

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1 **Q. What do these density figures show?**

2 A. These figures reflect the type of area Alltel serves, i.e., a predominately rural
3 agricultural area. Alltel does not serve any major urban areas or cities. As a general
4 proposition, rural areas are more costly to serve than urban areas, both in terms of the
5 cost of initial construction and in terms of operating and maintenance costs.

6

7 **V. ALLTEL'S RATE REBALANCING PLAN**

8

9 **Q. Please summarize Alltel's Rebalancing Plan.**

10 A. Alltel's plan will result in the removal of support from basic local services through a
11 \$6 million reduction in intrastate switched network access revenue with a
12 corresponding increase in rates for basic local residential service, single-line business
13 service, and associated non-recurring residential and business service connection
14 charges. Alltel's plan will be accomplished in three increments over a two-year period
15 and is revenue neutral each year and in total. Upon Commission approval of the Plan,
16 Alltel will file tariffs and notify customers of the rate changes that will occur.

17

18 **Q. How will Alltel comply with the provision of the Act relating to Lifeline and pay
19 telephone access lines?**

20 A. The Act provides that "Billing units associated with pay telephone access lines and
21 Lifeline service may not be included in any calculation under this subsection."

22

23 Alltel identified the number of Lifeline and pay telephone lines in service during the
24 12-month period examined as required by the Act. The pay telephone lines were
25 removed from the calculation of revenue neutrality and the current rates will not be

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1 affected by rate changes associated with implementing the Act. For Lifeline
2 customers, Alltel will reflect a Lifeline credit that is increased by the amount of the
3 planned rate increases to residential service rates. This will ensure that there is no
4 impact to Lifeline customers as a result of implementing the Plan.

5

6 Of course, Alltel will also comply with other applicable laws and rules relating to
7 Lifeline, including the 2005 amendments to Section 364.10, Florida Statutes.

8

9 **Q. What about the impact on other low-income residential consumers?**

10 **A.** As part of the Act, the Legislature wanted to assure that some low-income residential
11 customers will not be adversely impacted by a basic service rate increase. The
12 Legislature included a provision in the Act that expands the eligibility criteria for the
13 Lifeline program, thereby potentially increasing the number of customers who will not
14 be impacted by planned rate increases.

15

16 **VI. ALLTEL'S RATE REBALANCING PLAN MEETS THE CRITERIA IN THE**
17 **ACT**

18

19 **A. The Rate Rebalancing Plan Requires Intrastate Switched Network Access**
20 **Rate Reductions Over a Period Of Not Less Than Two Years Or More**
21 **Than Four Years**

22

23 **Q. What provisions of the Act govern Alltel's petition to reduce its intrastate,**
24 **switched access rates?**

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1 A. The applicable provisions of the Act associated with the access reductions include the
2 following:

3

4 Section 364.164 (1), Florida Statutes, states:

5 “Each local exchange telecommunications company may, after July 1, 2003 petition
6 the commission to reduce its intrastate switched network access rate in a revenue
7 neutral manner.”

8

9 Section 364.164 (5), Florida Statutes, states:

10 “If the company has 1 million or fewer access lines in service, the term “parity” means
11 that the company’s intrastate switched network access rate is equal to 8 cents per
12 minute. This section does not prevent the company from making further reductions in
13 its intrastate switched network access rate, within the revenue category established in
14 this section, below parity on a revenue-neutral basis, or from making other revenue-
15 neutral rate adjustments within this category.”

16

17 Section 364.164 (6), Florida Statutes, states:

18 “As used in this section, the term “intrastate switched network access rate” means the
19 composite of the originating and terminating network access rate for carrier common
20 line, local channel/entrance facility, switched common transport, access tandem
21 switching, interconnection charge, signaling, information surcharge, and local
22 switching.”

23

24 Q. Are there any differences between Alltel’s interstate and intrastate switched
25 network access rate structures?

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1 A. Yes. Alltel's intrastate, switched network access rates include rates for carrier
2 common line and interconnection charge, however the interstate rates for these
3 elements are set at zero.

4

5 **Q. How will Alltel reduce intrastate switched network access rates to be in parity**
6 **with the 8 cents per minute intrastate switched network access rate referenced in**
7 **the Act?**

8 A. Alltel proposes to lower its intrastate, switched network access rates in three
9 installments over a two-year period pursuant to Section 364.164, Florida Statutes. The
10 switched network access revenue reductions will be offset by increases in basic local
11 exchange services and certain non-recurring service charges. Alltel will establish a
12 rate structure for its intrastate switched network access rates that mirrors the rate
13 structure for its interstate switched network access. The first installment will reduce
14 the intrastate carrier common line charge to approximately 0.028819 and eliminate the
15 interconnection surcharge. In the second installment, Alltel will reduce the intrastate
16 carrier common line charge to approximately 0.019437. In the final installment, Alltel
17 will reduce the intrastate carrier common line charge to approximately 0.010056. As
18 described earlier, the exact resulting rate will depend on the revenue expected to be
19 generated by the local rate increases.

20

21 **Q. How did Alltel calculate the revenue reduction associated with the intrastate**
22 **switched network access rate reduction?**

23 A. As specified by the Act, Alltel used the most recent 12 months actual pricing units, in
24 this case minutes of use, in developing the revenue impact of the intrastate switched
25 network access reduction. For purposes of this filing, the most recent available 12

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1 months information is for the period from September 2004 to August 2005. Alltel
2 applied the current intrastate switched network access rates to the actual minutes of
3 use (pricing units) to develop the current intrastate switched network access revenues.
4 Alltel then applied a \$6 million reduction to intrastate switched network access
5 revenues and the remaining revenues were then used to develop the estimated
6 intrastate switched network access rates to be in effect at the end of the two-year
7 period. This proposal brings the intrastate switched network access rates below the
8 required 8 cents per minute parity rate specified in Section 364.164 to an estimated 6
9 cents per minute at the end of the two-year period.

10
11 **Q. Does Alltel's approach result in parity between the intrastate composite switched**
12 **network access rate and the 8 cents per minute switched network access rate?**

13 **A.** Alltel proposal goes farther than the Act's minimum to reach parity. As previously
14 noted, Section 364.164(6), Florida Statutes, provides a comprehensive description of
15 what is included in the term "intrastate switched network access rate." It further
16 states: "As used in this section, the term "intrastate switched network access rate"
17 means the composite of the originating and terminating network access rate for carrier
18 common line, local channel/entrance facility, switched common transport, access
19 tandem switching, interconnection charge, signaling, information surcharge, and local
20 switching."

21
22 I have prepared Exhibit No. ____ (BJW-1) through Exhibit No. ____ (BJW-6), which
23 demonstrate that Alltel's access rate reduction plan will produce a composite switched
24 intrastate switched network access rate that is less than the 8 cents per minute
25 composite rate. Alltel's current intrastate composite switched network access rate is

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1 \$0.113229 and \$0.152407 for the Modified Access Based Compensation rate
2 ("MABC"). Alltel's proposed rate reductions produce an intrastate switched access
3 composite rate of approximately \$0.0603194 after all increments of the planned access
4 rate reduction are completed.

5
6 **Q. What is Alltel's schedule for adjusting intrastate switched network access rates?**

7 **A.** Alltel will reduce its intrastate switched network access rates to the target levels in
8 three separate annual increments over a two-year period. The first annual access rate
9 reduction will target removing the interconnection charge with the remaining
10 reduction coming from the carrier common line rate element. The first reduction will
11 reduce intrastate switched network access revenues approximately \$2,050,65368,577
12 and will remove the disparity between the MABC access rates and intrastate
13 InterLATA access rates. Exhibit No. ____ (BJW-3) provides calculations supporting
14 the first annual access reductions.

15
16 **Q. What intrastate switched network access rate changes are planned for the second
17 increment?**

18 **A.** The second annual intrastate switched network access rate reduction will further
19 reduce carrier common line rates. Alltel has estimated the impact of the second annual
20 increment of the access reduction to be \$1,974,76965,819 based on current pricing
21 units. This calculation is shown in Exhibit No. ____ (BJW-4).

22
23 **Q. What intrastate switched network access rate changes are planned for the third
24 increment?**

2005

1 A. The third annual intrastate switched network access rate reductions will be equal to the
2 second increment, which will decrease the carrier common line revenues further by
3 \$1,974,769,819. This calculation is shown in Exhibit No. ___ (BJW-5).

4
5 **Q. Does Alltel's plan comply with the provisions of the Act regarding intrastate**
6 **switched network access rate levels?**

7 A. Yes. Based on this plan, Alltel will reduce its intrastate switched network access rates
8 below the 8 cents per minute intrastate switched network access rate over a two-year
9 period utilizing three separate access reductions. These changes are shown in Exhibit
10 No. ___ (BJW-3) through Exhibit No. ___ (BJW-5). Although Alltel has estimated
11 the impact of each increment of the access reduction, the actual reduction amount for
12 each increment will be based on the latest 12 months pricing units at that time for
13 switched network access and basic local telecommunications services. As a result, the
14 impact of the access reduction for each of the three increments will likely vary from
15 the estimated amounts; however, Alltel does not believe that the actual results will be
16 materially different. Exhibit No. ___ (BJW-6) reflects these calculations.

17

18 **B. The Plan Is Revenue Neutral, As That Term Is Defined In The Act.**

19

20 **Q. What does the Act require regarding revenue neutrality?**

21 A. The Act requires that any access reductions be made in a revenue neutral manner.
22 Specifically, Section 364.164(2), Florida Statutes, states:

23 the local exchange company is authorized, the requirements
24 of section 364.051 (3) notwithstanding, to immediately
25 implement a revenue category mechanism consisting of

2005

1 basic local telecommunications service revenues and
2 intrastate switched network access revenues to achieve
3 revenue neutrality. The local exchange company shall
4 thereafter, on 45 days' notice, adjust the various prices and
5 rates of the services within its revenue category authorized
6 by this section once in any 12-month period in a revenue-
7 neutral manner.

8

9 **Q. Does Alltel's plan meet the revenue neutral requirement of the Act?**

10 **A.** Yes. To achieve the revenue neutrality required by the Act, Alltel proposes to
11 increase rates for basic local telecommunications services over the same two-year
12 period as the access rate reductions. As shown on Exhibit No. ___ (BJW-7), Alltel
13 will increase basic local residential, single-line business and associated non-recurring
14 rates in three increments over two years in amounts approximately equal to the
15 previously described access reductions of \$6,000,215191.

16

17 **Q. Describe the specific rate changes to basic local telecommunications services that**
18 **will take place to achieve revenue neutrality.**

19 **A.** Exhibit No. ___ (BJW-8) summarizes Alltel's plan for its basic residential and single-
20 line business local service rates as well as its non-recurring charges associated with
21 these services for the three increments. Alltel will increase basic local residential
22 service rates by approximately \$2.11 in each of three increments. Rates for single-line
23 business basic local service will increase by approximately \$1.47 in each of three
24 increments. These changes will increase basic local service revenues by a total of
25 approximately \$5,693,454.

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1 Additionally, Section 364.164(2), Florida Statutes, states: “An adjustment in rates may
2 not be offset entirely by the company’s basic monthly recurring rate.” Therefore,
3 Alltel will increase certain non-recurring service charges by an estimated \$305,234.
4 As a result, Alltel will not offset access charge reductions entirely by increases in
5 basic local service monthly recurring rates, but through a combination of recurring and
6 non-recurring rate elements as contemplated in the Act.

7

8 **Q. What factors could change the actual basic local service rates increases in Alltel’s**
9 **Plan?**

10 **A.** The Act provides that the actual pricing changes to accomplish revenue neutrality
11 must be based on the company’s most recent 12 months’ pricing units. As a result,
12 changes in pricing units for both switched network access services and basic local
13 telecommunications services will affect all three increments of Alltel’s price changes.

14

15 **VII. IMPLEMENTATION OF THE REBALANCING PLAN**

16

17 **Q. How will Alltel implement its rebalancing plan?**

18 **A.** Upon approval by the Commission of its plan, Alltel will follow the process outlined
19 in the Act. Alltel will implement a revenue category mechanism that consists of
20 intrastate switched network access services, basic local residential service, basic local
21 single-line business service, residential service connection charges and business
22 service connection charges. Billing information will be used to determine the most
23 recent 12 months pricing units for intrastate switched network access services and
24 basic local telecommunications services. These pricing units will be used to determine
25 switched network access revenue decreases and basic local telecommunications

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1 services revenue increases necessary for revenue neutrality. Exhibit No. ___ (BJW-7)
2 illustrates this calculation.

3

4 Second, consistent with the Act, Alltel will file tariffs with the Commission reflecting
5 the rate adjustments, and notify affected customers of the pending rate changes. Alltel
6 will follow this process for all three increments of price adjustments.

7

8 **VIII. CONCLUSION**

9

10 **Q. Please summarize your testimony.**

11 **A.** Alltel's plan is consistent with the Act and results in the removal of support from basic
12 local services through an approximate \$6 million reduction in intrastate switched
13 network access revenue with a corresponding increase in basic local residential service
14 rates, single-line business service rates and associated non-recurring charges by the
15 same amount. Alltel's plan will be accomplished in three increments over a two-year
16 period and is revenue neutral each year and in total. Alltel's plan accomplishes rate
17 rebalancing in not less than two years or more than four years in a revenue neutral
18 manner as required by the Act.

19

20 **Q. Does this conclude your direct testimony?**

21 **A.** Yes, it does.

22

23

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